Planning Commission
Government of India

PART A: News pertaining to Planning Commission

03.11.2014

Compiled by:

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Planning Commission Library

(महान लोगों के विचार) Swami Vivekananda स्वामी विवेकानंद

(Arise, awake and stop not till the goal is reached. उठो, जागो और तब तक नहीं रुको जब तक लक्ष्य ना प्राप्त हो जाये.)

1. Battered & bruised, Planning Commission loses more of its teeth

Sanjeeb Mukherjee, Business Standard: 03.11.2014

Most key functions now handled by the finance ministry and other govt departments

When Prime Minister Narendra Modi recently extended a Rs 8,000-crore central support for building roads in Jammu & Kashmir, Union Cabinet's approval for the big-ticket announcement came in barely 48 hours. Unlike in the past, the proposal did not get stuck in the corridors of the **Planning Commission**, a Nehruvian-era body.

The Commission, which occupied the centre stage in all critical economic and social decisions until a few months ago, is now but a shadow of its former glorious self.

Its office, an imposing five-storied structure opposite Parliament House, earlier teemed with people engaged in one or the other meeting, especially in the run-up to annual Budget preparations. Not anymore; that seems to be a story of the past, as hectic activity has given way to an eerie sense of uncertainty.

During its heyday in the 1960s and '70s, even the location where a public-sector undertaking should come up was decided by the Commission. But, today, the pivotal role it was known to play in shaping the country's development trajectory is conspicuously missing from the scheme of things.

The Planning Commission's importance gradually reduced over the years as India moved from a Soviet-style controlled economy to a more market-driven one. But the body still wielded considerable clout, particularly on important decisions of the Cabinet or Groups of Ministers.

Though all major policy decisions are referred to the Commission even today, its opinion is no longer paramount. In fact, even as a new body to replace the Planning Commission takes shape, the wings of the old one are being gradually clipped.

Its diminishing role is also evident in the fact that a mid-term appraisal (MTA) - a course correction of sorts that in normal circumstances is completed by the third year of a Plan period - is yet to be done for the 12th Five-Year Plan (2012-13 to 2016-17). "We are ready with our sectoral assessment for MTA. But, as of October, there has been no signal from the government on whether or not it wants to carry out the process," said a senior Planning Commission official who did not wish to be named.

The speculation around the contours of a new body to replace the Planning Commission has been rife since Prime Minister Modi first signalled a wind-down of the five-decade-old body, in his Independence Day speech on August 15.

The Commission's reputation of having 'unrivalled financial might' received a body blow when a recent circular directed all major ministries and departments to furnish their Plan Budget estimates for 2015-16 directly to the finance ministry.

This marked a formal shift of responsibility of determining the annual Plan expenditure from the Planning Commission to the ministry.

Earlier, proposals were sent to the Planning Commission, which vetted it and prepared the annual Plan outlays of central ministries, as also state governments. The size of the outlay was finalised after negotiations.

The shifting of responsibilities also indicates that a replacement body, when it comes into being, will not enjoy the power, clout or financial muscle its predecessor did. The Plan expenditure forms an important part of the government's annual Budget expenditure. At Rs 5,75,000 crore, it accounts for around 32 per cent of the government's total expenditure in the 2014-15 Budget estimates.

While the Plan expenditure of Rs 5,75,000 crore for this financial year was finalised after thorough consultation between the Commission and the finance ministry, the exercise henceforth would be solely undertaken by the ministry.

Also, there is little clarity on the fate of the 12th Plan document and steps to implement the recommendations, even as only a little over three years is left for the Plan period to be over. Under Montek Singh Ahluwalia, the Commission had in one of its recommendations for MTA suggested lowering the Plan Budget outlay targets for all sectors, given the slower-than-expected economic growth rates in the first two years of the Plan period.

The Rs 14,60,041 crore allocated by the previous government as budgetary support in the first three years of the 12th Plan period was not enough to meet the targeted Gross Budgetary Support (GBS) of around Rs 35,68,626 crore.

"The MTA offers a window to revisit all targets. Given that economic growth in the first two years of the Plan period has been below the estimated average annual growth of eight per cent, we wanted the body to lower budgetary provision and revisit the physical and financial targets," a former member of the Commission said. However, with no clarity on the Commission's fate, the fate of the 12th Plan document, the recommendations in it and an appraisal of the Plan, hangs in the balance. And so does the fate of the Planning Commission's 1,860-strong staff, including the members posted in attached offices like the National Rainfed Area Authority and National Institute of Labour Economic Research and Development. Budget 2014-15 provided for around Rs 160 crore as expenditure on pay, allowances and travel expenses of the staffers of the ministry of Planning (the Commission is part of this ministry).

According to officials, many of the Commission's officers, who are on deputation, might be sent back to their parent ministries. A concept note on the shape of a replacement body, floated by the Commission a few days ago, had suggested retaining only 40 per cent of the current strength of over 1,000 and sending the rest back to their parent cadre.

The note also talked of attaching a majority of the 31 technical divisions in the existing Commission to the ministries concerned. The technical divisions in the Commission include those like agriculture, communications, information technology, health, family welfare and nutrition and rural development. These divisions give inputs on various aspects of Five-Year Plans and on matters raised by their respective ministries.

The state Plan division is also expected to be attached with the finance ministry and process for this has already been initiated.

A U-TURN

Key dilutions in the Planning Commission’s role, despite there being no formal winding down

The process of fixing the Plan expenditure for the Union Budget has been formally taken over by the finance ministry

The finance ministry has also taken over the task of determining the annual Plan size of states

The Independent Evaluation Office (IEO), which was an attached office of the Planning Commission, has been wound down

There are talks that UIDAI, another attached office of the Planning Commission, would be shifted to the Department of Electronics and Information Technology

Ministries and departments are not insisting on a clearance from the Planning Commission before formulating Cabinet notes or other policy papers

2. India's public planners couldn't end poverty, but its private sector can

The Times of India: 02.11.2014

Now that the last rites are being read over the corpse of the Planning Commission, perhaps it is time for an obituary.

Jawaharlal Nehru set up the commission in 1950 to guide India towards a "progressive widening of the public sector and a reorientation of the private sector to the needs of a planned economy". Thus was created the licence raj. This philosophy was established as a prevailing religion at the 1955 Avadi Congress through the AICC resolution on socialism. There was some logic in this affirmation, for capitalism had been a handmaiden to colonialism with the help of tycoons who placed personal interests far above society. There was, moreover, lingering fear of economic dependence after Independence. But 64 years later, what is the story?

In 1950, it is estimated, some 60% or more Indians lived below the poverty line. This year, the Rangarajan report placed the figure at 30%. There are two options. If you have had a nourishing breakfast before reading this, you can be smug and congratulate yourself. Or you can consider the following facts.

It has taken 64 years to reduce extreme poverty from 60 to 30%: can we wait for another six decades to bring 30 down to zero? An Indian population larger than America's teeters on the edge of subsistence, staring at nothing, bereft of hope, lost without literacy, uncertain about its next meal, blank about its future. Will Indian democracy be able to bear the burden of such despair for two more generations? We have managed to stave off the rage of bellies swollen not by obesity but starvation; but for how much longer?

What is the answer? It is not widely known that Article 399 (a) of our Constitution directs the state to ensure that "…the citizen, men and women equally, have the right to an adequate means of livelihood". The term is, correctly, livelihood. This means jobs. Jobs, unlike dole, bring self-respect with individual and national growth. Where can jobs come from?

You have to be bizarre to believe that the public sector, once in charge of the economy's commanding heights, can still deliver. Properly cooked socialism has failed; its undercooked Indian variety was always indigestible. The nation's economy gradually degenerated because of some principal structural faults. After brief glory, the much-vaunted state sector fell into the grip of stagnocrats, a new plutocracy that protected its interests with the confidence of a class that knew the cost of its inefficiency would be met by the public purse.

This, in turn, made them partners of politicians who converted a stuttering doctrine into a vote machine. India, paradoxically, became a nation where socialism could never generate the surpluses needed for social welfare. Also, moribund governance blocked India's entrepreneurial creativity through an invasive, abortive regulatory regime. Inevitably, since it was out of harmony with private sectordriven growth centres of the world, India’s economy was latched on to the coattails of a dying monolith like the Soviet dinosaur. The Soviet Union was a superpower which committed suicide through infection from toxins of a gangrenous economic model.

When, in the 1990s, we finally diagnosed our cancer, we thought a band-aid was sufficient to prevent fatality. It was only in his last year as Prime Minister that Manmohan Singh asked the Planning Commission to introspect. Maybe he was offering a pope’s absolution to a doctrine on its deathbed. It was too late for Dr Singh to do anything, but hopefully not too late for others.

Prime Minister Narendra Modi recognized the crisis in his first remarks to Parliament: the era of poverty alleviation was over, he said, and the age of poverty elimination had begun. Which brings us back to the basic question: where are the jobs going to come from? The private sector.

The body that will replace the Planning Commission must have a clear objective: its role will not be to command, but to enable the private sector to become the prime engine of development.

Primacy does not mean exclusivity. It also brings with it responsibility. India needs an honest business environment, not crony capitalism. The success of the private sector does not lie in the domination of a handful of empires, but in the harvest of small businesses and the multiplicity of new ideas, born in unknown minds, each with its fertile space in a vast and varied garden. The new body therefore has to be an incubator, and utilize information technology to sift the useful idea from the maverick weed. Every acorn cannot grow into an oak; but many seeds will flower if offered the sunshine of encouragement and the fertilizer of appropriate finance.

Of course it will not be easy. Nothing is easy in governance, but more is possible than we imagine if only we learn to believe in ourselves.

3. CBI likely to quiz former environment minister Jayanthi Natrajan on land diversion for Jindal plant

Daily News and Analysis: 02.11.2014

CBI is likely to convert into FIRs the preliminary enquiries against Jindal Steel and Power Ltd and JSW Steel for alleged diversion of forest land for their plant in violation of norms and may also examine former environment minister Jayanthi Natarajan.

CBI sources said the agency may also include in the FIRs several senior environment ministry officials who were part of the clearance process. They said the agency may also call Natarajan for questioning after registering the FIRs in these cases.

The sources said there were alleged irregularities in the allocation process as the environment ministry changed its position a number of times before the land was cleared in 2013.

The inquiry has been initiated against unknown officials of JSPL and environment ministry for alleged irregularities in the diversion of Saranda forest land in Jharkhand between 2007-13, they said.

Records with the state government and the Centre are being examined by CBI, the sources said.

They said that 512.43 hectares of ecologically-sensitive Saranda forest land in West Singhbhum district of Jharkhand were diverted for the Ghatkuri Iron Ore mining lease project in favour of JSPL. The diversion of the land was questioned by several environment activists as well as the MB Shah Commission.

The sources said that diversion of the land is in alleged violation of the laid-down norms. The Forest Advisory Committee (FAC), which comes under environment ministry, allegedly ignored the fact that there was no wildlife management plan for the forest.

The lack of a wildlife management plan was the reason why FAC had earlier deferred the decision but, during the tenure of Natarajan, the diversion was allegedly given a go-ahead despite there being no change in the ground situation, the sources said.

Forest officers in their reports had told the Government of India that the proposed mining lease area has been notified as the core area of the Singhbhum Elephant Reserve. They had also said that the area is rich in biodiversity with 107 tree species found in a sample plot. The report had also said that Saranda forest was an important habitat for wild elephants and a number of elephant corridors located in the area link the habitat with the adjoining forests of Jharkhand and Odisha.

"Any increase in mining operations in this area is likely to have an adverse impact on elephants and other wild animals," the report said.

CBI sources said despite the ecological importance of the forest, the land diversion was allowed by environment ministry.

They said the agency will soon be examining environment ministry officials to know what were the changes in the circumstances which led to the permission being given for the diversion of the ecologically-sensitive area for mining operations.

4. WEF, CII reunite to host India Economic Summit

Indivjal Dhasmana, Business Standard: 03.11.2014

The theme is "Redefining Public-Private Co-operation for a New Beginning"

After testing waters to go solo in India for two years, the World Economic Forum (WEF) has again joined hands with the Confederation of Indian Industry (CII) to organise a three-day India Economic Summit from Tuesday.

The Davos-based body had organised the summit with another name - World Economic Forum India - in Gurgaon in November 2012, scrapping an alliance with the chamber after 27 years of partnership.

This time, the event is being organised under the same name as it was held in 2011 - India Economic Summit. Around 700 participants are expected to come from 45 countries. The theme is "Redefining Public-Private Co-operation for a New Beginning".

When contacted as to why CII was in alliance with WEF again, Director-General Chandrajit Banerjee declined to comment.

However, CII officials said the question could be answered best by WEF.

Viraj Mehta, director and head of India and South Asia, WEF, said the forum has been collaborating with CII since its very first meeting in 1985.

"In 2012, we took a step back to revisit our strategies and plan of engagement with India. The dialogue and co-operation with CII never stopped," he added.

He clarified that the forum reverted to the older title as it was a name that that people recognise, and it represents WEF's collaboration with CII.

In 2012, WEF had also announced that it will open a permanent office in India, which was to be the fourth such set-up of WEF outside Geneva, the US, Japan and China being the other three.

To a query on this, Mehta said: "This is still a part of our plans. However, there are a lot of details to be worked out."

Neither then prime minister Manmohan Singh nor then finance minister P Chidambaram participate in the event in 2012.

However, many others such as then comptroller and auditor general Vinod Rai turned up. He, in fact, had created quite a controversy after he slammed the then United Progressive Alliance government for its decision-making process, calling it "brazen and appalling".

For a foreign entity, organising an event alone without any Indian partner might become a hard task at times. There were some slips in the last event as well. For instance, then CII president Adi Godrej was denied an entry initially. However, after CII intervened he was allowed in.

A former CII president had commented that this was the first time WEF was organising the show on its own, so some hiccups were bound to happen.

This time, finance minister Arun Jaitley is expected to participate in the show, though the final guest list will be made available to the media only on Monday.

Names of James Hogan, president and chief executive officer of Etihad Airways, Yorihiko Kojima, chairman of the board, Mitsubishi Corporation, Japan, are also on the tentative list.

"There is a good line-up. We will reveal it on Monday," said an official.

Mehta said inclusive growth and competitiveness top the meeting's agenda.

Sources said WEF was supposed to hold a summit in 2013 in Kerala, but the plans were shelved later. In fact, WEF and CII inked a memorandum of understanding in November 2013 itself to "collaborate in delivering a strong engagement across all stake holder groups in India".

However, Mehta clarified that the forum did not plan to do a summit in Kerala but a community retreat. "The retreat did not take place as our Indian members suggested that we delay it due to various state elections," he added.

5. You can't kill two birds ...

Subir Gokarn, Business Standard: November 2, 2014

A fundamental policy rule is that there must be as many instruments as there are objectives

The economic parallel of the popular aphorism about the limitations of using one stone is the assignment rule, usually attributed to Jan Tinbergen, who was (along with Ragnar Frisch) the first Nobel laureate in economics in 1969. This essentially says that when multiple objectives are to be met and there are many instruments to do this with, it is efficient to assign a specific objective to each instrument.

This has a very significant policy implication: there must be at least as many instruments as there are objectives. For many governments, such matching is often difficult to achieve, so it is tempting and perhaps even a compulsion to piggyback multiple objectives on a single instrument. The rule predicts that the consequences of this can be adverse.

India's development narrative is replete with instances of this. Let me focus on two instances, all of which are situations in which the objective of social protection is overlaid on to the underlying transaction. Both these are central issues in the current policy debate and I think that looking at them from the perspective of the assignment rule might add some value to the thinking on how to design appropriate reforms.

The first is the issue of job security and the regulatory framework that has been built up around it. The government of Rajasthan has amended some critical elements of this framework, changes that are viewed by many observers, including myself, as being a breakthrough. But let's take a step back and look at the piggybacking aspect of the original arrangement. Essentially, by giving workers job security, the arrangement attempted to simultaneously achieve both job creation and unemployment insurance. In effect, the entire cost of unemployment insurance was borne by the employer, since he had to keep workers on the payroll even if business conditions did not justify this.

Well-intentioned, without a doubt. But what were the consequences? The overwhelming majority of employers were small and medium enterprises, who could not bear the implicit cost of unemployment insurance built into a formal employment contract. The two direct consequences of this were extreme fragmentation of enterprises and a complete informalisation of labour contracts, which, let alone job security, did not even provide workers any rights or protections. The first completely undermined the competitiveness of Indian manufacturing, which has resulted in a stagnation of its share of gross domestic product over the past two decades. The second has effectively denied the vast majority of the workforce the very unemployment insurance that was the intent of the piggybacking.

The second illustration of the hazards of violating the assignment rule is the procurement framework for rice and wheat. The original intent of the strategy was, unambiguously, to ensure adequate availability of these staples, with some control over prices. The role of the government as a procurer, a stocker and a distributor of these products seemed like a reasonable institutional innovation to achieve these objectives.

As the scheme evolved, though, a second objective was introduced. This was the preservation, perhaps even the enhancement, of farmers' incomes. The scheme effectively became a "double guarantee" model, in which the government offer to the farmers was that it would buy up the entire quantity that they wanted to sell at an assured price. Yes, this approach did allow the government to accumulate a large enough stock to guarantee food security. But there were unintended consequences.

Effectively, in the market for food, the government supplanted and displaced the consumer as a source of demand. The double guarantee induced farmers into producing more and more rice and wheat, completely insulated from the significant shifts that were taking place in aggregate Indian dietary patterns. Rising incomes were contributing to greater diversification, resulting in higher demand for proteins, vegetables and fruit. But since farmers were deriving their price signals from the government, their supply responses to these changes were muted. The seven-year long episode of high food inflation, which was for much of that period, driven by protein and vegetable prices, is testimony to this causal sequence.

In sum, a scheme that started out with the intention of providing food security, piggybacked livelihood security for farmers along the way and, as a consequence, introduced a significant distortion in the relative prices of different food groups. If food security is somewhat more broadly understood as nutrition security, accommodating farmers' needs has evidently come at the cost of meeting consumer needs. Proteins, vegetables and fruit have become less affordable and more out of reach for a larger number of consumers

What are the implications of the assignment rule for policy reform in both these domains? On the labour market front, we have to start with the premise that the objective of providing unemployment insurance is completely legitimate, but the financial load cannot be imposed entirely on to the employer. So even as job security regulations are being amended, which is a good thing, efforts need to be put into devising a financially viable unemployment insurance programme. This would require the cost being distributed between the employee (in the form of an insurance premium), the employer (as a tax) and the government (guarantees and gap funding).

Essentially, the labour market reform strategy must be framed in terms of two objectives - employment growth and viable safety nets - and two instruments - flexibility in hiring and firing, and an unemployment-insurance scheme with distributed funding.

On the food procurement issue, the reform strategy must be based on moving from the double guarantee to a single guarantee. Either the price is guaranteed, in which case the quantity procured is uncertain, or vice versa. The stocking level must be enough to ensure food security, but no more. The element of uncertainty that the transition from double to single guarantee introduces into the farmers' calculations will contribute to a greater diversification of cropping patterns, which will ultimately ease the price pressures on a whole range of agricultural products.

Bringing consumers back on centre stage is of the essence. Livelihood security for farmers is unquestionably a legitimate objective, but, like unemployment insurance, it needs a separate mechanism involving financial provisions and direct transfers.

To sum up, as the government charts out its reform strategy, its chances of success will increase if keeps the assignment rule firmly in mind. Either objectives need to be reduced, or instruments need to be increased.

The writer is director of research, Brookings India, and former deputy governor, RBI. These views are his own

PART B

NEWS AND VIEWS

Monday, 3rd November 2014

Polity	: Congress signals support for three kay reform legislation
Economy	: GDP data with 2011-12 as base year in January
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Communication, IT Information Division
Phone # 2525

Business Standard

Date 03/11/2014
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Congress signals support for three key reform legislation

Opposition party unlikely to block Bills for GST, insurance and e-auction of coal mines

ADITI PHADNIS
New Delhi, 2 November

The Congress has decided to back three crucial economic reform legislation that the National Democratic Alliance (NDA) will bring in the winter session of Parliament beginning November 24. These are the constitution amendment Bill for implementing the Goods & Services Tax (GST), the insurance laws (amendment) Bill and the coal ordinance.

NDA needs the support of the Opposition party to pass important legislation, as it does not have a majority in the Rajya Sabha.

Despite the earlier ambivalence of Congress-ruled states on GST, the party would not block the constitution amendment Bill for the new indirect tax regime, top party sources said. "Anxieties about how the states will be compensated — because many feel they will lose out if GST is introduced — remain. But this was a Congress initiative and we will not block it. We will, however, insist that the fine print is what we want it to be," said a minister in the previous government and an advisor on parliamentary affairs.

The party will also support the insurance laws (amendment) Bill, which stipulates that shareholding of foreign investors (including foreign institutional investors) in an Indian insurance company — owned and controlled by Indians — should not exceed 49 per cent of paid-up capital.

After the Bill was referred to a select committee in the previous Parliament session, the 15-member panel is considering it at present. The select committee's deliberations will reflect the stance of various political parties on the issue. The Anna Dravida Munnetra Kazhagam's (AIADMK's) position is not known, but given the current configuration of the select committee, the Bill will pass muster only if the Congress decides to back it.

The Congress says the insurance Bill is a move by its government, so it will be churlish to block it.

Similar is the case with the coal ordinance. Given that the ordinance has been occasioned by a Supreme Court order terming the coal block allocations during the Congress government's regime illegal, it is unlikely that the party will oppose it. The Congress, though, would like the discussion steered away from the issue of illegality and to focus more on the way the coal mining sector can be restructured. Also, the party will not vote against Bills related to consolidation of banks, should those come up in Parliament.

BILLS ON THE TABLE

There are 67 Bills pending in the two Houses of Parliament. Some that could come up for discussions during the winter session:

- **Land acquisition** (amendment) Bill, 2014
- **Small factories** (regulation of employment and condition of services) Bill, 2014
- **The apprentices** (amendment) Bill, 2014
- **The juvenile justice** (care and protection) Bill, 2014
- **The prevention of corruption** (amendment) Bill, 2013
- **The Telecom Regulatory Authority of India** (amendment) Bill, 2008
- **The Delhi High Court** (amendment) Bill, 2014
- **The Food Safety and standards** (Amendment) Bill, 2014
- **The securities laws** (amendment) Bill, 2014
- **The coal regulatory authority** Bill, 2013
- **The real estate** (regulation and development) Bill, 2013
- **The Indian Medical Council** (amendment) Bill, 2013
- **The factories** (amendment) Bill, 2014
- **The Constitution** (scheduled castes) orders (amendment) Bill, 2014

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The Statesman

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GDP data with 2011-12 as base year in January

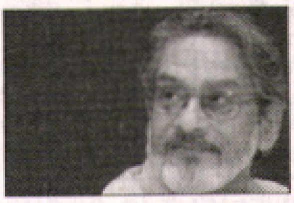
PRESS TRUST OF INDIA
New Delhi, 2 November

Seeking to present a more realistic picture of the economy, the government will release a new series of national accounts with 2011-12 as base year for computing the economic growth rate.

The gross domestic product (GDP) data based on the new series will be released for three consecutive years from 2011-12 in January next year.

At present, the GDP is computed on 2004-05 base year.

"The new series will better reflect the economy as it would include more sectors. However, it would be difficult to say whether there would be any significant change in growth rates for the previous years," National Statistical Commission chairman Pronab Sen, who was associated with formulation of the new series, said.



The new series will better reflect the economy as it would include more sectors. However, it would be difficult to say whether there would be any significant change in growth rates for the previous years

PRONAB SEN

He further said that it may take about one year to ascertain about the change in growth rates of different sectors and the economy as a whole based on the new series during the previous years.

"As per the revision policy of the national accounts, the estimates for the year 2011-12, 2012-13 and 2013-14, due for release in January 2015, would have been the third revised estimates, second revised and first revised estimates, respectively," as official statement said.

Since these estimates have been compiled afresh, these would be referred to as "new series" estimates, it added.

The government will also be revising the base year for consumer price index (CPI), wholesale price index (WPI) and index of industrial production (IIP).

The new series of IIP and WPI are likely to be released by March 2016. The growth in the new series of IIP and WPI would be incorporated in the provisional estimates of 2014-15, to be released in May 2016.

The National Statistical Commission has suggested that the base year for computing national account should be revised every five years.

G.O.I

Business Standard

Date 03/11/2014
Page No. 07

PMO advances deadline for UIDAI, NPR to finish work by March

Officials say it took them four years to collect biometrics of 700 million people and issue Aadhaar numbers. Now they have to do the same for the remaining 350-400 million residents in the next five months

SAHIL MAKKAR
New Delhi, 2 November

The Prime Minister Office has asked the Unique Identification Authority of India (UIDAI) and the National Population Register (NPR) to finish collecting biometric details of citizens by March next year. Earlier, the deadline was June,2015.

The decision was taken in a meeting attended by all the stakeholders in the second week of October. A review meeting was held on Friday in the Planning Commission. Two officials, who independently spoke to *Business Standard*, confirmed that the deadline has been advanced for both the UIDAI and the NPR, a wing of the Union home ministry.

But the new deadline has alarmed the bureaucrats in both the departments, especially the UIDAI which is currently without a head. Nandan Nilekani quit as UIDAI chairman earlier this year to contest the Lok Sabha elections on a Congress ticket.

The project was launched in September 2010, and the authorities were asked to collect data of all residents aged above five years

"The deadline is most likely to be missed. The NPR has not started much work of collecting biometric details in the North-eastern states, whereas the UIDAI is still in the process of tendering for big states such as Uttar Pradesh and Bihar," said an officer. The tendering is done to empanel agencies, which will set up camps to enroll people.

Till October 28, a little over 700 million people have been issued Aadhaar, a 16-digit unique identification number. This number is generated after capturing an individual's biometric details such as fingerprints and facial reading. The government has authorised both the UIDAI and the NPR to collect biometric data, but in their respective states. Once the biometric detail is collected, it is sent to the UIDAI for de-duplication. The UIDAI then generates the Aadhaar number.

The project was launched in September 2010, and the authorities were asked to collect the data of all residents aged above five years. Population of such people is estimated to be around 1.05-1.08 billion. The question is whether the authorities can complete the task against the new timeline.

Officials in the NPR indicated that it would be difficult to complete work in Assam and Meghalaya, as they were busy creating the National Register of Citizens. The UIDAI, which was recently assigned Uttar Pradesh, Bihar, Uttarakhand and Chattisgarh with a combined population of 340 million, has just begun work in these states. Till date, around 89.3 million residents have been issued Aadhaar in these states, which is 26 per cent of the target population.

Many say the decision to advance the deadline was taken in view of the government's intention to link Aadhaar numbers with its various schemes such as the Pradhan Mantri Jan Dhan Yojana and the Mahatma Gandhi National Rural Employment Generation Act. This is besides pensions, scholarships, direct benefit transfer and passports and attendance system in the government offices.

Business Line

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Black money probe: Swiss banks rush to ring-fence themselves

Lobby their Govt to seek safeguards from India; round-tripping comes under lens

PRESS TRUST OF INDIA

Berne/New Delhi, November 2

As the probe into black money stashed abroad by Indians gathers steam, banks in Switzerland are running from pillar to post to safeguard their interests while some are also considering financial provisions in their books for possible penal actions and legal costs.

At the same time, banks are also lobbying with the Swiss government to insist on safeguards in their information-exchange and administrative assistance frameworks with India to protect their interests during the subsequent prosecution and other legal or regulatory proceedings in black money cases.

Acting in concert?

Sources, however, said that the role of some banks, and of certain bankers, has already come under the scanner for acting in concert with the suspected black money hoarders and also for making 'safe haven' promises for their funds.

The suspected lapses on the part of at least three large European banks, including two from Switzerland itself, are also being probed for allegedly facilitating re-routing of funds of certain Indian corporate houses back into their listed companies as foreign investments.

Capital market watchdog SEBI is probing at least three large global banks and many Indian companies for alleged round-tripping of funds by way of multi-layered transactions, while the regulatory noose has further tightened in these cases with involvement of other regulatory and enforcement agencies.

Such transactions are suspected to have taken place in the case of 15-20 Indian companies, a senior official said, but refused to disclose their names or those of the banks saying a disclosure may impede the investigations. Portfolio managers at some banks with a significant presence in Indian financial markets could have helped clients route money back into the country as foreign funds, using investment vehicles across jurisdictions.

So far, the focus of this Supreme Court monitored probe has mainly remained on persons and entities from India suspected to have stashed illicit wealth in overseas locations, including Swiss banks.

Defensive moves

However, as the probe moves further – it is being driven by a Special Investigation Team (SIT) with two former Supreme Court judges as Chairman and Vice-Chairman along with members from various investigative and regulatory agencies – the banks are turning wary about possible action against them.

Senior executives at various banks, including three large ones headquartered in Switzerland and the Swiss units of some major European banks, said they are considering making financial provisions as anticipatory measures, to deal with any action involving them in India's black money probe.

The banks are also said to be lobbying with the Swiss government, pushing it to ask the Indian authorities to put in place a 'settlement' mechanism to deal with the suspected entities.

Business Standard

Date 03|11|2014
Page No. 04

BLACK MONEY TRAIL

Unauthorised disclosure will help wrongdoers: FM

BS REPORTER
New Delhi, 2 November

At a time when many are questioning the confidentiality clauses in tax treaties, Finance Minister Arun Jaitley on Sunday said not joining the global initiative for automatic sharing of information on tax matters and not signing the US Foreign Account Tax Compliance Act (FATCA) are not in the country's interest. He called for changing the general view that these clauses are unconstitutional.

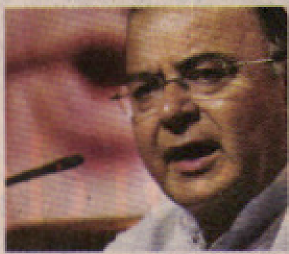
Jaitley added disclosing the names of black money account holders without prosecution would actually help the persons concerned and not the other way round.

"India has to take a conscious call. Does it want to be a part of the global coalition, which is moving in the direction of automatic sharing of information or not? Does it ensure all information is supported by substantial evidence and proof or only wishes to remain restricted to sloganeering?," Jaitley said, through a post on his Facebook page.

On October 29, India was supposed to sign an agreement worked out by the Organisation for Economic Co-operation and Development (OECD) for automatic exchange of information on bulk taxpayers. However, India did not sign the agreement after the Supreme Court asked it to submit a list containing 627 names of people holding accounts in the Geneva branch of HSBC Bank's Swiss subsidiary HSBC Private Bank. The government was not sure of the apex court's ruling on the confidentiality clause in tax treaties, so it did not sign the OECD pact.

The apex court, in turn, handed over the list to the Special Investigative Team (SIT) probing black money cases. SIT is to give a status report, including its interpretation of confidentiality clause, by November-end. The Supreme Court is slated to hear the case on December 3.

Jaitley said India could not sign the agreement because of the prevalent view that confidentiality clauses are unconstitutional under the Indian law.



"India has to take a conscious call. Does it ensure all information is supported by substantial evidence and proof or only wishes to remain restricted to sloganeering?"

ARUN JAITLEY
Finance minister, on Facebook

"This view requires reconsideration," he said.

An automatic exchange of information would relate both to authorised and unauthorised movement of money, he said, adding: "Why should any information with regard to authorised movement of money be made public? Why should information even in relation of unauthorised movement of money be made public only for political or collateral purposes? Why should the account holder be alerted in advance? It should be put to an authorised use with collection of evidence and filing of prosecution."

Ram Jethmalani, who had filed the public interest litigation on the matter three years ago, had told the court the citation of double-taxation treaties and confidentiality clauses were a "fraud".

Jaitley also explained that India has to sign an agreement with the US on FATCA. If India does not adhere to the confidentiality clauses, there could be a problem in signing the agreement. Not signing it would mean that remittances from the US to India are subjected to 30 per cent withholding tax.

"It will negate the efforts being undertaken by our government to revive the Indian economy," said the finance minister.

The Statesman

Date: 03/11/2014
Page No. 06

New edu policy likely next year, says Smriti

PRESS TRUST OF INDIA
Kochi, 2 November

The new educational policy of the BJP-led NDA government is likely to be rolled out next year, Union HRD minister Smriti Irani said here today.

"The deliberations on the proposed new policy will start next year and we should have a policy," she said.

"We will start a new educational policy soon. Educational policy takes seven months to three years and politicians, bureaucrats and experts draw it up. But there is need to involve principals, teachers and students in the educational policy," she said at a valedictory function of the 21st Annual Sahodaya conference of CBSE at nearby Nedumbassery. Addressing principals and teachers from CBSE schools across the country and abroad, she said: "The future of the country lies in your hands. I say this not only as HRD minister, but as also a mother of two CBSE school-going kids." She said parents want a safe and secure environment for their children in schools.

Pointing out that India is going through an evolution, she said the nation's destiny has for too long been vested on those who did politics and now there was a chance to transform India for the better. The minister, who also rolled out 'Saransh', a tool for comprehensive self-review in schools, said it was a big step. Parents can be intrinsically involved in academic achievements of children from classes 9 to 12, she said. It should not be used as a 'pressure tactic', but as an enabler, especially for children with learning challenges.

She said the 'Kerala Kalolsavam' wherein competitions in various dance and art forms are held annually, should be taken to the national level.

Business Line

Date 08/11/2014
Page No. 01

Emissions must be cut to zero by 2100, warns grim UN climate report

REUTERS

Copenhagen, November 2

Governments can check climate change at manageable costs but need to cut greenhouse gas emissions to zero by 2100 to limit risks of irreversible damage, a UN report said on Sunday.

The 40-page synthesis, summing up 5,000 pages of work by 800 scientists already published since September 2013, said global warming was causing heat extremes, downpours, acidifying oceans and pushing up sea levels.

"Science has spoken. There is no ambiguity in the message. Leaders must act, time is not on our side," UN Secretary-General Ban Ki-moon said in Copenhagen, presenting the report.

With fast action, climate change can be kept in check, he said, referring to a UN goal of limiting average temperature rises to two degrees Celsius above pre-industrial times. Temperatures are already up 0.85 C.

The study by the Inter-governmenal Panel on Climate Change, approved by more than 120 governments, will be the main handbook for negotiators of a UN deal to combat global warming due at a summit in Paris in December 2015. To get a good chance of staying below 2C, the report's scenarios show that world emissions would have to fall by between 40 and 70 per cent by 2050 from current levels and to "near zero or below in 2100".

Below zero would require extracting carbon dioxide from the atmosphere – for instance, by planting forests that soak up carbon as they grow or by burying emissions from power plants that burn wood or other biomass.

Business Line

Date 03/11/2014

Page No. 13

Modi's *Man ki Baat*: recovering black money is an article of faith

Announces 2 schemes for specially-abled students in his 2nd radio address

OUR BUREAU

New Delhi, November 2

Setting aside all the criticism on the handling of the black money issue, Prime Minister Narendra Modi assured the nation on Sunday that the Government was on the right track, and that every single penny of black money stashed abroad would be brought back.

"Please trust this Pradhan Sevak. The issue (black money) is an article of faith for me," Modi said in his second *'Mann ki Baat'* radio address to the nation. The Prime Minister's remarks come at a time when the BJP-led National Democratic Alliance (NDA) Government is facing flak over 'going soft' on black money account holders, for which it had criticised the previous Congress-led United Progressive Alliance (UPA) Government.

The Supreme Court, too, recently hauled up the Government on the black money issue, after which the Government submitted a list of 627 foreign bank account holders. This will now be examined by the court-appointed Special Investigation Team which has been tasked to give its report by November 30. The Income-Tax Department will give its complete the assessment by March 31, 2015.

People listening to 'Mann ki Baat' addressed by Prime Minister Narendra Modi, on a radio in Beawar, Rajasthan on Sunday. PTI

In Sunday's radio broadcast, the Prime Minister said though he was sure that people trusted him on the issue of black money, he reiterated his aim to bring back all the money stashed abroad. He said in a democracy it was natural for divergent views to prevail on the issue, but he assured the people that on the basis of the information currently with him, the Government was on the right track.

Specially-abled students

Modi also announced two schemes for specially-abled students prepared by the Human Resource Development Ministry. The first one is a scholarship scheme for 1,000 deserving students to pursue technical education, while the second one involves a grant of ₹1 lakh each to all Kendriya Vidyalayas and Central Universities for creating appropriate infrastructure for specially-abled students.

Clean India Mission

Referring to the new mission launched on October 2, the Prime Minister said, "By cleaning the surroundings we are helping the poor the most. When the poor fall ill, it affects them a lot. We must serve the poor." Modi said the results were already visible.

Khadi sales

Referring to his appeal to buy at least one Khadi item in his inaugural address, Modi expressed happiness that Khadi sales had gone up by 125 per cent in a week starting October 2. "I urged people to purchase Khadi. I never said become Khadiwadi but I said buy some Khadi. There was increase in Khadi sales," he added.

The Indian Express

Date: 03/11/2014
Page No. 13

As mineral imports surge, Railways pushes for 'congestion surcharge'

PRIYADARSHI SIDDHANTA
NEW DELHI, NOVEMBER 2

THE Railways have proposed to levy a 'congestion surcharge' at all ports in the country due to a surge in imports of coal, fertilisers and iron ore, a move strongly opposed by industry who have said that it would lead to a rise in prices of electricity, steel and farm output.

The railway board has written to the finance and commerce ministries on October 21 proposing that in view of the serious congestion at the ports a surcharge at the rate of 10 per cent of the base rate would be imposed.

This translates into rise of 4 paise on per kg of coal and iron ore, 5 paise per kg on fertilisers, 3 paise per kg on limestone and dolomite and 5 paise per kg of gypsum. The board has asked these ministries to treat this proposed rise "as a small cost to pay for the massive evacuation which is underway at the ports".

"At the rate which it (imports) is growing, there is no other option but to recover this cost through the surcharge," the railway board said in the letter.

The board has justified its proposal saying that the spurt in the imports of minerals and fertilisers has led to a situation where the quantity to be evacuated from ports has far exceeded the planned capacity.

Congestion at various ports has resulted in the Railways' rolling stock getting overstretched. Last month there was a growth of 25 per cent in the traffic loaded at various ports over the last year, it cited.

Opposing the move, Ashok Khurana, director general of the Association of Power Producers, told *The Indian Express* that the 4 paise hike translates into a hike of Rs 4,00,000 on every million tonne of coal and considering that the country imports currently about 55 MT of coal each year, the thermal power companies will have to shell out Rs 220 crore more each year due to the surcharge.

"This is bound to increase electricity production costs. Since the cost of importing coal is pass through, it would lead to higher power tariffs. The Railways should increase capacity of its rolling stock and construct more railway lines to make movements of its rakes faster," Khurana said.

Vinod Kumar, director-commercial, SAIL, said the import cost coupled with the proposed surcharge would lead to rise in steel prices. "All steel companies import huge amount of coking coal to fire their furnaces and considering that coal is an essential ingredient in making steel, imports cannot be cut down."

Firdose Vandrevala, executive vice chairman, Essar Steel, said that the surcharge would only add to the cost burden of Indian steel industry and a cost push increase on the finished steel.

"With Indian steel industry set to grow at faster pace and with lack of adequate supplies of iron ore-coal within the country, imports are bound to increase to meet production requirement. The focus should be on creating necessary infrastructure to handle increased volumes," he said.

A senior steel ministry official said the surcharge would be a double whammy on coking coal imports as in the Budget 2014-15, the government imposed a 2.5 per cent customs duty on metallurgical coal.

EVACUATION AT PORTS

ITEMS IMPORTED	RAKES LOADED IN 2014	LOADED IN 2013
Coal	2,474	1,940
Iron Ore	181	98
Fertiliser	272	288
Gypsum	39	29
Potash	79	43
Bauxite	39	15

The Financial Express

Date: 03/11/2014
Page No. 02

Finmin to meet top bankers on Jan Dhan programme

New Delhi, Nov 2: The finance ministry has called a meeting of the heads of banks on November 5 to review the progress of Pradhan Mantri Jan Dhan Yojana (PMJDY), the government's financial inclusion programme.

Department of financial services secretary GS Sandhu will review on Wednesday the progress of PMJDY and discuss issues pertaining to the programme, including broadband connectivity in far flung areas, sources said.

Top officials of state-owned telecom firm BSNL, National Payments Corporation of India, National Informatics Centre, the Reserve Bank, IBA and Nabard will attend the meeting. There will be deliberations on account opening, free insurance with Rupay Card, Rupay card issuance financial literacy and last mile connectivity.

As on October 22, a total of 6.47 crore accounts have been opened with a deposit of ₹4,813.59 crore.

In order to spread financial inclusion, banks have been asked to open 7.5 crore accounts by January 26. PMJDY scheme envisages to provide one account to 15 crore unbanked households across the country in the first phase.

Jan Dhan Yojana, launched by PM Narendra Modi on August 28, is a national mission on financial inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country.

The Yojana envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility. *PTI*

EPFO to seek clarity on transaction limit

New Delhi, Nov 2: Retirement fund body EPFO will approach the finance ministry on the transaction limit of ₹1 lakh for accounts opened under the Jan-Dhan Yojana as it cannot credit PF claims of higher amounts in such accounts. The Employees' Provident Fund Organisation has found it would be unable to credit PF withdrawals of more than ₹1 lakh to accounts opened under Pradhan Mantri Jan-Dhan Yojana which are being seeded with Universal PF Account Numbers. During a recent review meeting chaired by EPFO's Central Provident Fund commissioner KK Jalan, a senior official said the limit applicable to Jan-Dhan accounts was discussed and it was pointed out that more clarity is required with regard to PF transfers. *PTI*

The Pioneer

Date: 03/11/2014

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Govt mulling partial decontrol of urea prices

India produces about 22 million tonnes (mt) of urea in a year, but consumes a little more than 30 million tonnes. The excess consumption is met through imports. Urea is the only fertiliser that is still under control and sold at a Government-notified price

ANIMESH SINGH & PRASHANT MUKHERJEE ■ NEW DELHI

Aiming to cut down excessive consumption of urea, the Government is in the process of partially deregulating urea prices, a move which is likely to cut down the burgeoning subsidy bill currently being footed by the Centre.

According to sources privy to the development, the Chemical and Fertiliser Ministry has prepared a draft Cabinet note for partially deregulating urea. This note is likely to be sent for wider consultations to State Governments before it is finalised and moved for Cabinet approval.

Sources further added that to begin with, the idea is to partially de-regulate urea and then look at the trend in terms of its consumption. However, it would be too early to say anything on whether later on the commodity will be completely deregulated or not, sources pointed out.

Excessive consumption of urea has been an area of concern with the Central Government, and in fact the Fertiliser Ministry had recently even sought views from various industry bodies including the Fertiliser Association of India (FAI) on how to the check the trend.

India produces about 22 million tonnes (mt) of urea in a year, but consumes a little more than 30 million tonnes. The excess consumption is met through imports. Urea is the only fertiliser that is still under control and sold at a Government-notified price.

The last major revision was on April 1, 2010, when the price was increased to ₹5,310 per tonne from ₹4,830 per tonne. In October 2012, price was marginally hiked by ₹50 to ₹5,360 a tonne.

In its pre-Budget recommendation to the Finance Ministry, the Fertiliser Ministry had said the maximum retail price of urea could be raised by 7 per cent annually over next five to seven years before its complete decontrol. This could help the Government save close to ₹1,200 crore on its subsidy bill for 2014-15.

The Government's move to partially de-control its price is believed to be a part of the aforementioned strategy.

However, with the sector being politically sensitive, the ministry has been giving various other alternatives where urea price would increase by 10 per cent this year and further changes could be considered later. This hike would translate into a saving of ₹1,600 crore towards fertiliser subsidy.

The Government has also deregulated diesel prices towards its aim of reducing the subsidy bill.

The FY15 budgeted fertiliser subsidy is ₹67,970 crore out of which ₹43,300 crore is for urea.

The Economic Times

Date: 03/1/2014
Page No. 14

Centre to Bring in Pvt Cos to Speed Up NOFN Project

Kalyan.Parbat
@timesgroup.com

Kolkata: The government has decided to bring in private firms to speed up the ₹20,100-crore national broadband project to connect the far-flung areas of the country, following strident criticism that the department of telecom's (DoT) decision of involving only state-run companies has been a key reason for the three-year delay.

The DoT will shortly move a Cabinet note to mandate Bharat Broadband Networks (BBNL) to appoint an independent project management consultant that will invite bids from private players including telecom operators to handle cable laying, trenching and ducting operations across 1.5 lakh village blocks in the second and third stages of the national optic fibre network (NOFN) rollout, a top department official aware of the matter told **ET**.

State-run BBNL is the bandwidth supplier and executing agency of the NOFN project. Many global companies such as Facebook and Microsoft have shown interest in partnering with the government in various capacities for the NOFN project, especially for last mile connectivity, through various technological deployments.

The telecom commission has recommended that "best-in-class private sector companies" be brought in through the international competitive bidding route since implementation by the state-run firms has been patchy, the official cited earlier said on condition of anonymity.

According to an internal DoT note seen by ET, "barely 1% of the NOFN roll-out target had been achieved till October and the pace requires to be accelerated 50 times over the next 18 months".

The telecom commission's recommendation of involving the private sector came after telecom secretary Rakesh Garg's recent call for greater co-ordination between the BSNL and BBNL failed to speed up NOFN roll-out. BSNL had recently complained that expenses incurred by it for deploying manpower, assets and storage space for the NOFN project had not been provisioned by BBNL.

NOFN, being executed in 3 stages, aims to deliver high-speed internet connectivity across 2.5 lakh village blocks

If the Cabinet approves private sector involvement in the project, the role of state-run BSNL, PowerGrid and RailTel may be reduced to only handling cable laying, trenching and ducting operations in the first phase across one lakh village blocks or gram panchayats.

The Economic Times

Date: 03/11/2014
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NHPC to Build India's Largest Hydel Power Plant in Arunachal

NHPC will tie up with the state govt and a PSU for the ₹16,000-crore Dibang project

Water World

NHPC will accelerate projects as nods come faster

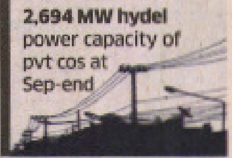
Delays have pulled down India's hydel power capacity

Hydropower share is now 16%, from about 21% in 2012

Hydropower share is now 16%, from about 21% in 2012

6,500 MW of hydro power generation capacity at present

2,694 MW hydel power capacity of pvt cos at Sep-end



We will add 1,100 MW of hydro projects in the next couple of years while plans are afoot to invest about ₹50,000 crore to add 6,500-7000 MW of capacity in the next seven years

RST SAI, NHPC CMD

Mitul.Thakkar@timesgroup.com

New Delhi: NHPC is gearing up to build India's biggest hydro plant, a 3,000 MW project that is equivalent to about half its current total capacity and three times the size of its biggest unit, even as it brushes off concerns over competition from the private sector.

State-owned NHPC recently received approvals from the Forest Advisory Committee for Dibang hydel project in Arunachal Pradesh and plans to approach the Cabinet Committee for a final nod within a year.

"We will execute the Dibang project in partnership with one of the PSUs and the state government at an investment of ₹15,000-16,000 crore. Due to its large scale, the per-MW project cost will be much less than the average of ₹7-8 crore," NHPC Chairman and Managing Director RST Sai said. "Also, we will be able to execute the project faster as there are only a handful of families living at such high altitude and it will save time for their rehabilitation."

NHPC, which operates 6,500 MW of hydro power generation capacity, expects to build more plants as the Narendra Modi government pushes for faster clearances for infrastructure projects in a bid to boost the economy. The share of hydro power in the country's generation capacity has been declining as delayed environmental clearances and rehabilitation of displaced people stalled projects.

Sai said the private sector is in no position to challenge the state-owned company's dominance in generating hydro power and cited the example of the Jaypee Group, which put its hydro projects on the block to reduce debt. Executives who left for high-paying jobs now want to come back as they see a future for hydro only in NHPC, he said.

Sai's main concern is about delays in the 2,000 MW Subansiri project in Assam and Arunachal Pradesh, which is being opposed by a section of affected locals. He added that finance is not a challenge for NHPC since it has reserves to the tune of ₹16,000 crore and the company enjoys access to low-cost funds. He is not looking at growth through the acquisition of private sector projects.

The Financial express
editorial

Less taxing solutions

Fixing the black economy is largely tax-related

Given that, even if you agree with the Global Financial Integrity numbers, less than 5% of India's GDP is being siphoned off overseas by way of trade mis-invoicing, finance minister Arun Jaitley has done well to tell the taxmen to focus on black money within the country. Cracking the black money trail to a large extent depends upon the tax policies followed by the government, both at the Centre as well as the states. While estimates vary, a large part of black money generation takes place in the real estate sector. Tackling this requires a combination of things. For one, proper GIS mapping of property across each city is critical, and then super-imposing this with the circle rates as well as the property taxes paid—and put all of this online. Making circle rates more realistic—increasing them to near-market rates—will ensure less black money is generated, and reducing stamp duties will ensure there is less incentive to avoid registering property sales. If you look at income tax data, it is those in the ₹10-20 lakh income bracket that pay the least taxes. Making the tax levels flatter, so the tax rate doesn't jump so suddenly as you move from the lower tax bracket to the next, would encourage more compliance. The same principle has to be applied in the case of other taxes such as excise and import duties. In this context, the finance ministry's plan to re-impose curbs on gold imports and perhaps even hike import duties, is a bad idea, a sure way to increase the generation of black money as higher tariffs will simply encourage more smuggling.

Perhaps the biggest deterrent to black money generation will be the introduction of the Goods and Service Tax since, when it is fully operationalised, a chain of transactions will get created as a good moves from the input stage to that of final consumption. Apart from the fact that this gives the taxman a great database to utilise, the system is self-policing in nature. For any person in the value chain to be able to get a tax set off, the previous person should have paid a tax—this will ensure people will deal only with those who pay taxes. At the end of the day, it has to be recognised that black money is not *sui generis*, it is a reaction to the system of governance. If the system places a lot of discretion, in allocation of coal mines for instance, people will line up to give bribes, and then find ways to recover this; once there are transparent auctions, to carry on with the coal example, the creation of black money disappears. In removing various exemptions, the Direct Taxes Code for instance, sought to remove discretion since it was up to the tax man to grant the tax benefits—once again, the result would have been less tax fraud and less black money generation.