Planning Commission
Government of India

PART A: News pertaining to Planning Commission

03.12.2014

Compiled by:

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(महापुरुषों के प्रेरणात्मक विचार)

(अगर आपने हवाई किले बना रखें हैं, तो आपका काम बेकार नहीं जाना चाहिए; वे वहीँ होने चाहिए. बस अब उसके नीचे नीव डाल दीजिये).

Henry David Thoreau हेनरी डेविड थोरौ

1. First time, PM calls all CMs for meeting
Indian Express: 03.12.2014

Prime Minister Narendra Modi has called all chief ministers on December 7 to discuss the future of the Planning Commission, an institution which he publicly said had outlived its utility and needed to be replaced with a new one. This will also be Modi's first meeting with the chief ministers since taking charge as the Prime Minister.

A senior government official told The Indian Express there was a sense of urgency in the Prime Minister's Office to finalise the new institution's design and structure because it has been more than 100 days since the Prime Minister himself made this announcement on August 15. In his Independence Day address, Modi had said the government will "very shortly" move in a direction to make the new institution functional.

"After his return from the G20 Leaders' Summit and bilateral meetings in Australia, the Prime Minister met senior Cabinet ministers and secretary-level officers to take stock of the action taken by their respective departments over announcements made by the government and by him. Several were pulled up for poor follow up," another official said.

Officials said the Planning Commission was set up following a March 15, 1950 Cabinet resolution. Any proposal to replace the Planning Commission with a new institution has to be therefore placed before and approved by the Cabinet.

In fact, former Prime Minister Manmohan Singh, had in mid-2010 said the Commission must be an "essay in persuasion" and transform itself into a Systems Reforms Commission. The Plan panel then had envisaged that the Commission would restructure itself to build a larger network with opinion makers, produce thought papers and communicate more lucidly.

According to government officials, the PMO is keen that the new institution work closely with states, rather co-opt states, to take the country to the next level of development and reforms. The new institution, one official said, may be christened as the National Development Reforms Commission.

In his Independence Day address, Modi had said the Planning Commission was a very old system and will have to be changed a lot to meet the needs of changing times. "Sometimes it costs more to repair the old house, but, it gives us no satisfaction. Thereafter, we have a feeling that it would be better to construct a new house altogether and therefore within a short period, we will replace the Planning Commission."

He envisaged the institution as a new body, a new soul with new thinking and direction. "…(It will work) to promote the aspirations of state governments seeking development, to empower the state governments and to empower the federal structure," he had said.

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2. Neeti Aayog: Modi to meet CMs

Sanjeeb Mukherjee, Business Standard: 03.12.2014

Taking forward the concept of Team India, Prime Minister Narendra Modi is likely to meet chief ministers twice on Sunday to formalise the contours of the new body that will replace the PlanningCommission.

Officials said the prime minister would first meet the chief ministers, along with their officials, in the morning. A separate session will follow, in which Modi would meet only the chief ministers.

The meetings are part of the government effort to build a broad consensus on the shape of the new body that will replace the commission.

"Letters are being dispatched to the chief ministers inviting them for the crucial meeting," a senior official said.

The new body — likely to be called Neeti Aayog — is expected to comprise the office of Direct Benefit Transfer, Unique Identification Authority of India, the interstate councils and Programme Evaluation. Each of the four departments will be headed by a secretary-level officer.

Modi, in his maiden Independence Day speech, had announced the winding up of the five-decade oldPlanning Commission, replacing it with a new body. The government held a series of meetings with experts and analysts on its shape.

In between, the role and functions of thecommission was gradually reduced. Its financial might was clipped through a recent circular which directed all major ministries and departments to furnish their Plan Budget estimates for 2015-16 directly to it.

3.Planning Commission: Time for silent burial

Bikky Khosla, SME Times: 02 Dec, 2014

The Planning Commission is likely to be declared dead soon. Last week, the media reported that the Centre has zeroed in on the role and structure for a new body that would replace the 64-year old commission. Earlier in his Independence Day speech, PM Modi had told about this. People's suggestions were sought. And now the government is in the final stage of making announcement of a new body. The finer details, as reported, will be chalked out after discussion with state Chief Ministers this week.

There is little doubt that the plan panel has outlived its utility. The institution was set up in 1950 after India won independence with the belief that it would help meet the enormous amount of development work needed to be done across several sections of the economy. In addition, those were the days when socialism seemed triumphant. Our leaders, including Jawaharlal Nehru believed in a socialist model of economics. Many economists of the period, including P C Mahalanobis nurtured the faith in the system of state controlled economy. However, now we have come a long way from the days of government control over industry.

The commission was originally founded to play only an advisory role, but unfortunately it gradually became an economic cabinet not only for the Centre but also for the states and this, in turn, fueled Centre-states conflicts. Till 1967, this, however, failed to harm the Centre-states relation much due to one-party (Congress) rule at the Centre and in most of the states. But after 1967 elections, the scenario changed as the party was defeated in nine states and the non-Congress state governments opposed the increasing centralization. During the last two decades, we have seen the end of single-party dominion even at the Centre. It sounds more logical now to structure a new institution that can contribute to the federal structure of the nation.

Recently, Finance Minister Arun Jaitley has said that each state should be allowed to decide and plan how it intends to use the national resources. I think this is the right approach. Under the present mechanism, the plan panel monitors and regulates the Centre allocated resources to a state of which only about 10 percent is allowed to be used by the state government as it deems fit and outside the framework designed by the Centre. In addition, the requirement that the state Plans are to be approved by the planning commission is irksome for the states. These anomalies need to be fixed.

4. Infratweet: Toothless green regulator of no use
Vinayak Chatterjee, Financial Express: December 3, 2014

Neeti Aayog To Replace Planning Commission: This closes the chapter of socialist era planning and the new government's announcement of doing away with the Planning Commission. Each of the four divisions is expected to be headed by a Secretary level officer.

Tweets: 'NEETI AAYOG' – the new avatar of Plng Comm to have 4 pillars: Direct Benefits Transfer, UIDAI, Inter-state Councils & Prog Evaluation.

Tweets: Ambit of NEETI AAYOG reflects the transfer of jurisdiction of Plan Expenditure to Finance Ministry. Plng Comm's financial clout removed.

5. Private stations can be a win-win for railways, operators
Business Standard: 03.12.2014

But the Railways must first reform its own culture

The idea of modernising and running India's large railway stations in the public-private-partnership (PPP) mode has been dusted and taken off the shelf. The prime minister has announced that this will be done initially in around a dozen stations, with trains running below and the space above developed as commercial property. The idea of modernising railway stations under a PPP arrangement was aired several years ago by the then railway minister, Lalu Prasad, who visualised attracting Rs 15,000 crore investment in 22 stations. A beginning was made in seeking to transform New Delhi Railway Station for the Commonwealth Games in 2010. But this was a non-starter as the Planning Commission and the railways could not agree on a model concession agreement for such projects. Now, with a more powerful prime minister, Narendra Modi, at the helm and the **Planning Commission** out of the way, it is quite likely that prominent Indian railway stations will be put under the PPP mode.

Running railway stations or owning rolling stock like wagons and even entire trains is not the core operation of the railways, which is to maintain tracks and signalling and run trains. So it is entirely logical that the prime real estate that every station represents be leveraged to unlock capital and build valuable commercial space and business. But the more important issues are how this should be done and whether the railways in their present condition are capable of doing a good job of it. Their experience in bringing in private partners has been at best mixed. As there are no private competitors in the railway business and railway services are a utility, it is critical to get the regulatory framework right. Catering on long-distance trains, for example, has been outsourced with negative results. Quality initially jumped but thereafter declined, indicating that the railways are neither very efficient nor sufficiently free of corruption to do a good job of monitoring private delivery.

The key task before Mr Modi is to have a railways minister who can bring about a culture change in the organisation, so that it can successfully venture out into new forms of management. He has already made a false start, and the railways minister has had to be changed. In the process, a crucial six months have been lost. Hopefully the new minister, Suresh Prabhu, who comes with a reputation for both efficiency and integrity, will be able to deliver. For private development and management of railway stations to succeed, the concession agreement has to get the pricing right, so that the operator can earn a decent return without overcharging passengers and incentives to improve efficiency. It is also critical to lay down minimum standards of service and ensure that they are maintained. There should be penalty for failing to make the mark and provision to get rid of a non-performer and bring in a new partner. None of this is rocket science, but the bureaucracy in the railways has to do much to get it right.

6. **Good road sense**
Written by G K Pillai Indian Express: 03.12.2014

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Harsh penalties have been prescribed for those who ignore safety during design, engineering and maintenance of roads.

The decade leading up to the present government's formation has seen carnage on Indian roads. At the very least, 12 lakh people have been killed and close to 55 lakh left seriously injured or permanently disabled due to road crashes. The majority of victims were of productive age (between 15-50) and scores were their families' sole breadwinners. Road accidents cause an annual economic loss of 3 per cent of the GDP. Despite this, the issue had not seen any concerted action to address it. Not anymore. The government hopes to pass the Road Transport and Safety Bill, 2014, to replace the archaic Motor Vehicles Act, 1988, this winter session.

The causes of our high rate of road crashes include bad road-user behaviour, catalysed by a faulty licensing system, poor road design and engineering, with low probability of prosecution for lapses, and weak enforcement of inadequate traffic laws, which have been anything but a deterrent. The new bill attempts to tackle most of these issues.

At the outset, it addresses the fundamental lack of a framework to monitor and sustain road safety. Presently, the country has no dedicated agency for road safety and, therefore, no one to monitor, intervene or be held accountable.

The bill proposes the establishment of a dedicated national authority for road safety, which will be able to create and monitor goals for reducing road accidents as well as command adequate resources to undertake meaningful interventions. It has been given powers to issue and maintain standards for all aspects related to road safety. These range from protection of vulnerable road users to measures for in-vehicle safety and standards for road design and engineering. Such standards will ensure uniformity and cohesiveness while dealing with the issue nationally.

Another significant proposal is the introduction of a unified driver-licensing system. One of our biggest challenges is the compromised licensing system — a major source of corruption and inefficiency. The system has allowed almost anyone a licence to drive without proper vetting, training or testing. The new system aims to remove corruption by mapping the licensing process, building capacity to ensure proper documentation and testing, and taking away the subjectivity with which regional transport offices operate. A unified system will reduce the probability of drivers carrying multiple licences and help in keeping track of offences committed by a driver. This would, however, be useful only if every existing licence holder is also moved to the new system in a smooth and efficient manner. Outsourcing, successfully implemented in the case of passport seva kendras, for instance, could be instrumental in building capacity and improving efficiency of the proposed system.

An interesting aspect of the new bill is its focus on enhancing enforcement. It expands the list of common offences and also brings within its ambit the usually ignored causes of road crashes, such as bad road design and engineering. Harsh penalties have been prescribed for those who ignore safety during the design, engineering and maintenance of roads. It also specifies four types of penalties: demerit points on licences, which can lead to suspension or cancellation, high cash fines in keeping with the danger to life and property posed by irresponsible driving, jail terms and mandatory retraining.

To tackle corruption, the bill mandates electronic enforcement in jurisdictions with a population of more than 10 lakh. Such measures will significantly enhance the probability of offenders getting caught, remove corruption by making enforcement mostly humanless or "contact-free" and ensure higher collection of fines by states.

The bill also does what the Motor Vehicles Act has failed to do: protect the non-motorised road user. It provides for each state to develop and implement a policy for such users, including pedestrians, cyclists and rickshaws. It also mandates the creation of a National Transport Authority, which will work to seamlessly connect all modes of transport and define safety and quality standards for sustainable public transport.

The implementation of the new law will be undertaken by state governments and this bill has much to offer them, through revenue protection and funding. Several states have welcomed the bill and one can only hope that they will continue to support it and earnestly implement the new law once it has been passed by Parliament.

The bill presents a unique opportunity to save thousands of lives each year and, at the same time, improve ways in which people and goods move across India. If the Modi government is able to pass this bill in Parliament and ensure thorough enforcement of the act, it will be a great gift of life to the millions of Indians who would otherwise perish or be disabled in road crashes.

The writer, former Union home secretary, is a trustee of SaveLIFE Foundation
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7. Centre to observe Vajpayee b'day as Good Governance Day
Indian Express: 03.12.2014

Prime Minister Narendra Modi announced on Tuesday that former Prime Minister Atal Bihari Vajpayee's birthday on December 25 would be observed as national 'Good Governance Day' to project BJP-run governments as models of governance.

"Prime Minister Narendra Modi told the party MPs that the birthday of former PM Atal Bihari Vajpayee would be observed as national 'Good Governance Day' on December 25, where all BJP MPs and government officials will make the day symbolic of good governance," Minister of State for Parliamentary Affairs Rajiv Pratap Rudy told reporters.

The PM, while speaking at the BJP parliamentary party meet, also said that the MPs would consult both Union Ministers Ananth Kumar and Rudy to chalk out ways to spread the message of good governance. Modi has asked BJP MPs to take part in the "Clean India" campaign in their respective constituencies on the occasion. The PM said he himself will participate in the drive at his constituency Varanasi.

The PM has also asked BJP MPs to submit their choice of sports, based on which the Minister of Sports and Youth Affairs Sarbananda Sonowal would prepare a comprehensive list. "He has something (a plan) in his mind. We don't know what's that," Rudy said.

Rudy added that the PM asked the MPs to take active involvement in Centre's welfare schemes, including Jan Dhan Yojana.

Addressing the MPs before Modi, BJP president Amit Shah urged them to step up efforts for BJP's membership drive and said the party aims to bring 10 crore members on board. Currently, the BJP has 4 crore members.

Shah cited the example of Prime Minister Modi where on his plea in Assam the daily online membership had swelled from 4,000-6,000 to 48,900 in a single day.

Shah also asked each Rajya Sabha MP to adopt a Lok Sabha constituency where the BJP has never won and promote the party's membership drive there.

PART B

NEWS AND VIEWS

Wednesday 3rd December 2014

Polity	: Sena looks set to join Fadnavis Cabinet
Economy	: Rajan Stays a Firm Warrior in Inflation Battleground, Keeps Rates Unchanged
Planning	: China-US trade pact puts pressure on India to fast-track manufacturing
Editorial	: Rates versus premium

Communication, IT Information Division
Phone # 2525

The Economic Times

Date: 03/12/2014

Page No. 01

Rajan Stays a Firm Warrior in Inflation Battleground, Keeps Rates Unchanged

Peek Into Rajan's Mind

IS DOVISH ON INFLATION AND HAS LOWERED INFLATION PROJECTION FOR MAR '15 TO **6%**

BUT NOT comfortable to lower policy rates even as liquidity conditions eased

Holds repo rate at **8%** and CRR at **4%**

IS UNCERTAIN about government achieving fiscal targets

WORRIED ABOUT PRICE PRESSURES ON PROTEIN-RICH ITEMS

EXPECTS THE economy to clock **5.5%** growth for FY15

RBI MODEL forecasts March 2016 CPI at **6.2%** vs **7%** in September

Says govt & central bank on the same page on inflation, hints at possibility of rate cut soon

Our Bureau

Mumbai: The Reserve Bank of India left interest rates unchanged for the fifth time in a row, a decision which had been widely expected, and said the government has agreed that monetary policy's primary objective will be to contain inflation at 4%, ending the use of interest rate as a tool to prop up the economy or manage the currency.

Governor Raghuram Rajan also signalled that a cut in interest rates is around the corner, probably as early as the first quarter of 2015, as the forecast for inflation is trending sharply lower, leading to a rally in bonds.

Meeting the fiscal deficit target could be tough, Rajan said, given the slow gains in revenue receipts, but the government's commitment gave him comfort amid some concerns about the quality of that achievement.

"The government has indicated that it is comfortable with setting a (inflation) target of 4%, plus or minus 2%," the Reserve Bank governor said. "The government is as much on the same wavelength on the desirable levels of inflation as we are."

Targetting Inflation Key Objective ▸▸ 14

ET Q&A

RAGHURAM RAJAN

GOVERNOR, RESERVE BANK OF INDIA

Weak Growth in the West a Worry

The biggest external risk to the Indian economy has moved from capital flow to weak growth in industrialised countries, which is having a dampening effect on exports, says Governor Rajan.

FULL INTERVIEW, RELATED REPORT & COMMENTS ▸▸ PAGE 18

Bond Yields Drop on Rate Stance

Government bond yields eased as investors rushed to lap up sovereign securities after Rajan's remarks led to expectations of a rate cut in the next quarter. ▸▸ 11

RBI Sees Fiscal Deficit Challenges

RBI is still not convinced that government finances are strong enough for monetary easing, despite a series of corrective fiscal measures taken by it. ▸▸ 14

No Christmas gift, but some cheer for the New Year

Taking comfort from falling inflation, the RBI has signalled a possible rate cut early next year

RADHIKA MERWIN
BL Research Bureau

ANALYSIS

The RBI Governor did not add to the year-end festivities by keeping the policy rates unchanged in the monetary policy on Tuesday. India Inc and banks who have been clamouring for lower rates, will have to wait a little longer. But that is not to say that the policy was entirely a non-event.

The RBI now appears comfortable achieving its January 2016 target of 6 per cent, and has signalled a possible rate cut early next year. If this happens, banks will be more ready to cut lending rates as declining deposit rates has reduced their cost of funds.

The rate-cut transmission is also likely to be faster this time around; thanks to the RBI moving away from a fixed repo rate regime, to a target rate for the short-term, early this year.

Rates softening

While the RBI may have disappointed some, by keeping the repo rate (the rate at which it lends to banks) unchanged at 8 per cent, borrowers can still find comfort as interest rates have already started to trend lower in recent months.

Many banks have been cutting rates across different term deposits. This has happened mainly due to ample liquidity and slower credit off-take.

Banks are flush with liquidity, which has given them enough headroom to lower deposit rates. Banks' borrowing through the liquidity adjustment facility (LAF), which helps them to manage temporary mismatches, has been falling sharply in recent months. The borrowing through LAF, which averaged around ₹40,000 crore in the first half of the year, has halved since September, indicating ample liquidity in the banking system.

As a result, banks' borrowing costs have come down by 30-40 basis points since January. This has helped few banks tweak their deposit rates.

Slowing credit growth has also prompted banks to lower rates on their deposits. With not enough lending opportunities to deploy their funds, banks prefer to shed high-cost deposits to retain margins.

Better transmission

With deposit rates already trending down, a rate cut early next year will see many banks passing on the benefit to lenders. In the past, when the RBI embarked on its easy money policy, banks did not responded readily. This has because of the ineffectiveness of the fixed repo rate as the policy rate and also due to the prevailing liquidity situation.

By adopting Urjit Patel Committee's recommendation — to move out of the fixed repo rate regime to a target rate for the short-term, benchmarked against the 14-day term repo — the RBI has also ensured better transmission of its policy action this time around.

By providing funds at market-determined rates, the RBI is now able to control both liquidity and the rate at which it provides such funds. By tweaking the amount of liquidity that it provides to banks at each auction, it has now ensured that rates at the 14-day term repo move in sync with the RBI's target policy rate.

All recent auctions of term repos have happened close to the current repo rate of 8 per cent. Any change in policy stance will quickly reflect on banks' lending rates and benefit borrowers.

The Hindu

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RBI keeps rates unchanged

Rajan hints at change in 2015

Oommen A. Ninan

MUMBAI: The Reserve Bank of India (RBI) on Tuesday kept the short-term indicative policy rate (repo rate) unchanged at 8 per cent, as the current economic environment is not conducive to cut rates.

The central bank also indicated that a change in the monetary policy stance is likely early next calendar year, "including outside the policy review cycle."

"A change in the monetary policy stance at the current juncture is premature," said RBI Governor Raghuram Rajan, addressing a press conference to announce the Fifth Bi-monthly Monetary Policy, here. "We don't want to change the rate. When we change, we want to change it for good," he added.

The central bank also kept the Cash Reserve Ratio (CRR) unchanged at 4 per cent.

The repo is the rate at which banks borrow funds from the central bank and CRR is the portion of total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank.

Raghuram Rajan addressing the media on Tuesday. - PHOTO: PTI

However, Dr. Rajan said that "if the current inflation momentum and changes in inflationary expectations continue and fiscal developments are encouraging, a change in the monetary policy stance is likely early next year, including outside the policy review cycle."

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■ INFLATION EXPECTED TO BE AROUND 6% | PAGE 13

Inflation likely to be around 6%: Rajan

Oomen A. Ninan

MUMBAI: Reserve Bank of India Governor Raghuram Rajan on Tuesday said projections for the outlook for inflation in the medium-term at this stage would be contingent upon expectations of a normal South-West monsoon in 2015, international crude prices broadly around current levels and no change in administered prices in the fuel group, barring electricity.

Over the next 12-month period, according to him, inflation is expected to retain some momentum and hover around 6 per cent, except for seasonal movements, as the disinflation momentum works through.

Accordingly, "the risks to the January 2016 target of 6 per cent appear evenly balanced under the current policy stance." Some easing of monetary conditions has already taken place. The weighted average call rates as well as long-term yields for government and high-quality corporate issuances have moderated substantially since end-August.

The Hindu

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We look forward to RBI to support growth: Finance Ministry

The apex bank retains growth projection at 5.5 % for 2014-15

Puja Mehra

NEW DELHI: The Union Finance Ministry has said that the Centre and the Reserve Bank of India (RBI) will work towards a monetary policy framework that will help reduce inflationary expectations and further support the revival of investment and growth.

Responding to the Monetary Policy Statement issued by the RBI on Tuesday, the Ministry stated: "The government looks forward to the RBI supporting the revival of growth and employment."

In the weeks ahead, the government and the RBI will work towards a monetary policy framework that will help institutionalise the gains achieved on the inflation front, so as to reduce inflationary expectations and further support the revival of investment and growth, the Ministry said.

As expected, the RBI kept the key policy rates unchanged in its Monetary Policy but warned that the favourable base effect that is driving down inflation will likely dissipate and the data for the month of December "may well rise above current levels". It also said that the sharp deceleration in retail inflation was to some extent on account of transitory factors such as favourable base effects and the usual softening of fruits and vegetable prices that occurs at this time of the year. It red-flagged the continuing upside pressures in prices of protein-rich food items such as milk and pulses, which, it said, reflect structural mismatches in supply and demand.

The RBI also said that the key uncertainty was the durability of the upturn as the full outcome of the north-east monsoon will determine the intensity of price pressures relating to cereals, oilseeds and pulses. "...but it is reasonable to expect some firming up of these prices in view of the monsoon's performance so far and the shortfall estimated for kharif production."

The RBI retained its growth projection for 2014-15 at 5.5 per cent stating that a durable revival of investment demand continues to be held back by infrastructural constraints and lack of assured supply of key inputs, in particular coal, power, land and minerals. It would be the success of ongoing Government actions these areas that will be key to reviving growth.

The Economic Times

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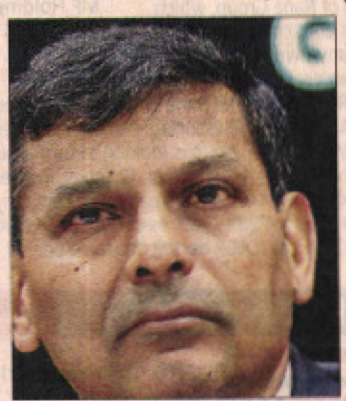
RBI may allow More Small, Payments Banks

Our Bureau



Mumbai: The Reserve Bank of India (RBI) will be a lot more liberal in allocating licences in the small finance bank and payments bank categories and is likely to dish out more than two licences for each set to start with.

The central bank said that it would put the entire licensing process on the fast track to drive the country's financial inclusion agenda.

"It will be certainly more than two and I don't want to put an upper limit and I don't want to put a lower limit, other than saying that the lower limit will not be two", RBI governor Raghuram Rajan said on Tuesday. "We need to ensure that there are a variety of participants that are licensed here so that we can learn from the experience that would imply a reasonable number."

The RBI envisaged small finance banks to provide loans to small business units, small farmers, micro and small industries, and other unorganised sector entities. Payment banks will be allowed to raise small savings deposits from people, offer payments and remittance services, but they will not be allowed to give loans. It issued guidelines for small and payments bank license last week. The entry capital required to set up these banks would be ₹100 crore.

The RBI said that it would get applications from January 2015 and an expert committee would go through it. "After the expert committee, the RBI has to go through it. We'll do everything as fast as we can. We did the whole process for the bank license in three-four months, so would use it as a benchmark," said Rajan.

The RBI offered in-principle banking licenses to IDFC and Bandhan Financial Services in April this year, from a list of 25 applicants. There were 27 applicants altogether, but two entities including Tata Sons opted out of the race in between.

Individuals with 10 years of experience in banking and finance, firms and societies are eligible for small banks.

Also, existing non-banking finance companies (NBFCs), micro finance institutions, and local area banks can convert their entities into small banks after complying with all legal and regulatory requirements.

The RBI has also allowed telecom and retail sectors participants to apply for payment bank licenses. Payments companies such as Western Union and Fino PayTech are also eligible.

Cabinet Okays Amendments to the RRB Act

NEW DELHI: The Cabinet on Tuesday approved amendments in the Regional Rural Banks (RRBs) Act, 1976, which seeks to enhance authorised and issued capital of RRBs, strengthen their capital base and bring flexibility in shareholding between central government, state government and the sponsor bank, reports **Our Bureau**. In a statement, the government said the amendments will ensure financial stability of RRBs, which will enable them to play a greater role in financial inclusion and meeting credit requirements of rural areas. The Regional Rural Banks Bill 2013, which got lapsed, had provisions to allow RRBs to raise capital from sources other than the central government, state government and sponsor bank. Almost all RRBs are profitable and the profit of RRBs functioning till March 2014 was ₹2,832.3 crore.

The Economic Times

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Jammu & Kashmir Decides 2014

While in Jammu, Gulbgarh witnessed 80.73% turnout, border seat of Karnah in Kashmir saw 75% polling

71.9% Turnout in Second Phase of Jammu and Kashmir Polls

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Srinagar: The second phase of polls in J&K saw a 71.9% turnout and concluded peacefully amid minor incidents of street violence. Certain constituencies, however, recorded low polling. The border seat of Karnah in Kashmir recorded the highest percentage of 75% but the entire south Kashmir saw a participation lower than in 2008.

In Jammu, Gulbgarh saw a record high polling of 80.73%, followed by neighbouring Reasi 80.28%, which to is a new record. Unlike south Kashmir's Kulgam, where voters turned up later due to the chilly morning, north Kashmir saw hundreds queued up at the booths. It was more of a celebration in border Kupwara districts' five assembly seats. Though the Army killed three suspected terrorists in Nowgam, which falls under the Langate assembly constituency, it had no impact on the turnout in the region.

The region has been participating in elections in huge numbers and the involvement of Sajjad Lone's Peoples Conference added to the numbers. In Handwara, where Lone is pitted against NC's veteran Choudhary Ramzan, the polling pattern suggested the two were in a direct contest and the rest on the margins.

LOW IN KULGAM

Kulgam saw low polling because of a series of arrests in anticipation of the polls

CALM BORDER

Though Army killed three terrorists in Nowgam, it had no impact on the turnout

In the rest of the district, the contest is triangular between NC, PDP and Peoples Conference. It is only in Langate that the scene is different. NC is apparently not in contest, as independent lawmaker Engineer Rashid is fighting PDP and PC. No tensions were reported from Trehgam, where the parents of JKLF co-founder Maqbool Bhat, live. People, there came in hordes and were talking about "change".

South Kashmir Kulgam was a mix of high and low poll in four assembly segments. Unlike Devsar, Noorabad and Humshalibugh where the contest is between PDP and NC, in Kulgam it was triangular fight with CPM leader Yousuf Tarigami defending his turf. Tarigami has represented this area for the last three terms. Given the massive involvement of people, Noorabad witnessed massive participation creating a new record of 77.6%.

The entire belt of Kulgam and Humshalibugh witnessed low poll because of a series of arrests in anticipation of the polling. While police said they rounded up known trouble-mongers including stone-pelters – nearly 300 in number, the action triggered a fierce reaction as youth took over on the streets and engaged police for most of the day. As a result of this situation, most of the poll-ing stations in Khudwani belt rarely saw a voter. There were many other small areas which stayed away from polls.

Both these segments compromised their earlier recorded participation. While Kulgam fell from 61.66% in 2008 to 55.5% in 2014, Homshalibugh which had seen 54.36% in 2008 was down to 36.5%.

Hindustan Times

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J&K, Jharkhand keep momentum going

Toufiq Rashid and B Vijay Murty
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SRINAGAR / JAMSHEDPUR: Voters walked on frost to log an overwhelming 71% turnout in the second phase of assembly election in militancy-hit Jammu and Kashmir on Tuesday, just shy of the first-round figure.

Jharkhand recorded 66.38% polling despite this phase coinciding with an annual event of the Maoists' military wing. "The overall turnout was 59.46% in 2009 elections in 20 constituencies, which has now crossed the 66% mark," an election official said, adding the percentage might partially increase after final figures arrive in a day or two.

People of both states defied fear of attack following poll boycott calls by militants, especially in Kashmir's frontier

VALLEY VOTERS MATCH FIRST PHASE TURNOUT, RECORD 71% POLLING IN ROUND 2. JHARKHAND, AT 66%, DOES BETTER THAN THE LAST ROUND

areas where 80% polling was recorded in some booths.

The only people complaining about the cold were election staff stationed at a godown-turned-booth without heating and food. Voters kept warm with traditional fire pots (kangri) and animated chatter on "change" — the poll leitmotif.

"I voted for the Muslim United Front in 1987 but the government murdered democracy then. I picked up the gun and joined militant ranks, but even that didn't change the problem. I boycotted all the elections... today I am voting for change," said 47-year-old former separatist Abdul Gani Lone.

In Jharkhand, the fate of two former CMs and three CM probables were sealed in EVMs. "We elect the CM, not merely an MLA," said a BJP supporter in Kharsawan, where former CM Arjun Munda is contesting for a record fifth time.

A short distance away, Chaibasa's BJP candidate JB Tubid is tipped to be CM by dint of his tribal identity. Jamshedpur East and West have two other BJP CM probables, Raghubar Das and Saryu Roy. Former CM Madhu Koda is trying his luck from Majhgaon.

■ A woman votes at a poll station near Srinagar on Tuesday. AFP

Inflation target to guide monetary policy

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NEW DELHI: India will unveil a new monetary policy framework soon — a move that will make it easier for the central bank to tame persistently high inflation — Reserve Bank of India (RBI) governor Raghuram Rajan said on Tuesday.

"Hope to finalise the new monetary policy shortly," Rajan said during an interaction after unveiling the latest bi-monthly monetary policy review.

A panel headed by RBI deputy governor Urjit Patel had proposed moving to a medium-term inflation target of 4%, with a band of 2% on either side, when

THE MEDIUM-TERM INFLATION TARGET WILL HELP GUIDE THE RBI TOWARDS A STABLE REGIME AND BRING DOWN RISK PREMIUM

setting the monetary policy.

This approach is now standard international practice in many mature economies, such as Britain, where the central bank sets interest rates and other monetary tools according to an inflation target set by the government.

Patel said the medium-term inflation target will help guide the central bank towards a stable regime and help bring down the risk premium that gets attached.

"If we achieve the 6% target, we will be at the upper edge of the suggested band of inflation and there will be work to do going forward," Rajan said.

The timeframe for achieving the long-term targeted 4% inflation is something that will have to be discussed, he added.

Finance minister Arun Jaitley, in his maiden budget in July, had promised to revamp the monetary policy framework to meet the challenge of an increasingly complex economy.

"In the weeks ahead, the government and RBI will work towards a monetary policy framework that will help institutionalise the gains achieved on the inflation front, so as to reduce inflationary expectations and further support the revival of investment and growth," the finance ministry said in a statement on Tuesday.

The Patel committee had also recommended that the central government ensures its fiscal deficit as a proportion of gross domestic product is brought down to 3% by 2016-17, and that issues such as administered prices, wages and interest rates, which pose "significant impediments to monetary policy transmission and achievement of the price stability objective", be eliminated.

The Hindu

Date: 08/12/2014
Page No. 10

India and France to fast-track Rafale deal

French Defence Minister Jean-Yves Le Drian calls on Defence Minister Manohar Parrikar in New Delhi on Tuesday.– PHOTO: AFP/ PIB

National Bureau

NEW DELHI: Indian and France agreed on Monday to overcome differences and fast-track ongoing negotiations for the purchase of 126 Rafale fighter jets from France, a Defence Ministry spokesperson said.

The decision came during discussions between visiting French Defence Minister Yves Le Drian and his Indian counterpart, Manohar Parrikar. Both sides also decided to expand strategic cooperation, the official added.

Rafale fighter jets

Negotiations have been going on since 2012 when India selected Dassault Rafale from among competing medium multi-role combat aircraft. Differences cropped up between the two sides on delivery guarantees and price.

The tender stipulates that the first 18 jets should come in "fly-away" condition from France, while the remaining 108 will be manufactured by Hindustan Aeronautics Ltd. (HAL) in India over seven years with Transfer of Technology (ToT).

Dassault has refused to give delivery guarantees for HAL-made aircraft, which the Air Force is insisting on. With the ToT, the cost too escalated from the initial estimate of $10 billion to almost $30 billion.

Business Standard

Date 03/12/2014
Page No. 04

China-US trade pact puts pressure on India to fast-track manufacturing

Govt says Information Technology Agreement will be beneficial to India only when domestic manufacturing is robust

SURABHI AGARWAL
New Delhi, 2 December

The Narendra Modi government will have to intensify its efforts to promote local manufacturing of electronics to counter the possible fallout from the US-China trade pact that removes import tariffs on a host of new electronic items.

In the wake of the pact, which was signed last month, India is facing renewed pressure to sign the extended Information Technology Agreement (ITA).

India has been reluctant to sign the pact, saying the ITA will only be beneficial to the country when domestic manufacturing is robust.

Signing the agreement will also go against Prime Minister Modi's Make in India push as it will make importing goods cheaper than manufacturing them locally. A government official said although India has lost China's support in opposing the extended ITA, it will not sign it as yet.

"From the perspective of promotion of electronics manufacturing, it is not in our interest to sign," the official said.

The first ITA was signed in 1997 and has not been reviewed since despite massive technological innovations and additions in the past 17 years. The official said even last time, all the countries did not sign the agreement in one go. The countries that are supporting the agreement are the first ones to sign, gradually building pressure on others to come on board.

"Only if we expand exports and local manufacturing is the ITA in our interest", said the official, adding "So, it puts pressure (on us) in the sense that in the next two years we have to develop manufacturing." There are signs of local production picking up, he noted.

Under the first phase of ITA, almost all prominent electronic items were covered and import duties on them were removed by all member countries so the import costs go down. However, the decision to sign the agreement is often considered to be one of the reasons for India's lacklustre domestic electronics manufacturing ecosystem.

Signing the ITA will go against Prime Minister Narendra Modi's (*pictured*) Make in India push as it will make importing goods cheaper than manufacturing them locally

The official said despite the past debacle, India would like to sign the agreement, as it would give local firms access to a huge market.

The agreement covers 200 new tariff categories covering $1 trillion in global sales trade, according to the US government. It is also expected to create as many as 60,000 jobs in the US and increase global annual gross domestic product by $190 billion, according to a White House fact sheet.

In a recent interview to *Business Standard*, Arun Kumar, assistant secretary of commerce for global markets and director-general of the US and Foreign Commercial Service, had said: "We want to have low tariffs on information technology projects all over the world, it is all about being competitive and having choices."

The Hindu

Date: 03/12/2014
Page No. 13

Cabinet clears changes to Companies Act for ease of doing business

NEW DELHI: Within months of the new Companies Act coming into force, the government, on Tuesday, cleared a slew of changes to this law to make it easier for corporates to do business and to ensure severe punishment for those raising illegal deposits from the public.

This would be among the first major initiatives by the government to make changes in the country's regulatory framework to improve its global ranking for ease of doing business, where India has been ranked very low at 142nd position in the latest World Bank report.

This will be among the first major initiatives by the government to make changes in the country's regulatory framework to improve its global ranking.

14 amendments

The 14 proposed amendments, which were approved by the Union Cabinet this evening, also include provision to ensure that frauds beyond a certain threshold would need to be mandatorily reported by the auditors to the government.

It has now included a provision that prescribes specific punishment for deposits accepted under the new Act. This was left out in the Act inadvertently.

Corporates

To address concerns raised by the corporates, the government has also agreed to relax a number of norms, including those pertaining to related party transactions. Also, resolutions passed by the companies' boards would not be subjected to public inspection. Also, a provision is now included for writing off past losses/depreciation before declaring dividend for the year.

The new Companies Act, which came into force with effect from April 1 with some provisions yet to become operational, has faced stiff criticism for many provisions.

The new law, put in place by the previous government, has replaced a nearly six-decade-old Companies Act, 1956, but the new government has been indicating for quite some time that it would bring in necessary changes to address concerns raised by various stakeholders, including corporates.

The Companies (Amendment) Bill, 2014, cleared by the Union Cabinet, chaired by Prime Minister Narendra Modi, would now go to Parliament to bring into effect necessary amendments to the existing Act. — PTI

Hindustan Times
Date: 03/12/2014
Page: 01, 08

Insurance bill gets Cong backing, set to clear Parl

HT Correspondent
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NEW DELHI: The long-awaited insurance bill is set to pass in the current session of Parliament with the Congress backing it on Tuesday after the government appeared to have agreed to address "two or three key concerns" of the principal opposition party.

The reform measure had been referred to the Select Committee after the Opposition demanded a fresh review on new amendments.

At the panel's meeting on Tuesday, sources said the Congress suggested additional safeguards to the reform measure, including rules to clearly define Indian ownership and control in insurance companies.

The party also opposed the Centre's proposal to allow an insurance company to start business with ₹50 crore as capital, demanding – alongside other opposition parties – that initial capital should be set at ₹100 crore.

The Insurance Laws (Amendment Bill) that seeks to raise the foreign direct investment cap in the sector to 49% from 26% has been pending in the Rajya Sabha since 2008 due to a lack of political consensus.

CONTINUED ON PAGE 8

Insurance bill gets Cong backing...

"Some members have raised concerns and we will try to incorporate them in our report. I will prepare the draft report by December 8 and after the panel approves it, it will be tabled in the House quickly," said Chandan Mitra, BJP Rajya Sabha member and chairman of the Select Committee. MPs of the Congress and the BJP together command an overwhelming majority in the Upper House.

A large section of the Opposition is also seeking strict regulations to ensure an increase in the share of foreign investors translates into fresh capital and more funds.

Sources said the Trinamool Congress walked out of Tuesday's meeting while the Left parties and the Janata Dal (United) were almost certain to put dissent notes to the panel report.

At the meeting, former Union minister Anand Sharma of the Congress and P Rajeev of the CPI(M) were the most vocal in discussions on different clauses of the bill. Trinamool's Derek O'Brian alleged the note circulated for discussion was "faulty" before walking out.

India's private insurance industry needs an estimated Rs 36,000 crore of additional capital over the next five years. Of the 24 life insurance companies in India, only 17 of them reported profits in the last fiscal year.

Rising cost of hospitalisation, especially in private hospitals, also demonstrates the need for increasing the insurance penetration in India, for which companies need additional capital.

Life insurance penetration, defined as the ratio of premium underwritten in a given year to the Gross Domestic Product, is about 3.17% of the GDP in India, lower than the over 10% in Japan and about 6 % in Australia.

P.C

The Financial Express

Date: 03/12/2014
Page No. 03, 10

Cabinet clears Bill on coal block auctions

New Delhi, Dec 2: The government on Tuesday cleared a Bill on coal block auctions to replace an ordinance that was promulgated to begin auction of coal mines that were cancelled by the Supreme Court.

The Bill to replace the Coal Mines (Special Provisions) Ordinance, 2014 is likely to be brought before the Parliament during the ongoing winter session.

"Cabinet has approved the Bill," a source said after the Cabinet meeting here.

The Supreme Court had in September cancelled allocation of 204 coal blocks, including 42 operational mines and another 32 ready-to-start blocks.

Government through the ordinance started the process of auctioning at least 74 operational or ready-to-operate blocks with the target of allocating them by March, well before the deadline set by Supreme Court for companies operating the mines to wind up operations. *PTI*

Gold prices soar by ₹840 in biggest 1-day gain this year

The metal lost ₹730 in six sessions after RBI scrapped 80:20 scheme

New Delhi, Dec 2

POSTING this year's biggest single-day rise of ₹840, gold on Tuesday regained the ₹27,000 per 10 gram level after a gap of over one month in the national capital, tracking rebounds in global markets.

In addition, pick-up in domestic demand from jewellers and retailers for the wedding season also buoyed sentiment.

After losing ₹730 in last six sessions after the Reserve Bank of India eased imports curbs by scrapping 80:20 scheme, gold staged a strong comeback by rising ₹840 to close at ₹27,040 per 10 grams, a level last seen on October 30.

Silver also recorded a significant gain of ₹2,700 to ₹37,000 per kg on increased offtake by industrial units and coin makers.

Sentiment bolstered after gold surged by 3.69%, its biggest gain since September 19, to $1,218.10 an ounce in New York on Monday, as rebound in crude price revived demand for the precious metal as stores of value, bullion traders said.

Globally, silver also surged 7.3% to $16.69 an ounce on Monday, the highest gain since September 2013.

Besides, rising domestic demand from jewellers and retailers for the ongoing wedding season too influenced precious metal prices, they said.

In Delhi, gold of 99.9 and 99.5% purity zoomed up by ₹840 each to ₹27,040 and ₹26,840 per 10 grams, respectively. Sovereign moved up by ₹100 to ₹23,700 per piece of eight gram.

Following gold, silver ready spurted by ₹2,700 to ₹37,000 per kg and weekly-based delivery by ₹2,420 to ₹36,340 per kg.

Silver coins recovered sharply by ₹3,000 to ₹61,000 for buying and ₹62,000 for selling of 100 pieces. *PTI*

The Times Of India

Dated: 03/12/2014
Page No. 25

Cabinet shows green light to four key bills

TIMES NEWS NETWORK

New Delhi: The cabinet on Tuesday cleared four bills that are likely to be introduced in Parliament during the current session, including a comprehensive legislation against highjacking, which provides for death in extreme cases, and amendments to the Companies Act to make life simpler for the corporate sector.

In addition, bill to replace the ordinance for auction of coal mines following a Supreme Court order cancelling blocks and amendments to the Regional Rural Banks (RRBs) Act were approved by cabinet. The Anti-Hijacking Bill provides for death in cases of death of a hostage or of a security personal, or with imprisonment for life with the moveable and immoveable property of such persons shall also be liable to be confiscated.

The cabinet also approved the signing of the treaty on transfer of sentenced persons between India and Qatar. This will facilitate Indian prisoners imprisoned in Qatar or vice-versa to be near their families, for serving the remaining part of their sentence and shall facilitate their social rehabilitation.

Separately, the cabinet cleared projects for widening of three highways which is estimated to cost Rs 3,873 crore. The projects under PPP mode will include 126 km of the Lucknow-Sultanpur section of NH-56 in Uttar Pradesh, 104 kms on the Singhara-Binjabahal section in Odisha and the Nagina-Kashipur section of NH-74 in Uttarakhand and Uttar Pradesh.

The amendments to Companies Bill are aimed at addressing issues raised by stakeholders such as chartered accountants and professionals. It seeks to omit requirement for minimum paid up capital.

For the full report, log on to www.timesofindia.com

Govt clears stand for climate change talks

The cabinet on Tuesday cleared India's negotiating position for the climate change talks, now being held in Peruvian capital Lima. "The approach seeks to protect the interests of the country in climate change negotiations based on the principles of the United Nations Framework," said an official statement on Tuesday after the cabinet meeting chaired by the PM. The 12-day 20th Conference of Parties (COP-20) on climate change began on Monday in Lima. IANS

Business Standard

Date 03/12/2014
Page No. 05

Cabinet clears 14 amendments to Companies Act

Related-party transaction norms proposed to be eased

DEEPAK PATEL
New Delhi, 2 December

The Cabinet on Tuesday cleared 14 changes in the Companies Act, 2013, paving the way for tabling the amendments in the ongoing session of Parliament.

The move is aimed at making it easier to do business in India, which is placed at 142 among 189 countries in the recent World Bank report, and addressing concerns raised by India Inc regarding the Act, which was enforced just this financial year.

The amendments include replacing 'special resolution' with 'ordinary resolution' for approval of related-party transactions by minority shareholders. This means that the companies only need to have the consent of 50 per cent of the minority shareholders present instead of the 75 per cent, which is prescribed in the current law.

Recently, a special resolution moved by liquor maker United Spirits through postal ballot to approve four related party transactions was defeated by minority shareholders, as per the provisions of the existing Act. Against the 75 per cent favourable votes required, the resolution garnered only 70.2 per cent votes. The proposed amendments, if enforced by now, would have helped the resolution sail through. The new amendment also empowers the Audit Committee to give omnibus approvals for related party transactions on annual basis. The statement said that this is in line with the Sebi policy and to increase the ease of doing business.

Heeding to the corporate demand, the new amendment also proposes to exempt related party transactions between holding companies and wholly owned subsidiaries from the requirement of minority shareholders' approval.

The amendments also include a new provision which prohibits the public inspection of the board resolutions filed with the Registrar of Companies, according to an official statement issued here.

Company professionals have been complaining to the ministry of corporate affairs that board resolutions, if made public, would reveal the company strategy, helping the competitor inadvertently.

The Cabinet also approved an amendment to ensure that frauds, which are only beyond a certain threshold, would need to be mandatorily reported by the auditors to the government. Any such fraud, which is above the threshold, will also need to be disclosed in the board report.

OTHER CABINET DECISIONS

- **Regional rural banks (RRBs):** Amendments to RRBs Act, 1976, to enhance capital base of RRBs cleared
- **Death penalty for hijackers:** Bill seeking stringent punishment for hijackers – Anti-Hijacking Bill, 2014 – approved
- **Coal block auction:** Bill to replace the Coal Mines (Special Provisions) Ordinance, 2014, cleared; likely to be brought before Parliament in winter session
- **Prisoner transfer:** Treaty on transfer of prisoners between India and Qatar to be signed
- **Climate change talks:** India's stand at climate change meet gets nod
- **Minimum support price:** CCEA increases MSP of milling copra for 2015 season by ₹300 to ₹5,550 a quintal

Source: Agencies

Business Line

Date 03/12/2014.
Page No. 01

Centre hikes excise duty on petrol, diesel

No change in retail rates; Centre to earn additional ₹4,000 crore

Excise profile (in ₹/litre)

	Earlier	Now
Petrol-unbranded	2.70	4.95
Petrol-branded	3.85	6.10
Diesel-unbranded	2.96	3.96
Diesel-branded	5.25	6.25

OUR BUREAU
New Delhi, December 2

For the second time in a month, the Centre has hiked the excise duty on petrol and diesel.

This increase is unlikely to have an immediate impact on retail prices.

However, if global crude oil prices dip further, there is no guarantee that public sector oil retailers will reduce prices.

According to a statement in Parliament by Finance Minister Arun Jaitley, the excise duty on petrol has been raised by ₹2.25 a litre, and by ₹1/litre for diesel, with immediate effect. The increase is expected to fetch additional revenue of around ₹4,000 crore in the remaining four months of the current fiscal.

When the duty was raised on November 13 by ₹1.50 a litre, the Ministry had said that it expects to get ₹6,000-7,000 crore.

No price hike

Although, excise duty is a key component in retail prices and usually passed on if there is hike, a senior Finance Ministry official said that the duty hike is "unlikely to lead to any increase in retail fuel prices. Falling international oil prices have given the Government cushion to raise duty".

Tuesday's surprise change in excise duty came a day after oil marketing companies Indian Oil Corporation, Bharat Petroleum Corporation and Hindustan Petroleum Corporation reduced retail rates of petrol by 91 paise a litre and diesel by 84 paise a litre in keeping with global prices.

Softening global prices

Since both diesel and petrol prices are deregulated, Government officials feel that softening of the international crude oil price has given oil retailers some room to absorb the duty hike.

Another argument is that when the international price was rising, the Centre had reduced excise duty.

While the Centre had forgone revenue, the States had continued to make money without much change in local levies, a Government official said, adding that "the Centre is justified in doing so".

Surprisingly, a similar sentiment was echoed by oil retailers in the public and private sector.

Stocks dip

But, the stock market did not buy this argument, as share prices of Indian Oil slipped over 2.5 per cent to ₹351.20; Hindustan Petroleum dipped 1.6 per cent to close at ₹594, and Bharat Petroleum closed at ₹712.90, down 4 per cent from Monday's closing.

"The oil marketing companies had not passed on the November 13 duty hike to consumers, and one expects it will be the same this time around too," said Krupa Venkatesh, Senior Director, Deloitte in India.

"We will have to wait and see how these duty hikes impact the quantum of reduction in petrol/diesel prices, should the crude oil prices continue to show the current declining trend."

The price at which Indian refiners source their crude oil fell to $67.72 on December 1 from $78.92 a barrel on November 13, when the last duty revision took place. The price on April 1 was $105.

It is estimated that for every $10 fall in oil prices the oil import bill comes down by around $9 billion.

The Indian Express

Date: 08/12/2014
Page No. 06

First time, PM calls all CMs for meeting

On the table: Future of Planning Commission

EXPRESS NEWS SERVICE
NEW DELHI, DECEMBER 2

PRIME Minister Narendra Modi has called all chief ministers on December 7 to discuss the future of the Planning Commission, an institution which he publicly said had outlived its utility and needed to be replaced with a new one. This will also be Modi's first meeting with the chief ministers since taking charge as the Prime Minister.

A senior government official told *The Indian Express* there was a sense of urgency in the Prime Minister's Office to finalise the new institution's design and structure because it has been more than 100 days since the Prime Minister himself made this announcement on August 15. In his Independence Day address, Modi had said the government will "very shortly" move in a direction to make the new institution functional.

"After his return from the G20 Leaders' Summit and bilateral meetings in Australia, the Prime Minister met senior Cabinet ministers and secretary-level officers to take stock of the action taken by their respective departments over announcements made by the government and by him. Several were pulled up for poor follow up," another official said.

Officials said the Planning Commission was set up following a March 15, 1950 Cabinet resolution. Any proposal to replace the Planning Commission with a new institution has to be therefore placed before and approved by the Cabinet.

In fact, former Prime Minister Manmohan Singh, had in mid-2010 said the Commission must be an "essay in persuasion" and transform itself into a Systems Reforms Commission. The Plan panel then had envisaged that the Commission would restructure itself to build a larger network with opinion makers, produce thought papers and communicate more lucidly.

According to government officials, the PMO is keen that the new institution work closely with states, rather co-opt states, to take the country to the next level of development and reforms. The new institution, one official said, may be christened as the National Development Reforms Commission.

In his Independence Day address, Modi had said the Planning Commission was a very old system and will have to be changed a lot to meet the needs of changing times. "Sometimes it costs more to repair the old house, but, it gives us no satisfaction. Thereafter, we have a feeling that it would be better to construct a new house altogether and therefore within a short period, we will replace the Planning Commission."

He envisaged the institution as a new body, a new soul with new thinking and direction. "...(It will work) to promote the aspirations of state governments seeking development, to empower the state governments and to empower the federal structure," he had said.

PCFC

The Hindu

Date: 03/12/2014
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MAHARASHTRA EQUATIONS

Sena looks set to join Fadnavis Cabinet

BJP's offer: 4-5 Cabinet and 7 MoS berths

Omar Rashid &
Alok Deshpande

MUMBAI: After a month of squabbling over the contours of its participation in the Devendra Fadnavis government, the Shiv Sena on Tuesday finally looked set to make up with the BJP and join the Maharashtra government as the Chief Minister embarks on the first expansion of his Council of Ministers. This comes less than a week before the Assembly winter session in Nagpur scheduled from December 8.

The BJP is said to have offered the Sena four to five Cabinet and seven Minister of State berths. Though there was no clarity on it, the Sena is billed to get the Public Works Department, Power, Tourism, Agriculture, and Energy and Water Conservation ministries among others. After weeks of bargain in vain for anything less than the portfolios of Home Ministry and Deputy Chief Minister, the Sena seems to have finally relented.

Maharashtra Chief Minister Devendra Fadnavis (right) with Shiv Sena president Uddhav Thackeray. – FILE PHOTO: SPECIAL ARRANGEMENT

After ending their 25-year-old relationship just before the elections owing to disagreements on seat-sharing, the two parties engaged in a month-long standoff on the Sena's inclusion into the minority government.

The formal announcement of the alliance is likely to be made on Wednesday upon the return of Mr. Fadnavis, who is in New Delhi for consultations with the BJP Central leadership.

The expansion of the Ministry is expected on December 5, as the State government has announced three days of mourning following the death of the former Chief Minister, A.R. Antulay.

After the meeting with the Sena on Tuesday, Mr. Fadnavis flew to New Delhi and briefed BJP chief Amit Shah about the development. "Talks have been positive. I'm sure a decision will be made soon," the Chief Minister said. Senior Sena leader and MP Anil Desai said a decision would be conveyed soon. "The BJP has given its proposal to our leader Uddhav Thackeray. He is directly coordinating with the BJP leadership."

The Sena's entry into the government will bring the minority government, which has 122 MLAs, a major relief and a comfortable majority of 185 seats in the 288-member Assembly. The Sena and the BJP met late in the night to thrash out the remaining differences in portfolio allocation. Earlier in the day, Mr. Fadnavis had said that 70 to 80 per cent of the talks were completed.

The Financial Express
Editorial

Rates versus premium

RBI stays cautious, reiterates NPA-impact on interest

RBI Governor Raghuram Rajan not cutting repo rates is disappointing given even the central bank's monetary policy statement acknowledges a positive softening of the inflation outlook. And that's not surprising given how global commodity prices have collapsed, how crop support price hikes have been kept to the minimum and how savage the compression in government expenditure has been. Despite this, as in the past, RBI has talked of how the 'base effects' will wear out by December, so it is the inflation numbers after that which need to be closely monitored before a rate-cut decision is taken. While *FE's* position has been there were no base effects to talk of over the past few months, the larger point is that RBI's inflation outlook has also changed quite dramatically. Just two months ago, RBI's central tendency was an inflation of around 7.75% in March 2015; today, that central tendency is at 6%, suggesting even RBI doesn't believe the 'base effect' is as large as it is made out to be. Two months ago, RBI was talking of the balance of risks to its objective—6% CPI inflation by January 2016—being 'to the upside', this time around the policy says the risks 'appear evenly balanced'. In other words, with most variables already favourable—Rajan did say he was looking to see how the fiscal targets were met, though few doubt there will be a problem—it is unfortunate the central bank chose to remain as cautious as it has.

While defending RBI's role in not being pro-growth, Rajan repeated the point made by him last week on the role of high NPAs on keeping effective interest rates high. While RBI could be held responsible for banks not cutting their base rates, he correctly argued, it was high NPAs that determined the risk premium levels banks were charging—as he put it in his speech 'Saving Credit', the average interest rate on loans to the power sector today is 13.7% even while the policy rate is 8%. While the Governor announced that he would soon be coming out with a policy on the 5/25 loans, another important policy will be reverting to the earlier position where banks are free to take a higher equity position in projects they restructure—while the current limit is 10%, the Governor said a higher limit was allowed earlier. The exact contours of how this equity is to be priced are being discussed with Sebi, and banks will obviously be free to not take equity positions at all. While Rajan said a higher equity position will allow banks to benefit from the upside should the restructuring work, the move is fraught with risk and needs to be rethought. If banks are not able to get errant promoters to fall in line with a 10% stake, there is no reason why they will be able to do this with a 15-20% stake—it is only at a 26% level that banks have some kind of veto power, but taking that much equity in a project opens up banks to other kind of risks and getting involved in the daily running of the project. The Governor's larger point of how banks need to get more pro-active when it comes to recovering their loans—and the government needs to help out as well—is, of course, well-taken.