

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

**FINANCE MINISTER CONFIDENT OF INDIA'S CAPACITY TO COME OUT
STRONGER FROM ANY INTERNATIONAL FINANCIAL CRISIS; CALLS FOR
GREATER POLICY TRANSPARENCY, COHERENCE AND COORDINATION ACROSS
SECTORS AND DIFFERENT LEVELS OF GOVERNMENT**

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The Union Finance Minister Shri Pranab Mukherjee said that India's robust performance in difficult times shows that we could actually come out stronger from any international financial crisis. The Finance Minister said that we have to be alert to shape real-time policy responses, reform systems, improve the regulatory framework of our institutions and make the most of the opportunities coming our way. The Finance Minister Shri Mukherjee said that economic reforms undertaken more specifically since 1990s, have led to a rapid globalisation of the Indian economy. As a result, the nature and the domain of public policy making is undergoing a major transformation, the Minister added. He said that on the one hand, there is an urgent need to build and strengthen the public capacity to follow and analyse international economic developments, process information from diverse sources and respond to them quickly, in keeping with the national interests. On the other hand, with the centre of economic activity shifting towards the non-state actors in the economy, it is important to reorient government processes towards bringing about greater policy transparency, coherence and coordination across sectors and between different levels of government, Shri Mukherjee added.

The Union Finance Minister Shri Pranab Mukherjee was speaking at a function organized here today to mark the Golden Jubilee Celebrations of Indian Economic Service (IES). Dr Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, Dr D Subbarao, Governor, Reserve Bank of India, Shri Ajit Kumar Seth, Cabinet Secretary, Shri R.S.Gujral, Finance Secretary, Shri R.Gopalan, Secretary, Department of Economic Affairs, Dr Kaushik Basu, Chief Economic Adviser and senior officers of Ministry of Finance and IES were also present on the occasion among others.

The Union Finance Minister Shri Pranab Mukherjee said that with greater role assigned to market forces, there is a need to re-design incentive structures for development and regulation of markets and for improving the quality of governance. He said that it is important for us to understand that government on its own cannot deliver on every aspect of our vast economy. The Finance Minister Shri Mukherjee said that the Government's role is to create conditions where people are empowered and can help themselves. It has to facilitate private firms and corporations so that they can also shoulder the task of nation building, the Minister added. Shri Mukherjee said that the changing role of the Government as an 'enabler' requires greater analytical

capacity and economic expertise to be injected into the decision making processes. He said that this input is required in all areas of public policy, including foreign policy and in our strategic thinking on issues of defence and national security. And it is particularly required at the senior management level, where the decisions are actually taken, Shri Mukherjee added.

The Union Finance Minister Shri Pranab Mukherjee said there is a significant scaling-up of the development efforts in social sectors, higher transfer of resources to the States and a move towards fuller integration of the economy with the proposed implementation of a uniform GST in the country. To this effect, there is an urgent need to spread the process of economic reforms from the Centre to the States and on to sub-States levels for harmonising economic policies at different levels, he added. Shri Mukherjee said that this requires strengthening and strategic deployment of public capacity for economic analysis and policy making, improving efficiency of public expenditure and raising the accountability in delivery of services by the Central and the State Governments.

The Union Finance Minister Shri Pranab Mukherjee said that today India has global responsibilities of a kind that it did not have even fifteen years ago. He said that our presence now on the 'high table' of global policy makers is a matter of pride. The Finance Minister said that it would have made India's founding fathers proud. He said that this places huge new responsibilities on our shoulders. The Union Finance Minister Shri Pranab Mukherjee **said if India can continue to grow and acquire economic strength, we could be a source of stability for the world economy and provide the safe havens for restless global capital. That would also enable us to develop even faster and spread the benefits of growth to the poor and the marginalized, the Minister added.**

Congratulating all the officers of the Indian Economic Service (IES) on the occasion, the Union Finance Minister Shri Pranab Mukherjee said that this service was started in 1961 in order to build and institutionalise a capacity in the Government for economic analysis in formulating development policy. The Finance Minister said that the principal objective of setting-up this service was to bring development theory closer to practice by informing the process of policy making through required expertise and skills. He said that this logic continues to be as relevant even today as it was then. Shri Mukherjee said that more importantly, the complexity of economic management in a globalised world necessitates policy making to be evidence based. It has to create incentives for different stakeholders to contribute their best in sustaining economic activity and creating a stable and secure society, the Minister added. He said that indeed, there is a need to scale-up and qualitatively improve the use of expertise in policy making process at the highest levels in all tiers of government. A specialized service such as the IES has a significant role to play in this context, the Minister added.

Having been the Finance Minister of India and having had the privilege of presenting a number of Union Budgets, Shri Mukherjee said that he is acutely aware of the need for professional economics input in nation-building. Economic policymaking in today's time is so complex that most decision makers find it very

difficult to master this art, the Minister added. He said that for this very reason, the importance of the IES has grown over time. Shri Mukherjee said that he has no doubt in his mind that the need for the service will keep growing in the decades to come. He said that there is another significant role that IES was expected to play. The Union Finance Minister Shri Pranab Mukherjee said unlike other specialized Group 'A' Central Services, IES was conceived as an inter-ministerial service with presence in ministries covering social sectors and those with predominantly economic role, like Planning Commission, Ministry of Finance, Agriculture, Industry and Commerce. This arrangement meant that the Cadre posts of the Service were spread across different participating ministries and departments and were not confined to the parent department, as in the case of other specialized services, the Minister added. Shri Mukherjee said that such an arrangement, involving an inter-departmental mobility of the IES officers, was expected to facilitate greater coherence and coordination in the Central Government's policy formulation and economic management.

The Union Finance Minister Shri Pranab Mukherjee said that the events of the past month, such as Standard and Poor's downgrading of US long term bonds and the sharp decline in the stock prices in Europe has shaken global markets. India has reason to be concerned. At the same time, he said that these shocks are markers of shifting balance in the global economy, presenting new opportunities for us.

Shri Mukherjee said that he is aware that the talent and professional expertise that we have in the Indian Economic Service is second to none. We need to empower this talent and give them more responsibilities to perform at their professional best, the Minister added. Shri Mukherjee said that it is his understanding that for any organization to deliver on its intended role, it is imperative that the **three pillars of recruitment, capacity building and career progression are strengthened**, in keeping with the requirements of the time. He said when he took over as the Finance Minister and had the opportunity to look into the affairs of the IES, he found there was considerable scope for improvement in all these three fronts. The Union Finance Minister Shri Pranab Mukherjee said that the IES officers, by virtue of serving in diverse subject areas including finance, social sector, agriculture, industry, infrastructure and trade develop an understanding of the flow of information within the Government, the institutional mechanisms for planning, policy making and the Parliamentary processes. More importantly, the Minister said that the Service officers support the institutional memory and continuity in the Central Government, which is vital for good policy-making and the decision-making process. This is an asset that has to be put to its best use in larger national interest, he added.

The Union Finance Minister Shri Pranab Mukherjee concluded that the Golden Jubilee of IES is a milestone well deserved by the service and its officers. He said that the celebrations beginning today should showcase their contributions in the service of the nation. Shri Mukherjee said that it should also highlight the promise of their capabilities to meet future challenges of the Indian economy. He said that as the IES officers celebrated this moment, it was also necessary to search the soul, to unearth ways and commitment, to create for the Service a place in the government policy-making process worthy of its true potential, he added. The Minister wished all IES officers a successful and rewarding career in the service of the nation.

The Finance Minister also launched a website of the Indian Economic Service. A logo of the Service was also launched on the occasion of its Golden Jubilee Celebration.

On the occasion, Deputy Chairman, Planning Commission Shri Montek Singh Ahluwalia launched Arthapedia, a knowledge based portal modeled after Wikipedia. He also spoke on the role of economic analysis in Government. Besides, Dr. Subbarao, Governor Reserve Bank of India too addressed the gathering and discussed the role of economics in policy making.

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