योजना आयोग
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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

- **Aadhaar, DBT get a lifeline, Modi to retain, push UPA schemes:** Putting to rest speculation about the fate of the UPA government's flagship Aadhaar project and the Direct Benefits Transfer scheme, Prime Minister Narendra Modi on Saturday sought a 100-crore enrolment target under Aadhaar at the "earliest", also asking officials to look into linking passports with its data. The Prime Minister also gave a decisive push to all Aadhaar-based DBT schemes, including for LPG, which the previous government had scrapped, at a meeting with Home Minister Rajnath Singh, Finance Minister Arun Jaitley and Unique Identification Authority of India (UIDAI) Director General Vijay Madan on Saturday. While there has been some talk of merging Aadhaar with the National Population Register, officials say that appears ruled out for now. Though no time frame has been fixed, Modi told the UIDAI that 100-crore enrolment target should be met at the "earliest". The current enrolment is at 70 crore, with 65 crore Aadhaar cards issued. Government sources said the additional enrolment should be feasible given the "interest and push" the Modi government now seems to be displaying, along with its focus on monitoring and effective implementation. "Aadhaar enrolment and DBT rollout had all slowed down with the UPA regime having lost interest in the project. But the new Prime Minister has emphasised fast-tracking it. (The Indian Express).

Economy

- **GST rollout could take till start of FY17:** The proposed Goods and Services Tax (GST) might be introduced only from 2016-17, even as the Centre has agreed to sort out states' concerns over compensation for a cut in Central Sales Tax (CST), a long-pending issue obstructing progress in indirect tax reforms. "The agreement resolves a major hurdle but does not mean GST will come into effect from this October or November. It will take time," said Prashant Deshpande, partner, Deloitte India. At a meeting with state counterparts last week, Union Finance Minister Arun Jaitley had said, "Fixing the compensation issue is critical to roll out GST." CST, a tax on inter-state movement of goods, was cut from four per cent to two per cent, in phases. In late 2012, states had reached an understanding with the Centre for full compensation for 2010-11, 75 per cent for 2011-12 and 50 per cent for 2012-13. This would require the Centre to shell out Rs 34,000 crore. However, in Budget 2013-14, then finance minister P Chidambaram provided only Rs 9,000 crore, of which only Rs 1,900 crore was released. States complained they hadn't been given compensation since 2011-12. CST is one of the problems in the way of GST. Issues concerning the Constitution Amendment Bill, an enabling provision to allow the Centre to tax goods beyond manufacturing and states to impose services tax, are also taking time to resolve. "I think introduction of GST might come from April 2016. It is unlikely from next year," said Pratik Jain, partner, indirect tax, KPMG in India. (Business Standard).

Planning

- **Oil Ministry expects clarity on gas price this week:** The Ministry for Petroleum & Natural Gas is looking for a middle path to end the uncertainty on the new price for domestically-produced gas. "Some clarity should emerge in a day or so on the formula to derive a price which is acceptable to all stakeholders – consumers as well as producers," a senior Government official said. "Today the situation is that of being caught between the devil and the deep sea. It is not easy for the Government to completely dismiss the formula suggest by the C Rangarajan panel if it does not have in place another mechanism," said another official privy to the developments. "The Rangarajan formula with some changes is a possibility," he said. The formula, if implemented, will almost double the gas price from the current $4.2/unit (gas is measured in million British thermal units). Meanwhile, the Ministry has informed the producers to continue selling gas at the prevailing rates till any further decision is taken. The Petroleum & Natural Gas Minister, Dharmendra Pradhan, told *BusinessLine* that the method adopted by the previous regime is not the way a policy is framed. On the Rangarajan formula, he said, "It takes into account Japan's consumption, EU's balance sheet and the Henry Hub price, when the gas is in the country." According to an official in the Ministry, the problem emerges from the use of words 'arm's length' and 'valuation of price' in the production sharing contract (PSC). Besides, deferment of the decision by three months has led to even those who are not directly connected with the subject giving their two bit advice on the issue, the official added. (Business Line).

Editorial

- **Back to Dinesh Trivedi:** Given how the BJP was quick to roll back the R700 crore hike in suburban railway fares in Mumbai due to elections in the state, there is no certainty railway minister DV Sadananda Gowda will be able to present a reformist budget later this week. Even so, it has to be recognised that, desirable as railway passenger fare hikes are since the organisation lost R26,000 crore on this in FY14, there is only so much that can be achieved from this. Last month's fare hike, which unfortunately included the already over-burdened freight segment, will fetch the Railways around R9,000 crore as compared to its needs of at least R14 lakh crore, of which around R1 lakh crore is required immediately since, as the Kakodkar report brought out, both large sections of the tracks and coaches need replacing. In such a situation, the Railways need a brand new play. A play that Dinesh Trivedi first introduced in his speech in March 2012, and which PM Narendra Modi reiterated in his speech while inaugurating the Katra-Udhampur rail link at Katra railway station last week. Trivedi, and the PM asked why railway stations couldn't look like airports, with hotels, shopping malls and commercial complexes built around them. Indeed, since most railway stations in India are in the centre of town, the commercial value that can be garnered is probably several times more than what an airport can, given how far it is from the city. (The Financial Express)

Business Line

Date 07/07/2014

Page No. 01

Govt to cut excise duty on diesel, but Jaitley will take final call

All eyes on Budget as NDA faces flak for rising fuel prices

RICHA MISHRA/SHISHIR SINHA

New Delhi, July 6

Under attack for rising auto fuel prices, the Narendra Modi Government is considering a cut in excise duty on diesel. But whether it will form part of Finance Minister Arun Jaitley's maiden Budget remains to be seen.

Declining to speculate on the quantum of cut, Government sources said a reduction in duty is under active consideration. The Central excise duty on diesel is levied at the rate of ₹3.56 a litre (including 3 per cent education cess).

Such a move will result in some respite to users, as the Government has decided to continue with the decision of the Congress-led UPA regime allowing public sector oil retailers to raise diesel prices by 45-50 paise every month. This will be done till the loss incurred on selling the fuel at a controlled price is neutralised.

Petrol is already being sold at market prices.

How it adds up

So, how is the duty added to the retail price? At the dealer end, according to the Petroleum Planning & Analysis Cell (PPAC), diesel in Delhi costs ₹46.41 a litre, excluding excise duty and VAT. But at the retail end, excise duty of ₹3.56 a litre, dealer commission of ₹1.19 a litre, VAT (including VAT on dealer commission) applicable at the rate 12.50 per cent and air ambiance charge at ₹250/kl (0.25/litre) is added. The fuel finally costs ₹57.84 a litre.

"It will be a critical decision for the Finance Minister considering the current state of the economy," a Government official said, adding that the focus is to cut expenditure and enhance revenue.

The Centre levies customs duty on petrol and diesel at ad valorem rates (percentage of value), while excise duty is levied at specific rates. Currently, the customs duty on petrol and diesel is 2.5 per cent. The excise duty on petrol is levied at the rate of ₹9.48/litre (including education cess).

Diesel consumption

Diesel makes up for 40 per cent of domestic fuel sales. According to PPAC, diesel consumption in May was up 1.3 per cent year-on-year.

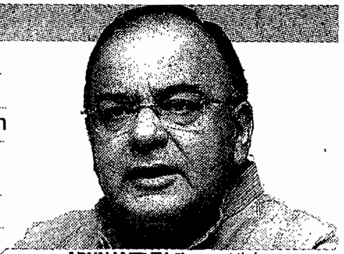
Reasons for this marginal rise are slowdown in sales of commercial diesel vehicles, improved power situation, industrial consumers shifting to alternate fuels due to price differential (dual pricing) and increasing fuel prices, and shift in four-wheeler/SUV consumer preference from diesel to petrol-driven vehicles.

Apart from the two central levies — customs and excise duties — various State Governments impose sales tax on petroleum products at ad valorem rates. In other words, when international prices go up, States are the ones which get higher revenue.

On the other hand, debate over including petroleum products within the ambit of the Goods and Services Tax (GST) continues. States want these products to be kept out so that they can raise revenue as and when they wish. The earlier Constitution Amendment Bill talks about keeping petroleum products out of GST, but a final decision is yet to be taken.

Things to look out for

- Hike in I-T exemption limit
- FDI in Defence and Railways
- Clarity on retrospective taxation
- Incentives for infrastructure sector, including power
- Major push for disinvestment
- Spelling out reform priorities



ARUN JAITLEY, Finance Minister

Tax collection on petroleum products (₹ crore)

Financial Year	Customs duty	Central excise duty	Total amount
2011-12	20,520	74,701	95,221
2012-13	13,705	84,898	98,603
2013-14 (up to September)	8,129	42,641	50,770

Business Line

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Oil Ministry expects clarity on gas price this week

Rangarajan formula with some changes a possibility: official

RICHA MISHRA

New Delhi, July 6

The Ministry for Petroleum & Natural Gas is looking for a middle path to end the uncertainty on the new price for domestically-produced gas.

"Some clarity should emerge in a day or so on the formula to derive a price which is acceptable to all stakeholders – consumers as well as producers," a senior Government official said.

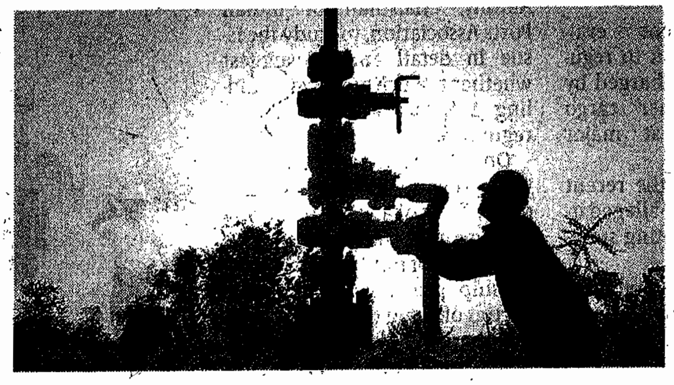
"Today the situation is that of being caught between the devil and the deep sea. It is not easy for the Government to completely dismiss the formula suggest by the C Rangarajan panel if it does not have in place another mechanism," said another official privy to the developments.

"The Rangarajan formula with some changes is a possibility," he said. The formula, if implemented, will almost double the gas price from the current $4.2/unit (gas is measured in million British thermal units). Meanwhile, the Ministry has informed the producers to continue selling gas at the prevailing rates till any further decision is taken.

Problem areas

The Petroleum & Natural Gas Minister, Dharmendra Pradhan, told *BusinessLine* that the method adopted by the previous regime is not the way a policy is framed. On the Rangarajan formula, he said, "It takes into account Japan's consumption, EU's balance sheet and the Henry Hub price, when the gas is in the country."

On June 25, the BJP Government bought some more time to decide on the politically sensitive issue of fixing a new price for domestically-produced gas.



According to an official in the Ministry, the problem emerges from the use of words 'arm's length' and 'valuation of price' in the production sharing contract (PSC). Besides, deferment of the decision by three months has led to even those who are not directly connected with the subject giving their two bit advice on the issue, the official added.

On June 25, the BJP Government bought some more time to decide on the politically sensitive issue of fixing a new price for domestically-produced gas.

The issue also became contentious as the dispute with private sector major Reliance Industries and its partners in the country's largest gas fields still remained unresolved.

Business Standard

Date 07/07/2014
Page No. 01

Every third Indian poor, says new poverty formula

But pace of poverty eradication quicker in the three years to 2011-12

SANJEEB MUKHERJEE
New Delhi, 6 July

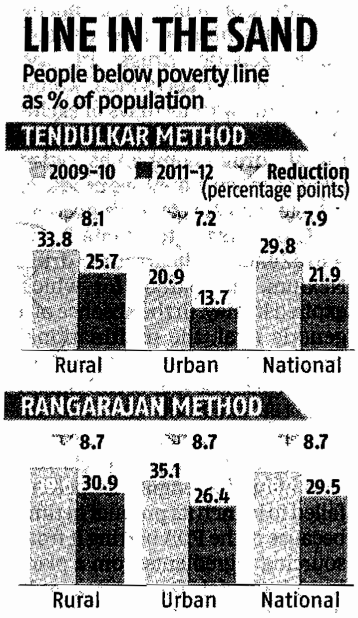
A new panel has found that 29.5 per cent of India's population was poor in 2011-12 against just 21.9 per cent estimated under the previous methodology which had drawn sharp criticism from various quarters. In absolute terms, 363 million people were below the poverty line that year, higher by about 93 million over 269.8 million estimated earlier.

However, the poverty rate — the number of poor as a proportion of the population — came down swifter in the new estimates prepared by the panel headed by former Prime Minister's Economic Advisory Council chairman C Rangarajan than calculated earlier on the Suresh Tendulkar methodology.

The Rangarajan panel recently submitted its report to the government.

A greater number of people were classified under poverty in 2011-12 as the Rangarajan committee raised the poverty line compared to that fixed earlier, officials said. The Rangarajan panel says anyone spending up to ₹47 a day in urban areas and ₹32 in villages would be considered poor as of 2011-12. The Suresh Tendulkar methodology had pegged these levels at ₹33 in urban areas and ₹27 in villages. By either method, poverty was reduced during 2009-10 to 2011-12 (the first three years of the second UPA government).

For 2009-10, the Suresh Tendulkar methodology had pegged the poverty line at ₹22 in villages and ₹29 in urban areas. These were raised to ₹27 and ₹40, respectively, by the Rangarajan committee.



Source: Rangarajan committee report

As many as 91.6 million people were lifted out of poverty, according to the Rangarajan panel report, during the period as there were 454.6 million poor in 2009-10. The estimation based on the Suresh Tendulkar methodology had earlier shown that 84.9 million people came out of poverty since the number of poor stood at 354.7 million in 2009-10. The poverty rate fell by 8.7 percentage points in this period under the Rangarajan formula against a 7.9 percentage point fall under the Tendulkar methodology.

This was also the point made by the previous regime — that whichever methodology one looked at, poverty was reduced during its rule — highlighting that its welfare schemes such as NREGS worked. However, officials did not give comparative figures to assess if the poverty rate declined faster under the UPA or the earlier NDA regime. The pattern is the same for rural and urban India, but the Rangarajan panel shows poverty was much underestimated in urban areas previously.

Business Standard

Date 07/07/14

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GST rollout could take till start of FY17

Contentious issues still await consensus to get needed votes for amending Constitution, apart from lengthy procedures

INDIVJAL DHASMANA
New Delhi, 6 July

The proposed Goods and Services Tax (GST) might be introduced only from 2016-17, even as the Centre has agreed to sort out states' concerns over compensation for a cut in Central Sales Tax (CST), a long-pending issue obstructing progress in indirect tax reforms.

"The agreement resolves a major hurdle but does not mean GST will come into effect from this October or November. It will take time," said Prashant Deshpande, partner, Deloitte India.

At a meeting with state counterparts last week, Union Finance Minister Arun Jaitley had said, "Fixing the compensation issue is critical to roll out GST."

CST, a tax on inter-state movement of goods, was cut from four per cent to two per cent, in phases. In late 2012, states had reached an understanding with the Centre for full compensation for 2010-11, 75 per cent for 2011-12 and 50 per cent for 2012-13. This would require the Centre to shell out ₹34,000 crore.

However, in Budget 2013-14, then finance minister P Chidambaram provided only ₹9,000 crore, of which only ₹1,900 crore was released. States complained they hadn't been given compensation since 2011-12.

CST is one of the problems in the way of GST. Issues concerning the Constitution Amendment Bill, an enabling provision to allow the Centre to tax goods beyond manufacturing and states to impose services tax, are also taking time to resolve.

"I think introduction of GST might come from April 2016. It is unlikely from next year," said Pratik Jain, partner, indirect tax, KPMG in India.

States also want the Centre to give a binding commitment in the Constitution Amendment Bill for compensating their revenue loses due to GST for three years. The Centre has agreed to the compensation but states want the Bill to say so. Then comes the issue of keeping petroleum out of GST. The Centre wanted this to be mentioned in the Bill but not states.

States also wanted a portion of the central pool of tax on inter-state movement of goods and services. They also demanded that entry tax not be subsumed in GST, as it is a major source of revenue for local bodies.

Even if agreement is reached on rolling out a distorted GST, without petroleum and without subsuming entry tax, passage of the Constitution amendment will require much party coordination by the government. The ruling coalition is short of the two-thirds majority needed for the amendment in the Lok Sabha. In the Rajya Sabha, the ruling alliance has 62 seats but needs 160 to pass the Bill. Then, half the state Assemblies need to okay the Bill; the central government's supporters rule in only seven of 29 states.

The Centre will also have to enact a model GST law. Then, states will frame their own Bills and get these passed in their respective Assemblies. These then will have to be sent to the Centre for the President's assent.

HURDLES STILL

- GST might not come before April 2016
- Centre now agreeable to sort contentious issue of CST compensation
- States also want petroleum out of GST, entry tax not to be subsumed in it
- They demand portion of central share in integrated GST
- Constitution Amendment Bill needs to be passed with a two-thirds majority in each House of Parliament
- A model GST Bill also to be passed in Parliament
- States will have to get their own GST Bills passed and send for central approval

The Economic Times

Date: 07/07/2014
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Gowda may Tap External Funding for Railway Projects through PPP Model

BUDGET
LOOKING AHEAD

KR BALASUBRAMANYAM
BANGALORE

Railway minister DV Sadananda Gowda is expected to propose measures to tap external sources of funding to strengthen the railway infrastructure with technology adoption and modernisation in the railway budget on Tuesday.

While the railway minister is expected to go slow on new lines, he may tap foreign and private investments by introducing the public-private partnerships (PPP) concept in railways as its finances are in shambles, government sources told ET.

Gowda is also expected to desist from populism and instead focus on streamlining the system and lay emphasis on safety.

The Narendra Modi government has already increased railway passenger fares by 14.2% last month.

The railway minister, it is learnt, wants to announce measures that will enhance overall passenger comfort with new and improved amenities.

There are plenty of funds available with multilateral agencies such as the World Bank's private sector lending arm International Finance Corporation, Japan International Cooperation Agency and Asian Development Bank. But the Indian Railways has been very conservative in tapping these sources in the past, officials said.

Gowda, who is keen on modernising the railways with the latest innovations in the infrastructure sector, is expected to spell out the NDA regime's approach of introducing the public-private partnership (PPP) concept in the railways.

Officials said the minister will prioritise ongoing projects, and give a push to select ones

There is already a PPP template available in the civil aviation sector, where the model is working well and the Centre is getting its share of revenues from these projects.

Another advantage with PPP projects is that private investors complete the project within the stipulated time in order to avoid cost escalation, sources said.

External agencies are known to support commercially-viable projects, which may involve third-party evaluation. This might lead to better efficiencies and project implementation.

The railway ministry has been under pressure to earmark some upcoming railway lines for PPP projects, where there is investor interest. The budget is expected to clear the air on this.

The new regime is also aware of the fact that the progress on adding new lines has been tardy in the past two decades.

In fact, Gowda finds himself drowned under a deluge of projects since past governments announced several new lines for political reasons with measly budgetary support. At current pace of implementation and funding support, these projects will take 40-50 years for completion.

The Economic Times

Date: 01/07/2014
Page No. 11

India has 100 Million More Poor: Rangarajan Committee

YOGIMA SETH SHARMA
NEW DELHI

The number of India's poor may rise by 100 million if the recommendations of the C Rangarajan committee on poverty, which comes just ahead of the maiden budget of the Narendra Modi government, are accepted by the government.

The Rangarajan committee, which has retained consumption expenditure as the basis for determining poverty, has pegged the total number of poor in the country at 363 million or 29.6% of the population against 269.8 million (21.9%) by the Suresh Tendulkar committee, as per the presentation made by Rangarajan to planning minister Rao Inderjit Singh last week.

The previous UPA government had set up a technical expert group under Rangarajan in 2012 after all-round criticism that the poverty line had been pegged much lower than it should have been by the Tendulkar committee amidst demands to revisit the methodology. Rangarajan headed the Prime Minister's Economic Advisory Council at the time.

However, the committee hasn't detailed the methodology used to arrive at the new numbers in its nine-page presentation made to the minister.

The poverty line is significant as social sector programmes are directed towards those below it and will be something that will factor into finance minister Arun Jaitley's budget-making exercise. The budget will be announced on July 10.

The Rangarajan committee raised the daily per capita expenditure to ₹32 from ₹27 for the rural poor and to ₹47 from ₹33 for the urban poor, thus raising the poverty line based on the average monthly per capita expenditure to ₹972 in rural India and ₹1,407 in urban India. The earlier methodology, devised by Tendulkar, had defined the poverty line at ₹816 and ₹1,000, respectively, based on the National Sample Survey Office (NSSO) data for 2011-12.

Thus, for a family of five, the all-India poverty line in terms of consumption expenditure, as per the Rangarajan committee, would amount to ₹4,760 per month in rural areas and ₹7,035 per month in urban areas. The Tendulkar committee had pegged this at ₹4,080 and ₹5,000.

As per the Rangarajan committee, the percentage of people below the poverty line in 2011-12 was 30.95 in rural areas and 26.4 in urban areas as compared to 25.7 and 13.7, according to the Tendulkar methodology. The respective ratios for the rural and urban areas were 41.8% and 25.7%, respectively, and 37.2% for the country as a whole in 2004-05. It was 50.1% in rural areas, 31.8% in urban areas and 45.3% for the country as a whole in 1993-94.

Experts said the difference could be explained by variations in assumptions, such as increased expenditure on health and education or following the system of developed countries where the poverty line is defined as a fraction of the average expenditure level or purely going by normative expenditure, thus ignoring actual expenditure on health and education.

Lowering the poverty line could cut out those who need assistance. But reducing the number of poor means governments can claim success for welfare programmes.

The Planning Commission had last year released poverty figures based on the Tendulkar methodology, which had claimed a reduction of 137 million persons over a seven-year period. In 2011-12, India had 270 million persons below the Tendulkar-stipulated poverty line as compared to 407 million in 2004-05, the commission had said.

Another Count

C Rangarajan committee has a new formulation to calculate poverty

Number of poor will rise substantially in 2011-12 under the new rule

CURRENT SURESH TENDULKAR METHODOLOGY

Poverty line: ₹816 a month per person for rural, ₹1,000 for urban

Total no. of poor: 269.8 million (21.9% of population)

Criticism

Poverty line is too low, depriving many of the benefits of social sector schemes

PROPOSED RANGARAJAN METHODOLOGY

Poverty line: ₹972 for rural & ₹1,407 for urban India

Total no. of poor: 363 million (29.6% of population)

Criticism

This has raised absolute poverty in the country by nearly 100 million

WHAT WILL NEW LINE MEAN

Poverty line is used for various entitlements | More people would be entitled to BPL benefits | This will burden government finances... | ...But will bring more deserving people under social schemes

Hindustan Times
Date: 07/07/2014
Page: 13

Govt asks ONGC, OIL to explain decline in oil and gas production

Anupama Airy
anupama.airy@hindustantimes.com

NEW DELHI: Petroleum minister Dharmendra Pradhan is seen to be talking tough with leading oil and gas producing public sector undertakings (PSUs) including Oil and Natural Gas Corp (ONGC) and Oil India Ltd (OIL).

For the first time, ONGC and OIL, among others have been asked to explain the reasons behind drop in its oil and gas production over the past few years, especially when their private sector counterparts such as Reliance Industries Ltd and Cairn India have succeeded in making significant discoveries.

"We are ready to help them through policies but they will have to perform and increase oil and gas production… If Reliance could get latest technologies and produce from NELP (New Exploration Licensing Policy) blocks, why can't ONGC and OIL do that," Pradhan told *HT*, adding it's shocking that while ONGC has bagged many blocks from where they have not been able to produce more oil and gas even as some private players could do so.

The minister said he is regularly meeting the managements of oil companies and also met the top brass of ONGC and OIL on Saturday, in a second review undertaken within a month of the new government taking over.

Hindustan Times
Date: 07/07/2014
Page: 13

Medical devices may get cheaper as govt plans to extend price control

Himani Chandna Gurtoo
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NEW DELHI: Stents, valves and catheters, among others, may get cheaper by at least 10-15% as the government is likely to extend price control over medical devices, the category that is currently not part of the National List of Essential Medicines (NLEM).

The National Pharmaceutical Pricing Authority (NPPA), the body which has the power to fix, revise and regulate prices of drugs in India, is ready to place the proposal on medical devices before the health ministry's newly-formed NLEM panel.

"Life-saving medical devices such as stents, valves, and catheters are as essential as the other drugs in NLEM. This indicates that a set of life-saving devices should also go under price control by becoming part of the revised NLEM list," Injeti Srinivas, chairman, NPPA, told *HT*.

Devices in some categories, if they come under the price control mechanism of the NPPA, would see a fall of even 60 to 80%, according to the industry experts.

The government recently said that a number of drugs would be brought under the ambit of NLEM, which would result in a fall in their prices.

According to the Advanced Medical Technology Association, an industry association for medical device makers, only two decives — intrauterine contraceptive devices and condoms — are listed under NLEM. There are over 14,000 types of medical devices according to global nomenclature. But, in India, only 14 devices and eight additional products including cardiac stents, cannulae, orthopedic implants are regulated by the Drugs Controller General of India, and are treated as drugs, but are not part of NLEM, which controls prices as per the drug pricing control order (DPCO), 2013.

India to become third-largest economy by 2030

Press Trust of India
letters@hindustantimes.com

LONDON: India is set to become the third-largest economy in the world by 2030, according to a latest report by global audit firm PricewaterhouseCoopers (PwC).

The London-headquartered accountancy giant said the rapid rise of the Indian economy with its young workforce would push it up from being the 10th-largest economy in 2013 to the third largest by 2030, pushing the UK back into the sixth place.

CHINA, THE WORLD'S SECOND-LARGEST ECONOMY, IS EXPECTED TO CLOSE THE GAP WITH THE USA BY 2030

"In the long run, other emerging markets may overtake the UK, but only India looks set to do so before 2030 according to our latest projections," according to PwC's latest economic outlook.

China, the world's second-largest economy, is expected to close the gap with America by 2030, while Mexico is predicted to be the 10th largest by 2030, above Canada and Italy, both G7 nations.

Only a couple of years ago there were forecasts that Britain would rapidly become a second-class economic powerhouse and would need to defer to the BRIC countries — Brazil, Russia, India and China — in the near future.

China has ranked above Japan for a decade as the world's second-biggest economy. By some calculations Brazil leapfrogged the UK in 2012, with Russia and India close behind.

Only India will move ahead of the UK by 2030, though it will be sharing a projected GDP of $6.1 trillion among more than 1.5 billion people, only half as much again as the UK's predicted an output of $4 trillion, produced by a population less than 20th the size.

The Indian Express

Date 07/07/2014
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Govt set to revive Surguja UMPP in Chhattisgarh

PRIYADARSHI SIDDHANTA
NEW DELHI, JULY 6

THE Narendra Modi government has decided to go ahead with the setting up of an ultra mega power project (UMPP) in Chhattisgarh, which was cancelled by the UPA-II government.

The proposed UMPP in the state's Surguja district was cancelled on the ground that the two coal blocks linked to the project — Pindrakhi and Putaparogia — in the Hasdeo Arand coalfields fell in the 'inviolate areas' which has rendered the project unviable.

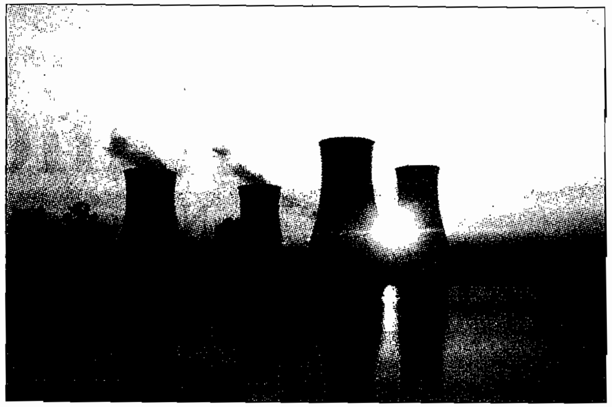
With the NDA in government at the Centre, Chhattisgarh Chief Minister Raman Singh has taken up the issue of reviving the stalled UMPP.

On June 6, he wrote to Modi seeking his intervention in re-starting the project. If the two blocks cannot be retrieved from the inviolate areas, then his government is willing to settle for alternate mines to help the project take off, Singh wrote.

The chief minister is keen that the project gets commissioned as it would lead to huge ancillary industrial activity in the otherwise backward region, a top Chhattisgarh government official told this newspaper.

Six days later the Prime Minister's Office (PMO) wrote to power minister Piyush Goyal suggesting that ways needed to be explored to revive the project. Goyal is learnt to have asked "the authorities concerned to explore the possibility of reviving the project".

A letter sent by the power ministry to the PMO on June 18 said, "...Power ministry has sought comments of the Central Electricity Authority, coal and environment ministries. No comments except those of CEA have been received. Coal and environment ministries is being reminded again to expedite the same."



But a coal ministry official argued that it may not be easy to allocate alternate blocks for this UMPP as existing provisions would have to be scrutinised that whether this can be allowed.

If such a thing is allowed, then there could be similar requests pouring in from other states, who too may be facing similar problem.

Bidding process for the Sarguja UMPP began in June 2010, when the Request For Qualification (RFQ) was issued.

But the Union environment ministry classified the two blocks as part of the inviolate areas last May, which meant that mining could not take place due to the impact on the environment.

An empowered group of ministers under the UPA regime, decided three months later, to drop the project in the absence of any project-linked blocks.

Subsequently, the Power Finance Corporation was asked to withdraw the request for qualification for the proposed UMPP.

Four UMPPs, Sasan in Madhya Pradesh, Mundra in Gujarat, Krishnapatnam in Andhra Pradesh and Tilaiya in Jharkhand have already been awarded to the identified developers so far.

All the five units of Mundra UMPP have been commissioned and first two units (2×660 MW) of Sasan UMPP have been commissioned.

CASE FILE

- The proposed UMPP was cancelled as linked coal blocks in the Hasdeo Arand coalfields fell in the 'inviolate areas' which has rendered the project unviable
- With the NDA in government at the Centre, Chhattisgarh Chief Minister Raman Singh has taken up the issue of reviving the project
- The chief minister is keen that the project takes off as it would lead to huge ancillary industrial activity in the backward region

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Asks states to pay banks in cash; waivers may turn non-starter

RBI to AP, Telangana: No debt to write off farm loans

GEORGE MATHEW
MUMBAI, JULY 6

THE Reserve Bank of India has made it almost impossible for state governments like the new Andhra Pradesh and Telengana to offer farm loan waivers. The central bank has told them they will have to reimburse banks in cash if they wish to waive loans for any segment.

'DEFAULTERS GAIN'

- The RBI has written to the two states that a blanket loan waiver benefits only defaulters
- The central bank is worried that the scheme may encourage defaults in the two states and would also encourage other states to launch such schemes before polls
- The RBI is set to run a massive bonds programme for the Centre and states and loan bonds for such schemes would massively push down bond prices
- The gross NPAs of the banking system stand at 4.4% of total loans

RBI Governor Raghuram Rajan is learnt to have informed the Telugu Desam Party-led government of Andhra Pradesh and the Telangana Rashtriya Samiti-led government of Telangana that the reimbursement to banks by the state treasury cannot be through issue of bonds which will be redeemed in future.

A top level source in RBI said, "The state governments will have to pay direct cash to banks on behalf of the farmers as loan repayment. There is no question of the central bank favouring a bond issue by the state governments to banks as part of loan waiver."

While this has been conveyed to the states which have approached the RBI recently, the banks have not been officially informed about the scheme so far.

The tough stand by the RBI could make the proposed loan waiver schemes non-starter. Andhra Pradesh Chief Minister N Chandrabábu Naidu had proposed it instead of direct cash payment as his government is running a revenue deficit and so is not in a position to make a cash payment.

Total farm loans in the undivided state is about Rs 1.37 lakh crore with the successor Andhra Pradesh accounting for around Rs 87,000 crore of it.

In 2008, the UPA government came out with the Agricultural Debt Waiver and Debt Relief Scheme, under which Rs 71,000 crore of farm loans were written off. The Central government compensated the banks over a period of three years by issuing bonds.

The RBI has written to the two states pointing out that a blanket loan waiver benefits only defaulters and maintained that a waiver should instead be targeted at those who are economically distressed for reasons beyond their control.

The RBI letter spoke about the spoiling of credit recovery culture and impairing of the "financial soundness" of banks.

The RBI is worried about a loan waiver on several counts. One, it will impact the repayment culture in the system. Andhra Pradesh farmers have already started defaulting on their loans after the announcement on loan waiver by the current ruling party — TDP — in the state before the elections.

Secondly, the RBI fears that similar demands will come other states—especially states which are going into polls.

Thirdly, gross NPAs of banks have already hit the 4.4 per cent mark. The RBI is also worried that it will run a massive bonds programme from the Centre and states this year and any addition like loan waiver bonds will make bond prices slip massively.

Many bankers have openly come out against the loan waiver scheme. State Bank of India chairman Arundhati Bhattacharya recently spoke against such a scheme, saying that "stress in our agri portfolio in Q1 will not be so much because of the monsoon deficit as that does not translate into stress so quickly, but definitely on account of the proposed debt waiver, yes".

Another top banker said the loan waiver scheme will not work out without the support of the Central government. "If the Central government steps in, then PSU banks will have to fall in line."

The Statesman

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Super regulator may be reality, road map on FSLRC soon

PRESS TRUST OF INDIA
New Delhi, 6 July

In wide-ranging changes to the way financial sector functions and is regulated, the government may soon lay out a road map for implementation of certain recommendations made by a high-level panel FSLRC, including for the creation of a Unified Financial Agency.

However, many provisions suggested by the Financial Sector Legislative Reforms Commission may be watered down, including for the matters where appeals can be filed with the unified Financial Sector Appellate Tribunal (FSAT) to avoid any abuse of the new law, according to sources.

The FSLRC, chaired by Justice BN Srikrishna, was commissioned by the previous UPA government and has recommended a unified regulator for the financial sector, while creating another layer of oversight in the form of FSAT.

A number of financial sector regulators, including the RBI and the Sebi, have opposed various suggestions, but sources said that the government may go ahead with many key provisions suggested by the FSLRC in due course after necessary changes.

While the final implementation of various legislative changes suggested by the FSLRC may take time as the new government is still studying the wider ramifications, it can show "some kind of commitment" towards the panel's report during the forthcoming Union Budget presentation this week, a senior government official said.

"The government will come out with something on FSLRC during the Budget. The government will show some kind of commitment on this," he said.

"One aspect is whether to combine various regulators into one common regulator to be called Unified Financial Authority (UFA), and it is likely that this would happen. But, that will require changing so many laws. It is unlikely that a Bill will be introduced in the Budget session for this. If they want to do it, they can do it in the winter session. But they will show their commitment that they want to do this," he added.