INDIAN INSTITUTE OF MANAGEMENT, AHMEDABAD

Convocation Address

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Saturday, March 31, 2007

I am deeply honoured by your kind invitation to address you at your Convocation. Nearly thirty years after I left the business school that I attended, I can only speculate on what is taught at a business school or how it is taught. Nevertheless, it is quite evident that what you are taught and what you have learned command great value beyond the boundaries of your Institute. Allow me to recall a story concerning the President of Harvard University. He was once asked how Harvard remained such a great treasure house of knowledge. With characteristic modesty, the President replied, "Because the freshman class brings to the University so much knowledge and the graduating class takes away so little." If what you leave behind is greater than what you will take with you, there is a great future for this Institute and for the succeeding generations of students.

As you prepare to step out into the world outside your campus – a world of which many of you may have some experience – I wish to give you an account of that world as I see it – how it has changed, how it has resisted change and how, sometimes, it still refuses to change.

The key challenge of our times is change. The key challenge of a manager is the management of change. The manager is not always, and not only, a change agent. There are others who wish to change the manager.

There are many forces that play upon the manager and that attempt to influence the manager – not the least among them the very stakeholders whose thought and behaviour the manager wishes to change. After some years you will find, as I have done, that it is not easy to distinguish between the change agent and the object of change or between cause and effect or between action and reaction.

Today, I wish to speak to you on bringing about change in the economy with the objective of driving economic growth to a higher plane. Through recorded history, and especially in the 2000 years that are marked by the Gregorian calendar, the fortunes of different countries of the world have swung from one end to the other. In 1800 India is believed to have accounted for 20 per cent of world trade; today, its share is barely 1 per cent. Once upon a time, the Greek and Roman empires were among the most powerful and the most prosperous; today, Greece is a popular holiday destination as well as an emerging financial centre while the Roman Empire is no more than a prosperous Italy in search of a government. Three hundred years ago, the United States did not exist; today, it is the world's richest country and claims to be the sole super power.

The lesson history teaches us is that no country is condemned to remain poor forever and no country can claim to have a perpetual lease on prosperity. The rise and fall of nations is a fact of history. Nations compete with each other, and those that are wise and resourceful will certainly gain over others. Look around, and you will find that this has happened in our own neighbourhood. Many countries that are smaller than India – and that were poorer than India – have surged forward. Some of them have wiped out abject poverty – for example, Malaysia and Thailand. Some have become middle-income countries – for example, South Korea. Some have achieved remarkable progress in literacy, life expectancy and other human development indicators – for example, Sri Lanka. While some countries may have natural advantages, there is none that cannot be equaled or excelled. While some countries start with disadvantages, there is none that cannot be overcome or turned into an opportunity.

India got its chance in 1947. We set out to build the institutions of a democracy – an elected Parliament, an independent judiciary, a strong civil service, a free press, non-governmental organizations and so on. We achieved a large measure of success in these efforts. However, we failed in one important area. We did not -- by accident or design -- encourage the creation of wealth. Wealth creation – especially through private enterprise – was viewed with suspicion and sometimes even contempt. Party manifestos discussed the well-being of the nation and the welfare of the people but did not discuss the creation of wealth. I am surprised that few people in authority saw the connection between wealth and well-being or between wealth and welfare. There was little concern expressed when the economy grew at no more than 3.5 per cent per year for nearly three decades; on the contrary, there was a sense of contentment with the rate of growth, and a false belief that our social objectives would be served by such moderate growth.

But all that was in the distant past. India got its second chance in 1991. The gravity of the economic crisis seemed to have stunned the political parties into acquiescence as the reformers began work on changing the policies that determine the course of an economy. What was more encouraging was the silent support of the majority of the people who looked forward to change. Suddenly, there emerged a class of people – young, eager, ambitious and ready to take risks – that seized the opportunity with both hands to become entrepreneurs. New businesses were started. New products were made. New services sprung up. New markets were located. Above all, this class dared to challenge the established order: neither family nor lineage nor wealth nor rank deterred the new tigers. In the space of ten years, the world of business was turned upside down. It is well to remind ourselves that businesses that are household names today did not exist fifteen years ago; and the few that did were generally regarded as upstarts. The acknowledged leaders of business today, save a few honourable exceptions, have come out of the new mint of the liberal economic era.

I salute the generation that has caused the transformation of India's economy. As torch bearers of the next generation of entrepreneurs and managers, I ask you, 'what will you do'? Are you content to become part of the current establishment that will soon become the old establishment? Or, are you willing to look beyond the immediate circle of family, work and friends and take on greater challenges that face the country?

For every Indian who sees the world as his oyster, there is another Indian – or perhaps two or three -- who has the aspiration but not the means to realize his most modest dreams. I am proud of the fact that we have achieved, on average, a growth rate of GDP of 8.6 per cent during the period of three years that will end today. At the same time, I am acutely aware that our economy is growing at a rate below its true potential. Why is this so? Undoubtedly, there are many reasons, but the most important appears to be that nearly one-half of the people of the country do not fully participate in the growth process due to lack of education or skills or jobs or capital or opportunity. They are the 'poor', not only in terms of income poverty but also in terms of many human development indicators. Each one of the deficiencies that hold back the poor from fully participating in the process of economic growth can be remedied through suitable policies. Unfortunately, however, the debate in India deliberately steers clear of policy issues and focuses, almost entirely, on expenditure. On social services alone, the Central Government's expenditure in 2006-07 is estimated at Rs.66,727 crore, which is a six-fold increase from the level of expenditure in 1995. Likewise, on poverty alleviation programmes, the total expenditure of the Central Government in 2006-07 will be Rs 45,466 crore. The latter sum, if distributed to every family below the poverty line, will ensure an allocation of Rs 8,500 per year per family. Where do these monies go? For every rupee of outlay, what is the output? And after measuring the output, what is the outcome? The progress from outlays to outcomes has been marked by failure of two kinds: the first is design failure and the second is governance failure.

The mid-term appraisal of the Ninth Plan (1997-2002) put the issue succinctly: 'Successful implementation of development programmes requires adequate funds, appropriate policy framework and effective delivery mechanism. Past experience has shown that availability of funds is no panacea for tackling problems of poverty and backwardness; it may be a necessary but not a sufficient condition.' This point was also emphasized in the Tenth Plan document, and it has been reiterated in the Approach Paper to the Eleventh Plan.

Let me share with you the experience of implementing Sarva Shiksha Abhiyan. The number of out-of-school children in the age group 6 to 13 years in 2005 was over 1.34 crore or 6.94 per cent of all children in that age group. The proportion of out-of-school children varied across States, but there was no evidence of any direct correlation to the backwardness or the poverty of a State. Orissa, with a high incidence of poverty, had a lower proportion of out-of-school children than the national average. So had Rajasthan. On the other hand, in West Bengal, the proportion of out-of-school children was higher than the national average. Likewise, the proportion of children who had never attended school among the out-of-school children also varied widely from State to State. In Karnataka, the proportion was 50.45 per cent and in neighbouring Tamil Nadu it was 70.34 per cent. These facts stare in our face. Why are children out-of-school? Why does a child never attend school? Why does a child drop out after few years in school? The Sarva Shiksha Abhiyan is a national programme that has been allocated every year large sums of money, yet it appears there are issues concerning design, delivery and implementation that need to be addressed in order to achieve the laudable objectives of the programme.

Addressing an audience of trained managers, I need hardly emphasize the importance of appropriate design, delivery and effective implementation. Examples such as Sarva Shiksha Abhiyan can be multiplied. Telephones, especially mobile telephones, work brilliantly, but why does the Department of Post deliver ordinary mail at a snail's pace? Why and how does wheat intended for distribution through the public distribution system reach private flour mills? How much fertilizer does a farmer who holds an hectare of land need, what is the cost, and what is the most effective way to deliver the subsidy directly to the farmer leaving it to him to buy the fertilizer of his choice? If Mumbai and Delhi airports can be modernized and upgraded through the public private partnership model, why is there reluctance to adopt the same model for Kolkata and Chennai airports? What is the distinction between a bank branch and an ATM if both must be licensed by the Reserve Bank of India? Why does a farmer sell his potato at 75 paise per kilogram in Salboni when it is sold to the consumer at Rs.7.50 a kilogram in nearby Kolkata? Why would a parent send her child to school that is two, three or five kilometres away if there is no teacher in that school or, if there is a teacher, the teacher does not attend school everyday?

It would be wrong to take a political or ideological view of these issues. These issues primarily involve questions of design, delivery and implementation. I am not competent to speak of design and delivery of programmes in China, but we know that China has a splendid record of implementation, especially in the infrastructure sector. China boldly proclaims that it is 'One country, two systems.' Actually, there are three; the third is in little noticed Macau. Each system in China is geared towards implementation and the achievement of targets and goals, the most important being the creation of wealth. But this is not the occasion to speak on China, my immediate concern is India. I suspect that in India we have 'One country, one system and as many interpretations as there are political parties.' The Indian brand of deliberative democracy with innumerable checks and balances has often paralyzed decision-making, led us to accept sub-optimal solutions, and ultimately exacted an enormous cost in terms of time and money while implementing a project or programme. This approach must change. In the case of development programmes, the time has come to adopt after due deliberation a system, eschew conflicting interpretations of that system, and work that system to the best advantage of the people.

Most development programmes, although initiated or funded by the Central Government, are actually implemented by State Governments and units of administration within a State. The cutting edge of implementation rests with agencies at the district, block and village levels. The Ninth Plan document noted, quite correctly, that 'Success stories have generally come about where different models of participation by people's institutions are being adopted.....in fact, in most of the successful interventions, the constraints and inertia of the rural people have been removed through the involvement of facilitators/animators coming from all walks of life. Among them were political leaders, social activists, philanthropists, corporate managers and government officials who successfully catalysed the development process through people's participation.'

Over the years, many development programmes have bypassed the people and delivered poor results because they were seen as government programmes. There is little public ownership of development programmes. If you ask a villager about a road work in his village that is half complete or about the dilapidated school building, his answer will invariably refer to a third person. '*They* said the road will be completed before the rains, but *they* have not come here since last summer' or '*They* promised to include our school in last year's list, but *they* did not, and our MLA intends to take it up with *them*'. Who are *they* and who are *them*? The disconnect between the citizen and the government is evident and perhaps even explicable. What is not so explicable is the disconnect between the citizen and the development programme itself. The villager knows that it is his money that is funding the half complete road or the promised school building; yet, there is no sense of ownership. Absent public ownership of development programmes, there will be little accountability on the part of those who are charged with the duty to deliver the road or the school building. As the Approach Paper to the Eleventh Plan points out, 'Unless such accountability is established, it would be difficult to ensure significant improvement in delivery even if additional resources are made available.'

Like many others, I have also spoken on several occasions about the two parts of India and the disconnect between them. There is one part of India that is eager to compete, win and join hands with the best and the brightest in the global market place. There is another part of India that is struggling, deprived, and frequently frustrated in its quest for a better life. The two parts must be connected. Policy failures and governance failures must be addressed. Deficiencies in design, delivery and implementation must be remedied. Time is of the essence, and the consequences of failure are too grave to leave the task to government alone. There must be willing participation of other catalyzing agents and, among them, as I mentioned a little while ago, are corporate managers. This Institution, IIMA as it is popularly known, is a shining example of a big dream of one man – Dr Vikram Sarabhai -- that was successfully achieved ahead of its time through public ownership of an idea and through many catalyzing agents such as public spirited industrialists, the Government of India, the Government of Gujarat and the residents of Ahmedabad. I would be happy if groups of young men and women will band together and each group will agree to give two or three years of their lives to engage in debate and discussion and to find innovative solutions that will make the India growth story inclusive, durable and permanent.

The National Rural Employment Guarantee Scheme (NREGS), the Sarva Shiksha Abhiyan, the mid-day meal scheme, the Integrated Child Development Scheme, the National Rural Health Mission, the bank credit-linked self-help group scheme and similar programmes are key interventions in our effort to make the India growth story more broadbased and inclusive. The Planning Commission has placed some, and will place more, external monitors and evaluators to assess the implementation of these programmes. I wonder if some of you, at some stage in your lives, will come forward and volunteer to work as monitors and evaluators at the block or district levels. That is the battleground where the war on poverty, ignorance and disease will be won or lost, and we need more selfless foot soldiers on that ground. I shall leave you with that thought on one of the most important days of your life.

I congratulate the students of the graduating class on the Post-Graduate Diplomas that will be conferred upon them today. Their teachers and their parents and families may legitimately share this moment of pride, for without them such achievement would not have been possible. I wish the students of the graduating class success in their chosen careers and in the objectives that they have set for themselves in their lives.

Thank you and God bless you.