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GOVERNMENT OF INDIA

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NEWS AND VIEWS

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"No matter how carefully you plan your goals, they will never be more than pipe dreams unless you pursue them with gusto"

W. Clement stone

Polity

- **It's official: Cong, NC won't contest together:** The uneasy coalition between the Congress and National Conference in Jammu and Kashmir finally ended on Sunday, with the Congress announcing it will go alone in the forthcoming Assembly elections. The question now is whether the Congress — which was facing tremendous pressure from its rank and file to snap ties — will pull out its ministers from the Omar Abdullah ministry and will the Chief Minister step down. Jammu and Kashmir Congress president Saifuddin Soz refused to give a concrete answer. "Let the government run if it can run. We are talking about elections, and government is different. If the government can run for a period of time, it will run. It is sure they will have their agenda and we will have ours. And, after a point of time, if issues crop up, they can either be discussed or we can mutually decide what to do," Soz told The Indian Express. The term of the current government is till January 5 next year. Minutes after Congress top leaders Ghulam Nabi Azad, Ambika Soni and Soz announced in Jammu that the party will fight the elections alone, Omar said he had informed Congress president Sonia Gandhi about his party's decision to snap ties as early as 10 days ago, underlining that the NC wanted to end the coalition and not the Congress. "I met Mrs Gandhi 10 days ago & thanked her for all her support. I conveyed NC's decision to fight the elections alone," Omar said on Twitter. (The Indian Express).

Economy

- **FinMin spanner in RBI's coo talks:** It is not still clear whether the finance ministry and the Reserve Bank of India (RBI) are thinking alike on the central bank's move for a chief operating officer (COO) with the rank of a deputy governor. This was on the agenda of its board meeting on July 10 but was halted following the finance ministry's intervention. At present, the law permits RBI to have four deputy governors, appointed by the government. To increase the number, the RBI Act needs to be amended. Till this is done, it was suggested the central bank appoint a COO with a deputy governor rank. RBI also proposed to appoint two additional executive directors (EDs). The Union Budget was presented on July 10, the same day the RBI board was to meet in Chennai. This was a constraint for the government-nominated board members in attending. Shortly before the meeting, the finance secretary's office sent a letter to RBI stating such issues should be discussed only when the government nominees were present, according to a person with direct knowledge of the matter. The letter suggested RBI defer the issue till the next board meeting, where the government nominees will be present. At present, Arvind Mayaram, secretary, department of economic affairs and finance secretary, and G S Sandhu, secretary, department of financial services, are the government's nominees on the board. (Business Standard).

Planning

- **To assist state govts, role of plan panel to be redefined:** To ensure that there is outcome based public expenditure the National Democratic Alliance government is set to re-define the role of the Planning Commission, mandated to monitor implementation of government schemes funded by the Centre. This, government sources say, would happen once the plan panel is reconstituted and that will happen soon. The new members will be entrusted with the job to redefine the role of the planning commission to assist the state governments and the ministries in better implementation of schemes rather than creating road blocks. "The Planning Commission has to be a facilitator and it will do so with a set of changes to be implemented in the next few months," a senior government functionary said. "The prime minister wants that accountability of the officers should be introduced," an officer said. For this to happen, the government plans to restructure the state plan divisions and hire more experts in the commission, which of late, had become a parking lot for bureaucrats not willing to go back to their state cadres. "More than half of the officials at the advisor level are IAS officers. The experts who retired have been replaced by IAS officers and the plan now does not have people with domain expertise in many specialised fields," a person who has worked with the plan panel for over 30 years said. (Hindustan Times).

Editorial

- **Making life less taxing:** Given the huge number of pending cases and income tax department's poor record of winning them, the Central Board of Direct Taxes (CBDT) has done well by acting on the Tax Administration Reforms Commission (TARC) recommendations on dispute resolution. Setting up a 6-member panel to assess the efficacy of the dispute resolution mechanism is a good idea given there are around 2 lakh cases pending at the Commissioner of Income Tax appeals level and another 31,000 at the appellate tribunals; there are another 31,000 cases in various high courts and 5,800 in the Supreme Court. Around R4 lakh crore of tax disputes can be unlocked if the taxman is able to find a solution to this problem. There are two aspects to what the panel has to do. One, to look at existing dispute resolution processes and see how they can be bettered. The income tax settlement commission has its obvious shortcomings given that it takes 12 to 32 months, according to a CAG report quoted in TARC's report, to admit applications; partly because the number of benches are limited to just four. There are additional hurdles in that the full amount of tax and interest has to be paid before filing an application, the matter cannot be heard by the commission if it is pending before any bench/tribunal. The Budget's attempt to use advance price agreements (APAs) to decide on even older cases is no doubt a progressive idea, but how do you get it to work where, as in the case of the Indo-US Mutual Agreement Procedure (MAP), no agreement is being reached with the taxman on acceptable profitability levels—APAs, in any case, by their very nature, are restrictive since a fresh APA has to be negotiated any time the firm goes into a new line of business. (The Financial Express)

Hindustan Times

Date: 21/07/2014

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Govt to unleash food reforms to fight subsidies, inflation

Zia Haq

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ON THE AGENDA

- Govt decision to not buy more grain than required would decrease subsidy burden and free grains for export and private market, improving supplies.
- Govt also to ask states not to give sops and cash incentives that fuel price rise.
- Focus to shift from cereals to proteins, as consumption patterns change

NEW DELHI: In an attempt to tackle runaway prices and subsidies, the NDA government has decided to gradually avoid purchasing more grains than are needed to distribute to the poor, while asking states not to offer market-distorting cash incentives to farmers.

If implemented, the overdue reforms would mark a significant break from past food policies, which have been a major source of both inflation and subsidies.

Overflowing stocks in state-owned granaries – more than twice the required buffer levels at 61 million tonnes as on July 1 – have led critics to blame the government for effectively acting as a "hoarder", even as cereal prices rise.

In a recent directive, the Ram Vilas Paswan-headed food ministry asked states to stick to minimum support prices (MSP) announced by the Centre and avoid padding these up with their own sops and cash bonuses. MSPs are the guaranteed prices at which the state buys produce from farmers.

Higher MSPs boost farm income but fuel price rise. According to an RBI study, a 10% MSP hike raises short-term wholesale inflation by one percentage point.

The ministry also asked states to limit purchasing rice directly from millers – often called levy rice – to 25%, to ensure they buy directly from farmers.

If states breach these norms, the Food Corporation of India – the country's main food agency – would not be obliged to acquire grains beyond levels necessary for the public distribution system as well as emergency reserves, an official said.

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Govt to unleash food reforms to fight subsidies...

Lower grain purchases by the government would streamline the government's food inventory, freeing up more quantities of food for the private market that would improve supplies and aid exports, which can earn crucial foreign exchange.

In more reforms expected in the coming months, the government plans to move towards a food policy that better reflects the country's changing consumption patterns by offering attractive prices for non-cereals to boost their production.

MSPs – needed to offset higher cost of production – have also been heavily tilted towards grains. This has resulted in a skewed food basket, stoking prices of not just scarce items, such as pulses, vegetables and cooking oil, but of even cereals.

According to a national sample survey, India's consumption of cereals is coming down, and that of proteins going up, as household incomes grow. Farmers however are producing surplus cereals but far less protein-based items, stoking prices of not just items such as pulses, vegetables and cooking oil, but of even cereals.

"A key reason for sustained uptrend in food inflation over past six-seven years is the very large MSPs hikes for cereals and more importantly, imprudent procurement policies," said Vinay Khattar, an economist with financial services firm Edelweiss.

Hindustan Times

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To assist state govts, role of plan panel to be redefined

REVISIT Government plans to restructure state plan divisions, hire more experts to assist states for better implementation of schemes

HT Correspondent
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ILLUSTRATION: ABHIMANYU SINHA

NEW DELHI: To ensure that there is outcome based public expenditure the National Democratic Alliance government is set to re-define the role of the Planning Commission, mandated to monitor implementation of government schemes funded by the Centre.

This, government sources say, would happen once the plan panel is reconstituted and that will happen soon. The new members will be entrusted with the job to redefine the role of the planning commission to assist the state governments and the ministries in better implementation of schemes rather than creating road blocks.

"The Planning Commission has to be a facilitator and it will do so with a set of changes to be implemented in the next few months," a senior government functionary said. "The prime minister wants that accountability of the officers should be introduced," an officer said.

For this to happen, the government plans to restructure the state plan divisions and hire more experts in the commission, which of late, had become a parking lot for bureaucrats not willing to go back to their state cadres.

"More than half of the officials at the advisor level are IAS officers. The experts who retired have been replaced by IAS officers and the plan now does not have people with domain expertise in many specialised fields," a person who has worked with the plan panel for over 30 years said.

The move is in line with announcement of finance minister Arun Jaitley during the budget session of increasing Central assistance to the state for implementation of the schemes. It means that the money provided to Central ministries under centrally sponsored schemes would directly flow to the states.

In such a scenario, the planning commission's role becomes important as it would have to ensure that the ministries that the funds are utilised for the purpose they are allocated and desired outcomes are achieved.

The panel will also be coming out with new processes to meet the change in funding pattern proposed in the budget and will initiate consultation with the state governments during state plan discussions.

Officials say that the final shape of the consultation will emerge once the deputy chairperson is appointed and the appointee holds discussion with state chief ministers.

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India toughens stance on food subsidy at WTO

NON-NEGOTIABLE Counters West's thrust on market access; willing to take flak to protect interests of poor farmers

SPECIAL

Shishir Gupta and
Gaurav Choudhury
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NEW DELHI: India has made it clear that state-funded welfare schemes for the poor are non-negotiable, and it is willing to take the blame for delaying the World Trade Organisation's (WTO's) "trade facilitation" agreement rather than hurt the interests of small farmers.

Ahead of the WTO's two-day General Council Meeting that begins on Thursday, India has worked out a hard bargain strategy for drawing up a permanent solution on food subsidies.

India will seek a postponement of the trade facilitation agreement (TFA) to December 31, from July 31 agreed upon at WTO Bali ministerial last December. The TFA seeks to speed up procedures and make international trade easier and cheaper.

India will also insist on implementing the TFA only as a part of a single undertaking that includes a permanent solution on food security, top government sources told *HT*.

Existing rules cap the value of food subsidies at 10% of the value of production. But the support is calculated at prices of more than two decades ago, not at current prices.

According to Indian trade negotiators, developed countries are pressing for early adoption of the TFA, which would give them greater market access, but are avoiding discussions on issues such as public stockholding of cereals for food security.

"India's concern is that once the TFA is implemented, none of the developed countries is likely to come back to the negotiating table to discuss food subsidy or any of other non-binding outcome of the Bali ministerial," a top government official told *HT*, requesting anonymity.

"The only way to force action was to slow down the implementation of the decision on trade facilitation and the only time to do it was before the General Council adopted the protocol of amendment," the official said.

THE GLOBAL DIVIDE OVER FOOD TRADE

WHAT'S AT STAKE?

WTO is slated to adopt the trade facilitation agreement (TFA) at its general council meet next week

WHAT'S TFA?

At the Bali Ministerial last Dec, WTO member countries had agreed to make trade easier, faster and cheaper by making systems transparent and reducing red tape

WHAT ABOUT FOOD SUBSIDY?

Existing rules cap food subsidies at 10% of the value of production

- Calculated at a price of the mid-1990s, India and other countries would breach the permissible limit
- This will affect India's food security programme and food grain procurement through minimum support prices

WHAT IS INDIA'S STAND?

It wants TFA bundled with a permanent solution on food subsidies

- Deadline for adopting TFA be pushed to December 31 from July 31
- An institutionalsed mechanism be set in place to discuss food subsidy issues
- A clear timeline be established on a permanent solution for food subsidies by December 31, 2014

WHAT ARE THE RISKS?

The WTO can adopt the TFA by a simple majority and isolate India

- Pressure from developed countries could adversely affect bilateral trade ties

The Indian Express

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Railways tweaks PPP model to make it lucrative for investors

AVISHEK G DASTIDAR
NEW DELHI, JULY 20

THE Railway Ministry has prepared a fresh model of PPP agreements to make them more lucrative for investors, days after the Rail Budget raised a strong pitch for public private partnership as part of a broad strategy to modernise India's vast network and implement new plans, including the ambitious bullet train corridor.

The new PPP model safeguards private players from taking extra risk and assures them of more returns on investment, besides ensuring the national transporter gets its due from the deal. It also protects investors from the politics of tariff revision.

Realising that PPP has failed in the past primarily because the government did not spell out the benefits in monetary terms in the agreement, the Railways is now willing to talk money. Railway Minister Sadananda Gowda is expected to give a formal approval to this next week.

In the Build-Operate-Transfer model, for instance, while the Railways will pay a sum equal to 50 per cent of the apportioned revenue as user fee to the private party, it is now also planning to give a guarantee of at least 80 per cent of the "projected revenue", as opposed to projected traffic, in any year.

As earlier, the revenue projection for a route will be on the basis of the freight rate of the year of the agreement, known as "base tariff", but now the Railways will guarantee a 6 per cent hike in the rate every year irrespective of any revision of the freight rate. The calculation of total possible traffic on the line — hitherto a grey area — is also new.

In the Rail Budget, Gowda uttered the term 'PPP' 12 times as means to fund many of the ventures such as station development, passenger amenities and bullet train corridors. He noted that last year the revenue generated fell way short of target mainly because of non-realisation of the PPP projects. The PPP business target for the Railways in 12th Five-Year Plan is Rs 1 lakh crore. In the previous plan, the Railways could achieve less than 5 per cent of the target of Rs 66,000 crore in PPP.

ATTRACTIVE OFFERS

80% of "projected revenue" to private party

6% yearly hike in base tariff irrespective of freight rate revision

The Financial Express

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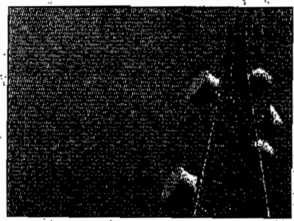
Trai may okay sharing of all spectrum



New Delhi, July 20: Telecom regulator TRAI is likely to allow sharing of all kind of airwaves held by telecom operators for mobile services, including spectrum allocated at the old price of ₹1,658 crore.

"TRAI is most likely to issue recommendation on spectrum sharing tomorrow. It may allow sharing of spectrum allocated administratively, but restrict telecom services to the ones allowed to be provided through those airwaves," a source told PTI.

At present, telecom operators are allowed to share passive infrastructure like mobile towers but not active infrastructure like spectrum.

Government had earlier in-principle approved sharing of only those spectrum under the new licensing regime which had been purchased through spectrum auction to increase interest of bidders and enhance revenue in the auction. It, in-principle, approved sharing of spectrum allocated without auction on the condition that companies holding such airwaves will have to pay a one-time spectrum charge which cumulatively amounted to about ₹30,000 crore for both GSM and CDMA spectrum as estimated by DoT last year. Steps like spectrum sharing and trading have been put in place to encourage incumbent players to migrate to the new licensing regime, and create a balance between the new and old players.

The price of spectrum in the last auction was about five times more compared to the price of spectrum allocated under the old licensing regime. The new regime was notified in August 2013 by the department of telecommunications (DoT). Telecom companies have challenged in court the government's decision to impose one-time spectrum charge and the matter is sub-judice. The move to allow sharing of all kind of airwaves held by telecom operators for mobile services, if approved by the government, will benefit incumbent players like Airtel, Vodafone, Idea Cellular, Reliance Communications, Aircel and Tata Teleservices. *PTI*

The Economic Times

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PMO Questions Need for Montek's Parting Gift – IEO

Similar body exists, Plan panel told in a letter

YOGIMA SETH SHARMA
NEW DELHI

The Prime Minister's Office has sought an explanation from the Planning Commission about the need for the Independent Evaluation Office (IEO) that was set up at the behest of former deputy chairman Montek Singh Ahluwalia even as a similar institution called the Programme Evaluation Organisation (PEO) existed within the commission.

In a letter written last week, the PMO asked the Planning Commission to explain the reasons for setting up the IEO, its role and responsibilities, a senior government official told ET on condition of anonymity.

The PMO wants to understand as to how the commission will ensure that the roles of the IEO and the PEO do not overlap, the official said, adding, "The letter from the PMO came to us last week and we were asked to reply immediately. The secretary has already responded to the query from the PMO, stating the facts behind the setting up of the IEO."

Planning Commission secretary Sindhushree Khullar did not respond to an email query by ET in this regard.

ET had first reported last month that just before his exit from the commission, Ahluwalia had signed off on an order stating that the project evaluation offices under the PEO would henceforth work for the IEO, putting a question mark over the Cabinet's decision that intended to keep the IEO independent of the government.

Ahluwalia was the force behind setting up of the IEO, a concept borrowed from International Monetary Fund that is widely prevalent in other countries. However, his proposal met with stiff resistance from central ministries as their schemes were always under scrutiny by the project evaluation offices and they thought the new body would be no different. Hence, it was decided that the IEO would be set up in a manner that its functioning remained completely independent of government.

The PMO wants to understand as to how the commission will ensure that the roles of the IEO and the PEO do not overlap

The PEO is primarily a field-level organisation which functions under the overall charge of the Planning Commission deputy chairman. It has a three-tier structure, with the middle rung represented by the regional evaluation offices, or REOs, while the next link is the field units known as the project evaluation offices. There are seven REOs located at Kolkata, Chandigarh, Chennai, Hyderabad, Jaipur, Lucknow and Mumbai.

The development evaluation advisory committee of the Planning Commission, the apex body of PEO for taking decisions on all aspects of programme evaluation, had in November 2009 proposed the setting up of an IEO. The Cabinet approved the proposal in November 2010 and the office was set up in May 2013, with Ajay Chhibber as its first director general.

The Economic Times
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Govt asks Aadhaar, Census Office to Match Database

DBT scheme likely to restart as govt backs UID enrollments

VIKAS DHOOT & M RAJSHEKHAR
NEW DELHI

Prime Minister Narendra Modi has backed the UPA's Aadhaar programme for now, but that may not be the final word on whether it will be retained.

The government has asked the Unique Identification Authority of India (UIDAI), which runs Aadhaar, and the census office under the home ministry to test their databases against beneficiary lists of schemes such as the LPG subsidy programme as well as documents such as passports to determine which one is more accurate, said senior government officials aware of the development. "Line ministries in charge of different schemes like education subsidy, LPG cylinders and identity documents such as passports, have been requested to share data to enable this matching exercise," said one of the officials.

The census office is building the National Population Register or NPR by capturing biometrics and photographing residents. The Manmohan Singh government had assigned Aadhaar and NPR to specific states for enrollment.

On July 5, the PM chaired a meeting to consider the future of the two projects and is learnt to have backed expansion of UID enrollments in 300 districts where around 80% of the population have Aadhaar numbers. This would enable a re-launch of direct benefits transfer for the poor eligible for subsidies and benefits offered under schemes such as the rural jobs programme.

Matching names could prove to be a challenge for UIDAI, which has sought the Cabinet's nod for expanding enrollment in UP, Bihar, Chhattisgarh & Uttarakhand

The UPA had put such transfers backed by Aadhaar on hold in January after widespread complaints about operational problems at the ground level. Many beneficiaries were denied benefits as they didn't have Aadhaar numbers, while those who did faced cash-flow problems as they were required to pay the full price for LPG cylinders and then wait for the subsidy to reach their bank accounts.

Matching names could prove to be a challenge for UIDAI, which has sought the Modi Cabinet's nod for expanding enrollment in Uttar Pradesh, Bihar, Chhattisgarh and Uttarakhand at a cost of ₹1,265 crore.

In a recent exercise with the rural development ministry, UIDAI could only match 30% of names in its database with beneficiaries of the Mahatma Gandhi National Rural Employment Guarantee Scheme or MGNREGS.

Moreover, it had enrolled and generated Aadhaar numbers that exceeded the population in several districts, raising concerns about the quality of verification procedures.

UIDAI did not respond to a detailed questionnaire from ET. A senior rural development ministry official confirmed that its database comparison exercise with Aadhaar threw up significant anomalies.

After seeding a part of its MGNREGS database with Aadhaar numbers, the ministry had sent the details of beneficiaries to the UIDAI for validation. "The UIDAI had to check that its database had the same name linked to the number, but we found that just 30% of the names matched," the official said, adding that the mismatches often arose due to names being spelt differently in both lists. That the MGNREGS databases and job cards issued in states list workers' names in the local language added to the complexity.

The UIDAI is now trying a new approach for matching the rural employment guarantee list — phonetic comparisons of the two databases. For this, names in the MGNREGS beneficiary list and the Aadhaar number list have to be converted into audio files and then compared.

The Pioneer

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Coal Ministry non committal on CIL divestment over fears of unions' stir threat

ANIMESH SINGH ■
NEW DELHI

The NDA Government which aims to garner ₹22,000 crore through a 10 per cent stake sale in Coal India Ltd (CIL), could face tough times ahead as it will have to deal with the trade unions of the Maharatna Company before going ahead with the move. According to sources, a cautious Coal Ministry is learnt to have refrained from giving a direct opinion on whether it supports the CIL stake sale or not.

Sources privy to the development told *The Pioneer* that in its response on the matter sought by the Department of Disinvestment (DoD), the Coal Ministry has simply elaborated on the developments of December 2013 and January 2014, when the CIL unions had gone up in arms over the then UPA Government's proposal of a 10 per cent offloading of its shares in the coal behemoth, and had threatened to launch a nation-wide agitation against the move.

The response on the matter by the Coal Ministry was sent to the DoD on July 11, sources informed.

Ministry officials were tightlipped and refrained from commenting on the matter with a top official simply stating that the ball was now in DoD's court. On being asked as to whether the issue has been raised with CIL's unions and how the ministry plans to convince them, official sources said that talks will happen and efforts will be made to bring the unions on board.

Sources, however, pointed out that the Coal Ministry by refraining from giving a definitive response to the DoD's note asking for its comments on CIL's disinvestment, has given out a clear message that the Finance Ministry will have to take a final call on the matter.

The CIL union consists of Left leaning AICWF and CITU, BJP-backed Bhartiya Mazdoor Sangh and the Congress-affiliated INTUC. Apart from INTUC, none of the other labour bodies have supported the disinvestment move.

Though considered to be a tough task master, taking into account the fact that all the Cabinet ministers in the NDA Government have been on their toes since the new dispensation assumed power at the Centre on May 26, sources pointed out that it will be interesting to see how Prime Minister Narendra Modi tackles the challenging task of bringing the CIL's unions to agree with the proposed move.

The unrelenting unions in December 2013 had threatened the then UPA Government with a nation-wide agitation if it went ahead with offloading its 10 per cent stake in the Maharatna company.

As reported by this newspaper in January this year, a harried UPA Government, under pressure from the unions and nearing its tenure at the Centre, had even thought of exploring the special dividend route to come out of the CIL disinvestment imbroglio.

CIL subsequently obliged the Government during the same month by doling out a high dividend of ₹29 per share, which amounted to ₹18,317 crore for 2013-14.

Prior to the special dividend, the UPA Government had even climbed down from its initial plan of 10 per cent stake sale in CIL to 5 per cent.

The NDA Government has announced an ambitious disinvestment target of ₹63,425 crore for the current fiscal in the Union Budget, which it plans to achieve by divesting its stakes in cash rich State-owned entities like ONGC, NMDC and Nalco. It has also included CIL in its divestment plans, however in case the coal major divestment does not happen, then it could be a tough proposition for the Government to achieve the target.

Business Standard

Date 21/07/2014

Page No. 04

FinMin spanner in RBI's COO talks

Government asked Reserve Bank to discuss issue only at board meet attended by its nominees

MANOJIT SAHA
Mumbai, 20 July

It is not still clear whether the finance ministry and the Reserve Bank of India (RBI) are thinking alike on the central bank's move for a chief operating officer (COO) with the rank of a deputy governor.

This was on the agenda of its board meeting on July 10 but was halted following the finance ministry's intervention.

At present, the law permits RBI to have four deputy governors, appointed by the government. To increase the number, the RBI Act needs to be amended. Till this is done, it was suggested the central bank appoint a COO with a deputy governor rank. RBI also proposed to appoint two additional executive directors (EDs).

The Union Budget was presented on July 10, the same day the RBI board was to meet in Chennai. This was a constraint for the government-nominated board members in attending. Shortly before the meeting, the finance secretary's office sent a letter to RBI stating such issues should be discussed only when the government nominees were present, according to a person with direct knowledge of the matter. The letter suggested RBI defer the issue till the next board meeting, where the government nominees will be present.

At present, Arvind Mayaram, secretary, department of economic affairs and finance secretary, and G S Sandhu, secretary, department of financial services, are the government's nominees on the board. The next meeting is in August and typically held in Mumbai, when the central bank finalises its annual accounts and declares the surplus it will be transferring to the government.

There is talk that the meeting could be shifted to Delhi, as, typically, the post-Budget RBI board meeting is held in the capital, when the finance minister addresses the members.

The central bank has an elaborate restructuring programme of its human resources and functions. The move to appoint a fifth deputy governor and two more EDs was a part of the process. At present, RBI has nine EDs.

The issue of a COO with deputy governor's rank was first taken up in the committee of the central board (CCB), a few days before the Chennai board meeting. The CCB felt the matter is important and should be discussed before the full board.

According to the present rules, a candidate is eligible for a deputy governor if below 60 years. A deputy governor is generally appointed for a maximum of five years or till the age of 62, whichever is earlier. However, there are instances when the rules were relaxed.

It is not clear what would be the eligibility criteria for the COO-deputy governor appointment or the retirement age or service rules — RBI's service rules are applicable till the ED rank. Out of the present four deputy governors, two are promoted from within the RBI ranks and the other two from outside, one an economist and the other a commercial banker. There is ambiguity on whether the COO would be an internal or external candidate.

There has been an uneasy relationship between the finance ministry and the central bank in the past, too. Both the previous finance ministers, first Pranab Mukherjee and then P Chidambaram of the earlier United Progressive Alliance government, had run-ins with the previous RBI governor, D Subbarao, on several issues, including monetary policy matters.

Mindful of this, both Chidambaram and the present finance minister, Arun Jaitley, have made an effort for better coordination after Raghuram Rajan took charge at the central bank last September, refraining from publicly commenting on RBI-related issues.

BONE OF CONTENTION

- RBI wants to increase the number of deputy governors, EDs
- At present, deputy governors' appointments are cleared by the appointment committee of Cabinet, headed by the PM
- Till the time law is amended, a COO with a deputy governor rank is proposed
- Committee of central board asked to refer the matter to board
- Govt wants such appointments to be discussed when its nominees' are present at the board meeting
- Issue could be taken up in the next board meet in August
- The meet is scheduled in Mumbai but could be shifted to Delhi