योजना आयोग
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NEWS AND VIEWS

Polity	❖ Hands tied, knee jerk: Stock limits put on onion, potato…
Economy	❖ Little tax relief on the cards…
Planning	❖ It ministry to seek Cabinet approval for Rs. 5,000 –cr VC fund…
Editorial	❖ BOOT-ing out PPP…

"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

- **Hands tied, knee jerk: Stock limits put on onion, potato:** The Centre on Wednesday took the extreme step of bringing onions and potatoes under the Essential Commodities Act, 1955 and letting states impose stock holding limits, following apprehensions that hoarding was causing a spurt in their retail prices. Significantly, both these commodities were under the Act from 1999 to 2004. The move, aimed at empowering state governments to undertake de-hoarding operations and control the prices of these vegetables, was taken by the Cabinet Committee on Economic Affairs (CCEA). States will now be free to set their own stock holding limits, mainly for retailers, with regard to the storage of these two commodities. Union Law and Telecom Minister Ravi Shankar Prasad said a notification would be issued by Thursday and would be applicable for one year. He said six states — Delhi, Chhattisgarh, Madhya Pradesh, Mizoram, Tripura and West Bengal — had asked the government to take this decision. However, Congress-ruled Maharashtra, a large producer of onions, said it made little sense to hoard onions since their shelf life is just a couple of months. "Onion is not gold. It can't last long, and there is no major hoarding," Chief Minister Prithviraj Chavan told The Indian Express. Stating that the state government helps farmers create storage facilities for onions, he said, "This helps in stabilising prices, and blunts fluctuations". Prasad said the decision to include these vegetables under the Essential Commodities Act only gave state governments the right to take stern action against hoarding and black marketing. "We have sufficient supply. (The Indian Express).

Economy

- **Little tax relief on the cards:** When Finance Minister Arun Jaitley turns to part-B of his Budget speech on July 10, the common man may be left disappointed. Taxpayers expecting the income tax exemption limit will be raised to Rs 5 lakh or the deduction limit to Rs 2 lakh might have to settle for a marginal adjustment in the slabs. While reports have said ahead of Assembly elections in a few states, the government wants to give some tax relief to individuals, the disposable incomes of whom have been depleted by the high inflation, the trade-off between this and keeping the government's fiscal deficit low will be difficult. Even if the tax exemption limit is increased to Rs 3 lakh, the loss to the exchequer will be Rs 30,000 crore. Similarly, if the deduction limit under section 80C of the Income Tax Act is doubled to Rs 2 lakh, there will be an additional loss of about Rs 30,000 crore. Tax experts say the government might not increase both the limits substantially, though a total increase of at least Rs 1 lakh crore is needed, as persistently high inflation had eroded household savings. "The government should give some benefit to people; there might be other ways to offset the revenue loss by cutting subsidies, higher disinvestment or improving compliance. If it is raised to Rs 3 lakh, it is a nominal increase," said Divya Baweja, senior director, Deloitte. Vikas Vasal, partner, KPMG, said either the exemption limit or deduction limit should be raised. (Business Standard).

Planning

- **It ministry to seek Cabinet approval for Rs. 5,000 –cr VC fund:** The communications ministry will soon approach the Cabinet, seeking its approval to set up an Electronic Development Fund (EDFP) with an initial corpus of Rs 5,000 crore. "The EDFP aims to create a vibrant ecosystem of venture funds to support research and development, innovation and intellectual property creation in electronic system design and manufacturing, nanoelectroincs and IT," a senior communications ministry official said. A National Policy on Electronic (NPE) had envisaged that EDF will be a "fund of funds" to and invest in angel and venture capital (VC) funds. The plan is to leverage these funds to acquire foreign companies, so as to shift the production of products currently imported in large volumes into the country. "The fund is proposed to be managed professionally and would be accessible to both the government and private sector," a source in the ministry said. In a recently held internal meeting with senior officials, communications minister Ravi Shankar Prasad had highlighted the need to promote domestic electronic manufacturing. He added that while India had research & development centers of most of the Fortune 500 multinational companies, the IP wealth is generated in the parent country of the company. According to a telecom department note, current domestic demand for electronic products in India is about $45 billion and expected to grow at 22% from 2009 to 2020. At this growth rate, the production of electronics hardware in the country is likely to grow to $42 billion by end of 2014, it adds. (Hindustan times).

Editorial

- **BOOT-ing out PPP:** In the immediate term, the government's strategy to revive stuck projects seems a smart one. As FE reported on Wednesday, the roads ministry has asked the National Highways Authority of India (NHAI) to prepare a plan whereby the NHAI takes control of a project stuck for funds, appoints a firm to complete the project, runs the project for a few years so as to recover its investment and once this is done, returns the project to the original concessionaire to run for the remaining life of the concession. It is not clear as yet whether the NHAI investment would be in the form of debt or equity—the proposal is in the formative stage, and emanated from the need to get one such project, the Gurgaon-Jaipur one, going. In this case, though, while the concessionaire was willing to step aside for a few years, the lenders nixed the idea. Given there are several such projects where clearances have not been made available on time, and where the initial projections on traffic have gone completely out of whack—this makes existing promoters reluctant to bring in more funds—thanks to the economic collapse, the move makes a lot of sense. Indeed, since the roads minister, Nitin Gadkari, has also come up with a plan to create a highways fund, NHAI will have a lot of money at its disposal. The Gadkari proposal envisages securitising NHAI's annual toll incomes, and getting investors like the Japanese—or long-term ones like insurance and pension funds—to participate in it. (The Financial Express)

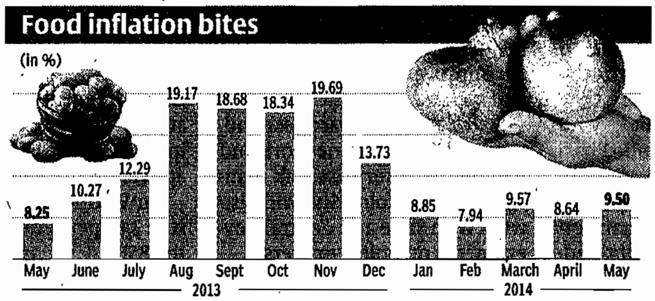
Business Line

Date 03/07/2014

Page No. 01

Centre brings onion, potato under Essential Commodities Act

To curb inflation, wants State Govts to crack down on hoarders; imposes stock limits



OUR BUREAU

New Delhi, July 2

In an apparent bid to douse the raging fire of rising onion and potato prices, the Centre on Wednesday brought these two vegetables within the purview of stockholding limits under the Essential Commodities Act, 1955.

With this move, the ball is clearly in the court of State governments to take up de-hoarding operations and control the prices of onions and potatoes and improve availability.

"The Cabinet now expects State Governments to take firm measures against hoarding," Ravi Shankar Prasad, Union Law and Telecom Minister, told newspersons after the Cabinet Committee on Economic Affairs (CCEA) meeting here on Wednesday, which cleared the proposal to bring onions and potatoes under the stockholding limits.

The move followed a decision earlier in the day to hike the minimum export price (MEP) of onions to $500 a tonne from $300 a tonne. A higher MEP would mean that exports will become costlier and no longer profitable for traders. On June 26, the Government had imposed an MEP of $450/tonne for potato.

Once the Centre's notification is issued, States can take action to impose stockholding limits, said Prasad, adding that this would help tackle the problem of hoarding and rising prices.

States can use this window for one year from the date of the Centre's notification, he added.

"We have sufficient supply. There is no need to panic. We are taking measures to improve supply and control prices," Prasad said, adding that the Government was hopeful "the rain gods would smile on India soon."

Stockholding limit

A stockholding limit ensures that traders cannot stock more than a prescribed quantum. If it is found that traders are holding more than the prescribed limit, they can be fined and, in some cases, even prosecuted. Currently, stock limit provisions exist for various foodgrains and cereals under the Essential Commodities Act.

Additional rice allocation

The CCEA also gave its nod for additional allocation of 50 lakh tonnes of rice for distribution to Below Poverty Line and Above Poverty Line families for the July 2014 to March 2015 period.

This will mitigate the problems of people affected by food price inflation, particularly in States where the National Food Security Act has not been implemented so far.

The allocations have been approved in view of the persistent demand from States and Union Territories for more foodgrains to meet their targeted public distribution system requirements, an official release said.

Minimum export price of onions hiked again

OUR BUREAU

New Delhi, July 2

The Government has increased the Minimum Export Price (MEP) of onions to $500 a tonne to check rising domestic prices. Onions priced below ₹30/kg will now not be allowed to be exported.

On June 17, an MEP of $300 per tonne was imposed on onions, but this has not helped in arresting prices.

Keeping in view the rising retail and wholesale prices and delayed monsoon, the Inter-Ministerial Committee has decided to fix the MEP at $500 a tonne, the Commerce Ministry said.

Onion prices have risen 40 per cent in the last two weeks to ₹18.50 a kg at the country's largest wholesale market in Lasalgaon, Nashik. In Delhi's wholesale market, Azadpur, prices are ruling at ₹20-25 a kg.

The rise in prices is partly due to hoarding, due to speculation that a weak monsoon will affect the kharif crop.

Business Line

Date 03|07|2014

Page No. 04

White Paper outlines what went wrong with road projects

Blames lack of coordination between Ministries, delayed clearances

OUR BUREAU

New Delhi, July 2

The Nitin Gadkari-headed Roads and Highways Ministry released a "white paper" on Wednesday, listing the problems faced by the road sector and what needs to be done to remedy the situation.

The paper blames lack of coordination across various Ministries – Department of Financial Services, Environment, Railways and Defence – as one of the key causes for road projects not getting implemented.

It blames "the tendency (of different Ministries) to work in silos and a desire to dominate over and preserve their individual turfs, even when it goes against national interest."

The paper further points out that of 332 road projects, some 189 – involving an outlay of ₹27,209 crore – were stuck in disputes. The paper is fairly blunt in parts while blaming lack of support from other Ministries.

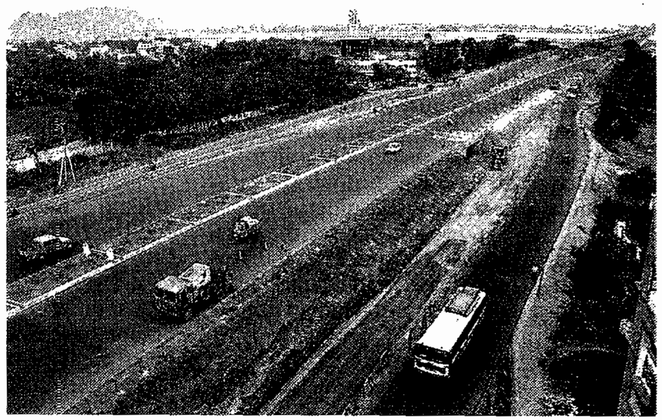
"It will not be incorrect to say that the Department of Financial Services and Ministry of Environment and Forests brought the entire road sector to its knees," it said.

Roadblock

Not just that, "The impact of aggressive bidding could have been contained if Environment Ministry and Department of Financial Services had not acted the way they did.

The Railway Ministry has also been extremely tardy while giving clearances.

Some 90 clearances from the Railways are yet to come through, some of them pending for three years, and Defence Ministry not transferring land for almost five to seven years," says paper.



Mired in problems The paper says projects worth over ₹27,000 crore are stuck in disputes

The white paper also highlights the differences between the Highways Ministry and National Highways Authority of India (NHAI). There is a reference to the Highway Ministry diverting a larger amount of fuel cess funds towards other projects: "The Road Ministry has diverted, till 2013-14, ₹6,966 crore, due to NHAI for other projects. It has also said that till 2013-14, ₹3,321 crore has not been ploughed back to NHAI."

It lists a host of problems, many of which have been flagged by the NHAI and the Highways Ministry to the earlier UPA Government.

Corrective action

It has also listed corrective action taken in the last three years, and further action required, such as more autonomy for NHAI, making other Ministries accountable, allowing the Roads Ministry or NHAI Board to renegotiate contracts and relaxing the exit clause.

Incidentally, in 2009-10, the then Railway Minister, Mamata Banerjee, had also issued a white paper on the Railways.

Sources say similar white papers are being planned for other Ministries, such as Shipping.

Business Standard

Date 03/07/2014
Page No. 04

Little tax relief on the cards

Finance Minister Arun Jaitley may not raise I-T exemption limit to ₹5 lakh

VRISHTI BENIWAL
New Delhi, 2 July

When Finance Minister Arun Jaitley turns to part-B of his Budget speech on July 10, the common man may be left disappointed. Taxpayers expecting the income tax exemption limit will be raised to ₹5 lakh or the deduction limit to ₹2 lakh might have to settle for a marginal adjustment in the slabs.

While reports have said ahead of Assembly elections in a few states, the government wants to give some tax relief to individuals, the disposable incomes of whom have been depleted by the high inflation, the trade-off between this and keeping the government's fiscal deficit low will be difficult.

Even if the tax exemption limit is increased to ₹3 lakh, the loss to the exchequer will be ₹30,000 crore. Similarly, if the deduction limit under section 80C of the Income Tax Act is doubled to ₹2 lakh, there will be an additional loss of about ₹30,000 crore.

Tax experts say the government might not increase both the limits substantially, though a total increase of at least ₹1 lakh crore is needed, as persistently high inflation had eroded household savings. "The government should give some benefit to people; there might be other ways to offset the revenue loss by cutting subsidies, higher disinvestment or improving compliance. If it is raised to ₹3 lakh, it is a nominal increase," said Divya Baweja, senior director, Deloitte.

Finance Minister Arun Jaitley (*right*) with Food Processing Industries Minister Harsimrat Kaur Badal after a Cabinet meeting in New Delhi on Wednesday PTI

EXEMPTION LIMIT

Current slabs (₹ lakh)		I-T rate %
0-2	0-3	0
2-5	3-10	10
5-10	10-20	20
10 and above	20 and above	30

THE BURDEN

Revenue loss to exchequer	
If first slab is raised to ₹3 lakh	30,000
If all standing committee recommendations are implemented	60,000
If deduction under 80 C is doubled to ₹2 lakh	31,000
If tax credit of ₹2,000 continues	3,600

Vikas Vasal, partner, KPMG, said either the exemption limit or deduction limit should be raised. He added the latter would serve the dual purposes of providing relief to taxpayers and giving a push to the infrastructure sector. Currently, the government allows tax-free investment up to ₹20,000 in infra bonds.

Besides infrastructure, the government might also consider increasing the limit for health insurance. Currently, deduction is allowed for health insurance premium up to ₹15,000 for self, and an equal amount for dependent parents. While the government will aim to give tax relief to the inflation-struck small taxpayer, an across-the-board increase in the exemption limit will benefit all taxpayers.

BUDGET 2014-15

As such, the finance ministry could replicate a step taken in last year's Budget, when the government had proposed to provide a tax credit of ₹2,000 to every person with a total income of up to ₹5 lakh, benefiting 18 million taxpayers. The exchequer, however, took a hit of about ₹3,600 crore.

If tax slabs are adjusted according to the recommendations of a standing committee — ₹3-10 lakh (10 per cent tax), ₹10-20 lakh (20 per cent), and ₹20 lakh or more (30 per cent) —, the government will take a hit of ₹60,000 crore. This recommendation was turned down by the finance ministry under the previous regime. A concern is the move will further erode the already-low (about 33 million) tax base. If the slab is raised to ₹3 lakh, 87 per cent taxpayers will escape the tax net, against the current 72 per cent (with annual income of up to ₹2 lakh).

"Given the high inflation, the tax exemption limit should go up by ₹1 lakh. I recognise the fact that a huge number of taxpayers will go out of tax net, but they don't contribute much to the total tax collections," said Amarpal Chadha, partner, EY.

The tax collected from the ₹2-10 lakh income bracket is about ₹21,094 crore (from about 27 million taxpayers), while that collected from about 335,000 taxpayers in the ₹10-20 lakh income group is ₹10,185 crore. About 185,000 taxpayers in the income group of more than ₹20 lakh contribute ₹53,170 crore.

What worries the finance ministry more than a section of taxpayers going out of the tax net is the fact that it won't get a lot of information that comes with returns. And, if the ministry makes it mandatory for everyone to file returns, there won't be a fall in administrative costs.

To cut the government's administration costs and focus on higher income-group taxpayers, a parliamentary standing committee headed by Bharatiya Janata Party leader Yashwant Sinha had suggested four slabs. It had also proposed the deduction limit for investment in long-term savings be increased from ₹1 lakh to ₹1.5 lakh, while the deduction limit towards life insurance premium, health insurance premium and tuition fee be increased to ₹1 lakh. Currently, deduction is allowed for health insurance premium up to ₹15,000 for self and ₹20,000 for dependent parents.

See KPMG view on the Budget: mybs.in/9c3fa

Business Standard

Date 03/07/2014
Page No. 05

As population of youth rises, more go jobless

SOMESH JHA
New Delhi, 2 July

As the population of India's youth (aged 15-24 years) more-than-doubled during 2001-2011, the unemployment rate among this section rose from 17.6 per cent to 20 per cent, show the latest Census data. The unemployment also takes into account those seeking jobs after working for three-six months in a particular segment (marginal workers).

In absolute terms, 46.9 million of India's youth were unemployed in 2011, compared with 33.5 million in 2001. Overall, 9.6 per cent of the total population was unemployed in 2011, compared with 6.8 per cent in 2001. In 2011, the number of youth in India rose to 23.2 million from 10 million in 2001. By comparison, the country's total population rose 17.71 per cent during this period.

Economists said the rise in the number of unemployed youth was alarming and needed the immediate attention of the new government. "This is alarming and was responsible for the huge voter turnout during the Lok Sabha elections and the massive victory of the Bharatiya Janata Party (BJP). Employment-intensive sectors were not able to generate jobs, leading to this," said Amitabh Kundu of the Centre for the Study of Regional Development, Jawaharlal Nehru University.

He added people were banking on the Narendra Modi government to address the issue of unemployment. "The stress should be on skill development and taking care of small-scale industries," he said.

The new government has already initiated steps towards skill development for the youth. The labour ministry has mooted a National Employment Policy, largely aimed at tapping the potential of the youth and revamping the unorganised sector in India. Under the policy, the focus will be on providing skill development in unorganised non-farm sectors such as construction.

"There is an urgent need to expand vocational training at the certificate level to upgrade and enrich the skill base and the productivity levels of growing non-farm employment sectors such as construction," said a ministry note.

PROBLEM OF PLENTY

20% Unemployment rate among youth (15-24 years) in 2011, against 17.6% in 2001

46.9 mn Number of youths available for work in 2011, compared with 33.5 million in 2001

9.6% Unemployment rate at all-India level in 2011, against 6.8% in 2001

23.2 mn Population of youth in 2011, double that in 2001

- Onus on Narendra Modi-led National Democratic Alliance government to create jobs for youth

The Tribune

Date: 3/07/2014
Page No. 14

Govt puts on hold hike in LPG, kerosene rates

TRIBUNE NEWS SERVICE

NEW DELHI, JULY 2

The government today put on hold a hike in LPG and kerosene prices in states, including Haryana, where an increase in local levies had led to a rise in fuel rates.

The increase in state levies such as entry tax and octroi led to prices of domestic LPG rising in Kerala by Rs 4.50 per cylinder, Rs 3 in Karnataka, Rs 5.50 in Madhya Pradesh and Re 1 per cylinder in Uttar Pradesh.

There was a small increase of 2 paise and 8 paise in PDS kerosene rates in Haryana and Uttar Pradesh, respectively.

On the other hand, a reduction in state levies led to a cut in LPG prices by Rs 9.50 per cylinder in Assam, Rs 1.50 in Bihar and Rs 3 per cylinder in Maharashtra. Rates of kerosene sold through the public distribution system fell by 11 paise per litre in Maharashtra and Rs 1.32 per litre in Navi Mumbai.

The Petroleum Ministry today said the hikes in both LPG and kerosene rates be put on hold pending consultations with the state governments on state-specific levies. However, the reduction in prices will be passed on to consumers, the statement said.

Besides excise duty levied by the Central Government and sales tax or VAT by the state governments, certain other local levies such as entry tax, octroi and input tax restrictions on VAT are applicable in some states.

"In order to ensure that revenue demands of certain states don't become a burden for consumers across the country, the government had introduced the scheme of state-specific costs (SSC) on July 24, 2012, to recover such irrecoverable levies from the consumers of the state/municipal area levying such taxes," the statement said.

In accordance with the scheme, oil companies carry out quarterly revisions in the retail selling price (RSP) of sensitive petroleum products, including PDS kerosene and domestic LPG, in 12 states where such taxes were incurred. The latest revision in these states was due this month.

The Economic Times

Date: 3/07/2014
Page No. 16

Centre to Discuss Admin Reforms with States

Meeting to discuss personnel issues has been scheduled for August

VIKAS DHOOT
NEW DELHI

Taking forward its drive to reinvigorate the bureaucracy that had turned overcautious fearing action from investigative agencies, the National Democratic Alliance government has decided to initiate fresh talks with state governments on implementing administrative reforms as well as assuring stability of tenure to civil servants who are often transferred at the whims and fancies of their political bosses.

Minister of state in the Prime Minister's Office Jitendra Singh has called a meeting of all state governments in August to discuss personnel-related issues, including the shortage of officers at the Centre driven by an increasing tendency among officers not to leave their state roles for central deputation. Prime Minister Narendra Modi has entrusted Singh with the charge of the personnel ministry, which oversees the departments of personnel, training, administrative reforms and public grievances.

"The agenda for the meeting is still being finalised but it will reflect the new government's focus on empowering the bureaucracy and eliminating obsolete administrative structures and practices," said a senior government official. The Centre has also asked the state governments to submit status reports on the administrative reforms they have implemented and the steps they have taken to ensure stable tenures for officers, added the official, who did not wish to be identified.

What's on Agenda

- **STABILITY OF TENURE** to civil servants who are often transferred at the whims & fancies of politicians
- **SHORTAGE OF OFFICERS** at the Centre as officers do not leave their state roles for central deputation
- **STATUS REPORTS ON ADMIN** reforms states have implemented and steps taken to ensure stable tenures for officers
- **URGE STATES TO HASTEN** the pace of implementation of suggestions of Second Administrative Reforms Commission
- **DISCUSS STEPS TO PROTECT** upright officers from being persecuted for bona fide actions

The fear of a backlash from investigative agencies like the Central Bureau of Investigation had deterred officers from taking key decisions, secretaries had told Modi on June 4 at the first such interaction held in eight years. The prime minister had empathised with the sentiment expressed by secretaries and "their anguish in not being able to realise their true potential because of circumstances".

Since then, the prime minister has reconstituted the Appointments Committee of the Cabinet in a manner that ministers will have little say in the appointment of top officials in their departments. Now the panel includes only the PM and the home minister, unlike the practice under the previous UPA government, where the minister in charge of a department was also included in such decisions. This led to ministers handpicking officials they preferred and shunting out those that did not toe their line.

At the meeting with states, Singh is expected to urge states to hasten the pace of implementation of recommendations made by the Second Administrative Reforms Commission and discuss steps to protect upright officers from being persecuted for bona fide actions.

To curb arbitrary transfers of officers, as seen in recent cases of IAS officers Ashok Khemka and Durga Shakti Nagpal, states could be urged to put in a system that offers stable tenures for each job and requires any transfer made before the stipulated period to be done only after an authority above the level of the person who ordered such transfer has recorded reasons for the change. Thirteen states have already put such a system in place.

The shortage of officers to work in the central government at the level of director and deputy secretary is also likely to be discussed, officials said. The reason officers are wary of coming to the capital in such roles is that they find it difficult to get suitable housing and are rarely entitled to a car, they added.

The Economic Times

Date: 03/07/2014
Page No. 16

'Road Sector Brought to Knees Under Previous Govt'

Ministries worked in silos which went against national interest, says report

PRESS TRUST OF INDIA
NEW DELHI

The new government has blamed the previous regime's policies like award of projects without land acquisition for the poor performance of road sector wherein about 60% of the National Highways Authority of India's (NHAI) scheme are embroiled in disputes.

"Undue importance was given to award of projects...Awards became a number game...the actions of the Department of Financial Services (DoFS) and the Ministry of Environment and Forests (MoEF) brought the entire road sector to its knees," the white paper on NHAI released by the Ministry of Road Transport and Highways (MoRTH) said on Wednesday.

The NHAI was brought under pressure to award projects without land acquisition and other regulatory clearances, the paper said, while another document indicated that 189 out of 332 NHAI projects in 20 states involving ₹27,210 crore are stuck in disputes.

It said there was a tendency among ministries to "work in silos and alacrity to dominate over and preserve their individual turfs, even when it goes against national interest".

It accuses DoFS of taking a contradictory stance against another wing of finance ministry leading to delay and termination of projects

Alleging the previous government of "continuous slippages" due to award of projects without any strategy, the white paper said: "NHAI had to go into a firefighting mode fighting a losing battle, the developers lost opportunities ... lenders had to cope with defaults in debt servicing ... public could not avail benefits of completed roads and government itself lost enormous revenues."

Stating that ministries, whose contribution was integral to the timely completion of projects, went about their task "unmindful and unconcerned with the crisis they were creating", the paper accused the MoEF of a wrong interpretation of the SC order in a case and refusing environment clearances to projects.

It accused DoFS of taking a contradictory stance against another wing of Ministry of Finance leading to delay and termination of projects. "While the MCA approved by DoE only requires that 80 per cent land be made available on the appointed date, DoFS directed all state-owned banks that they shall not lend to road projects unless 100% land is available", leading to no loan to projects, it said.

Stating that "it has become fashionable to cite aggressive bidding as the reason for the collapse of road sector awards", MoRTH said the impact of aggressive bidding could have been contained if MoEF and DoFS had not acted in the way they did.