Planning Commission
Government of India

PART A: News pertaining to Planning Commission

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(महान लोगों के विचार)  **Jawaharlal Nehru जवाहरलाल नेहरु**

(A theory must be tempered with reality.एक सिद्धांत को वास्तविकता के साथ संतुलित किया जाना चाहिए.)

1. Nehru's theories no longer relevant, says BJP gen secy

Written by Liz Mathew, Indian Express | New Delhi | Posted: November 16, 2014 5:16 am

Even as the political war of words over Jawaharlal Nehru's legacy continues, a senior BJP leader on Saturday said Nehru's theories are no longer relevant for India.

BJP general secretary P Muralidhar Rao said that dismantling of the **Planning Commission**, which was based on Nehruvian socialism, is an indication that his theories have become outdated while Deen Dayal Upadhyay, the Jana Sangh ideologue who had argued against the Five Year Plans, is more relevant today.

"The Planning Commission was based on socialist theory, which has failed everywhere in the world. When PM Narendra Modi announced dismantling of the Planning Commission, there was no protest. It is a clear indication that leaders like Deen Dayal Upadhyay who judged this country correctly is in the mainstream, not Nehru," Rao said. He was speaking at the launch of the new edition of The Two Plans: Promises, Performance, Prospects by Deen Dayal Upadhyay.

Upadhyay, a prominent Jan Sangh leader, was a vehement critic of the plan panel and the Five Year Plans, which according to him, were conceptualised by people who were ignorant of India's culture and traditions.

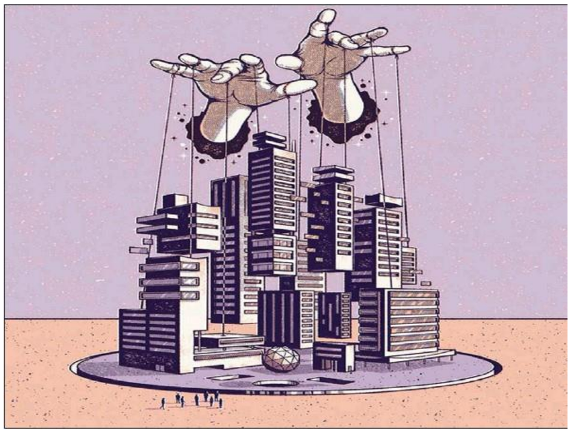
Rao said even Nehruvian secularism, which is irreligious, has been rejected by many. "In today's world, his secularism is not accepted, the definition of secularism has changed and it will be on the basis of Indianness," he argued. "Nehru will be remembered only for his contribution to the democratic traditions and its institutions."

Minister of State for Commerce and Industry Nirmala Sitharaman was expected to release the book, but she could not come due to official engagements. Her message was read out at the function.

The arguments put forward by Rao were a clear indication that the economic policy of the BJP-led government could be influenced by Upadhyay's works. Sources said the RSS has demanded that Upadhyay's theories should be the basis for the new body that would replace the plan panel. Ashwani Mahajan, co-convenor of Swadeshi Jagaran Manch, the economic wing of the RSS, said the government should not rush to constitute a body to replace plan panel. "One has to debate on the new structure. There has to be a broad consensus. Since Upadhyayji's thinking has been proved right even today, that should be incorporated," he said.

2. Planning and practice
SOM P PUDASAINI, The Kathmandu Post: 17.11.2014

As Nepal considers restructuring its NPC, Indian and Chinese experiences could prove useful



The role and relevance of **planning commissions** are being questioned across developing nations, including in Nepal. Questions have been raised largely because of two reasons. First, such commissions have not been able to deliver in the recent decade. They have become white elephants with bloated bureaucracy, useful to park ineffective or politically disliked bureaucrats or technocrats favoured by the political parties in power. Second, the relevance of old school planning has largely vanished. There is a need to look at planning and development in view of the increasing importance of markets and the need of a contemporary economy, guided by fast changing technology, quick communications, youth vision, and globalisation.

This, however, is not to belittle the contributions national planning bodies made in the initial years in shaping the development roadmap of various nations. In addition, their contribution to shaping political thought and public perception requires clear vision and goals and that planning is a serious business cannot be ignored. Also, the economic meltdown that free-for-all capitalist economies have experienced since 2008 points to the relevance of good planning and regulatory bodies for consistent growth, better distribution of income, and overall human welfare. This article briefly reviews the planning exercise in Nepal, India, and China and seeks to offer some input to the ongoing debates on restructuring the National Planning Commission (NPC).

Nepali experience, Indian plan

A central planning body was established in 1956 with the initiation of planned development in Nepal. It experienced changes in its mandates and organisational structure periodically. Currently, the NPC is under the chairmanship of the prime minister with a full time vice-chairman, seven members, and a member-secretary; the chief secretary and finance secretary being ex-officio members. It is an advisory body for "formulating development plans and policies" under the directives of the National Development Council (NDC). Periodic and annual national development plans and programmes must be approved by the Commission before implementation. The NPC also sets ceilings for the allocation of resources and monitors and evaluates plans, policies, and programmes.

On the whole, the NPC has been instrumental in establishing a planning process in Nepal. Some progress in education, health, infrastructure, and poverty reduction has been observed in the planned period of over five decades. It has functioned better when the top political leadership took strong ownership and appointed competent professionals to lead it. Overall, the achievements have been far short of potential and expectation. Plans and programmes have neither been visionary and realistic nor implemented effectively in most periods. In recent decades, the Commission has been criticised for its micro-management of development, poor monitoring and supervision, lack of visionary long-term planning, and for being a dumping ground for political cronies, deadwood bureaucrats, or unfortunate technocrats not in the good books of ministers and political leaders.

In India, Prime Minister Narendra Modi is dismantling the Indian Planning Commission to start a new think tank consisting of independent technocrats, industrialist, chief ministers, and development experts as the government's primary policy advisory council with a focus on "co-operative federalism in long-term perspective". The new body is expected to be under the direct supervision of the prime minister and headed by a senior politician acceptable to most states with a few experts nominated by the centre and by the states. It is expected to develop an overarching view of India's development needs from infrastructure to security, focus on preparation of long-term perspective plans, ways to improve outcome and effectiveness of huge welfare expenditures, providing economic data and information to government agencies and enterprises. Guiding contentious state-centre and inter-state issues to provide a smooth road-map for the uniform development of the country is likely to be its mandate too, while the Ministry of Finance decides on states' budgetary support and annual plans. Reportedly, Modi aim is to replace an institution with the dubious distinction of being a parking lot for 'cronies' of the erstwhile government with a council in line with China's National Development and Reforms Commission (NDRC).

Chinese initiatives

In China, the State Planning Commission (SPC) ran its centrally-planned economy since 1952, setting 'production targets' for everything from steel to wheat and rolling out the Five Year Plans. The SPC was shaped into the State Development Planning Commission in 1998 to help guide economic liberalisation. With the shift to a socialist market economy, the NDRC was created under the Chinese State Council in 2003 to promote sustainable socio-economic development, guide strategic restructuring of China's economic system, monitor and forecast macroeconomic and social development trends, and develop strategies for climate change. It has 26 departments, a huge staff, and has been functioning as a 'super ministry'.

Lately, though, the NDRC has been criticised for its bureaucratic baggage, excess power, and its approach being in conflict with the vision laid out by President Xi Jinping to give a 'decisive' role to market forces in the allocation of resources. According to Peter Martin, a government relations consultant, Xi's approach is to circumvent the NDRC and centralise decision-making powers around the top Party leadership with the creation of a new "leading small group" responsible for "general planning" and reforms. The future priority for the NDRC will be providing guidance and coordinating a shift in role "away from approvals and towards supervision". A reformed NDRC will be "heavy on macro, light on micro; heavy on planning, light on approvals; heavy on reform, and lighter on developmentalism". First, this will involve a significant "centralisation of power" under the top leadership, especially Xi. In the longer term, the reform process may see a major "devolution of power away from the government and towards the market".

Restructuring the NPC

A taskforce constituted by the Government of Nepal is to submit a report for NPC restructuring by early February 2015. So far, debates are reported to have ranged from scrapping it and creating a visionary and flexible 'new think tank' to converting it into a more autonomous and stable entity, such as the Nepal Rastra Bank. Two points may be worth noting in this regard. First, the age of bureaucratic and micro-management-oriented planning commissions are over. Restructuring will have to build a think tank that focuses on long-term perspective planning, guiding strategic structural reforms, providing vision for overarching issues on economic growth and social welfare, monitoring, and forecasts. Also, developing strategies for gainful employment for youths, poverty and inequality reduction, human resource development in line with internal and external market demands, private-public sector partnership, domestic and foreign investments, productivity enhancement, and burgeoning trade deficit management will have to be its focus. Second, the restructured think tank will need a visionary and proactive leadership from the head of government and the top political leadership, supported by a small group of competent experts who have a broad vision for the country and the world that is changing fast.

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3. Creative Destruction

Towards a National Think Tank

Economic And Poiltical Weekly :Vol - XLIX No. 43-44, November 01, 2014 |
Samar Verma, Jai Asundi, and Anshu Bharadwaj

Responding to three articles that appeared in the EPW (13 September 2014) by Nachane, Shah and Mehrotra, the authors call for clarity and debate on the ethos of the new "think tank" that is to be instituted in the place of the Planning Commission of India.

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Views are personal.

One of the several highlights of the prime minister's Independence Day address was his bold and historic announcement about the creative destruction of the Planning Commission. He desired to replace it with a new institution having "a new design and structure, a new body, a new soul, a new thinking, and a new direction". He also said that the new institution should lead the country, based on "creative thinking, public-private partnership, optimum utilisation of resources, utilisation of youth power of the nation, and empower the federal structure".

Ever since, several suggestions on the shape, nature, and functions of the new body have appeared in the media. The *Economic & Political Weekly* (13 September 2014) has published three articles from eminent and experienced authors. While one (Dilip M Nachane, "Yojana Bhawan: Obiter Dictum") dwells at length on the excellent legacy of the Planning Commission, its motivations and vision, and consequently argues for retaining much of the old system within which the Planning Commission was – as the author argues – successful, the other two (Rajeeva Ratna Shah, "Reorienting the Plan Process and Revitalising the Planning Commission", and Santosh Mehrotra, "The Reformed 'Planning Commission' : The Way Forward") propose bolder reforms. While Mehrotra argues for learning from the Chinese system, Shah questions the utility of any reformed entity unless the very processes of the current top-down planning are inverted and are made "bottom-up". Together, these three authors lay out a useful commentary on the changing context, and spell out some details of how the new think tank could be made to work better, what functions it should undertake and also about some important operational features such as staffing.

However, we believe there are two key elements of any formulation of the new national think tank that are not addressed, except perhaps through stretched implication of some suggestions. One is the set of core values and principles that we believe any entity must embody, and they should be explicitly mentioned in the vision and mission statement of the new entity. Unfortunately, not much attention is paid to the vision and mission statement, and the core values that the institution embodies, which often leaves the institution vulnerable to the personality attributes of changing leadership, and in the worst case, open to manipulation and abuse in the long run in a dynamic political context such as ours. Second, even though the new entity seems to completely replace the Planning Commission, it still would operate in the existing context, and as such should recognise, support and leverage the national resources of think tanks that the new entity does not seek to replace. Promotion of a culture of excellence in public policy research, which has a rich history in India, must not only be protected, but adequately supported to leapfrog into world-class institutions. In putting forward these two specific dimensions of the new national think tank, we draw upon our experience of having worked and engaged with various think tanks in India and abroad, both in the capacity of managers of think tanks, and in supporting them to strengthen organisational systems, structures, and their effectiveness in public policy engagement.

First, there is merit in the think tank option outlined by the prime minister. The new institution should also be shaped like a think tank in a sharp break from the past. Because structural change is not systemic change, much less a change in institutional culture. What is now required is a change in the culture of planning, and imbibing a culture of “honour of national service” in line with the current prime minister’s vision. The present government is characterised by a strong Prime Minister’s Office (PMO). Therefore, there is a need for a strong institution to support the PMO with informed and objective analyses, to independently evaluate results of publicly- funded national schemes and to use this institutional mechanism to strengthen federal functioning. How effective are the mega welfare schemes on which we spend billions of Indian taxpayers’ rupees? Or, what is the optimal mechanism for allocation of natural resources; when do auctions work and when do they not?

The government needs unbiased and rigorous analyses of these issues to enrich its decision-making process, more as inputs into policymaking rather than prescriptive advice. Such analyses will also help to build public consensus for government decisions. Such studies often require sophisticated skills for analysis and assessment, cutting across multiple disciplines. Such evidence-based knowledge as inputs into policymaking is increasingly required from a government and a nation that aspires for a growing national economy and welfare and a rising role in international affairs.

Moreover, we have the historic opportunity to start afresh. No matter what the shape, there is one aspect of any institution that defines its ethos, i e, the core values and principles that it stands for. These values alone are the hallmark of the underlying vision of its founder for time immemorial. Core values are not only guides and the moral compass, especially in times of internal crises, but also act as boundaries and limits under despotic or wavering leadership. This is important when we know how practices have significantly departed from intents. Therefore, before having any discussions on the shape and architecture of the national institution, it is crucial to outline the core values of the institution. In our opinion, these should comprise at least the following principles, viz, transparency, accountability and highest ethical standards; work ethic guided by honour of national service (in line with prime minister's speech); highest quality standards in processes and outputs, including through promotion of an internal culture of a continuously learning organisation; composition and functioning should reflect India's rich diversity across multiple dimensions; and internationalism and federalism should be defining features for all approaches.

For an Outstanding Institution

So, how do we translate the prime minister's lofty vision into developing a high quality institution, which will serve the country for years to come? A high quality think tank should be a centre of bubbling new energy, innovation and excellence. The success of a think tank directly depends on the quality and motivation of its manpower. Moreover, it should maintain its quality and standards over a long period of time.

We believe this can be achieved by adopting a two-layer model. One, the institution itself should have a lean structure and house qualified domain experts and talented researchers. Simultaneously, it should adequately strengthen and leverage the rich network of think tanks in the country and the region.

The institution should attract the best talent and qualified manpower from India and abroad to work on challenging national problems. The researchers should be from diverse backgrounds including economics, social sciences, sciences, engineering, and law. Therefore, the institution will have to be flexible in its terms of appointment and recruitment. Moreover, the staff should be appointed for limited tenures so as to ensure vibrancy and avoid stagnancy.

The institution should have a "problem solving" approach, which suggests meaningful and pragmatic solutions to important problems. Often, think tanks fall into a trap of merely highlighting the problems or suggesting options, which are not always feasible. If the ministries have to take notice of the institution, they should find the analyses relevant and practical.

Second, in addition to having in-house expertise, there is a great opportunity to leverage on the rich tapestry of think tanks existing nationally and also regionally. India has a large number of think tanks, and there is an opportunity to use their knowledge and expertise. The ongoing Think Tank Initiative (TTI) programme being managed by the International Development Research Centre (IDRC), Canada, provides useful insights on how the new institution could play the role of a mentor and a critical ally to the network of excellent think tanks that are engaged in public policy in India and the immediate neighbourhood.

Think tanks are most effective and useful when they are financially sustainable and independent of influence, including from funding bodies. A provision of long term, predictable, core support to think tanks, with complete institutional ownership, is critical for the success of think tanks. Most think tanks depend on project funding, mostly from international sources. The TTI made core, long-term grants of up to CAD 20 million to 16 think tanks in south Asia (nine of which are in India). The process of selecting the qualifying think tanks was rigorous, and objective. Once selected, the think tanks continued to be rigorously and comprehensively monitored on the objectives they had set for themselves. Following nearly five years of support – with another four or more years ahead – the selected think tanks are reporting progress and success.

The new institution should therefore embed in itself a mechanism to support diversity of independent and successful think tanks in India and the region. A suitable and comprehensive mechanism for selection, monitoring and evaluation of think tanks in India and the region could be institutionalised within the new institution. The existing national institutions for promoting research and public policy engagement in India could be taken advantage of.

This is a historic opportunity that rarely comes in the life of a nation. Institutions are also not built in one day. The prime minister has created this opportunity in our republic. Critical thinking must inform the architecture and design, but it is the underlying core values that define the character of the institution

4. No one mourns Plan Panel's end'

- Gargi Parsai, The Hindu:16.11.2014

The relevance of Deen Dayal Upadhyaya's book The Two Plans in the context of Prime Minister Narendra Modi's decision to dismantle the Planning Commission was emphasised at a function here on Saturday to release its reprint.

"The socialist basis of planning has failed the world over, in India, too and that is why when Prime Minister Narendra Modi announced the dismantling of the Five- Year Plan system and thePlanning Commission, there was no mourning. Deen Dayal Upadhaya's book shows that he foresaw it. He foresaw several issues of trade deficit, inflation, foreign capital, black money, etc.," BJP general secretary P. Muralidhar Rao said.

5. Time for legal reforms, Mr Gowda

Sudipto Dey, Business Standard: 17.11.2014

To be successful, the new law minister needs to do some tightrope walking, taking into confidence both the legislature and the judiciary, while facilitating easier access to legal services for the com

Sadananda Gowda

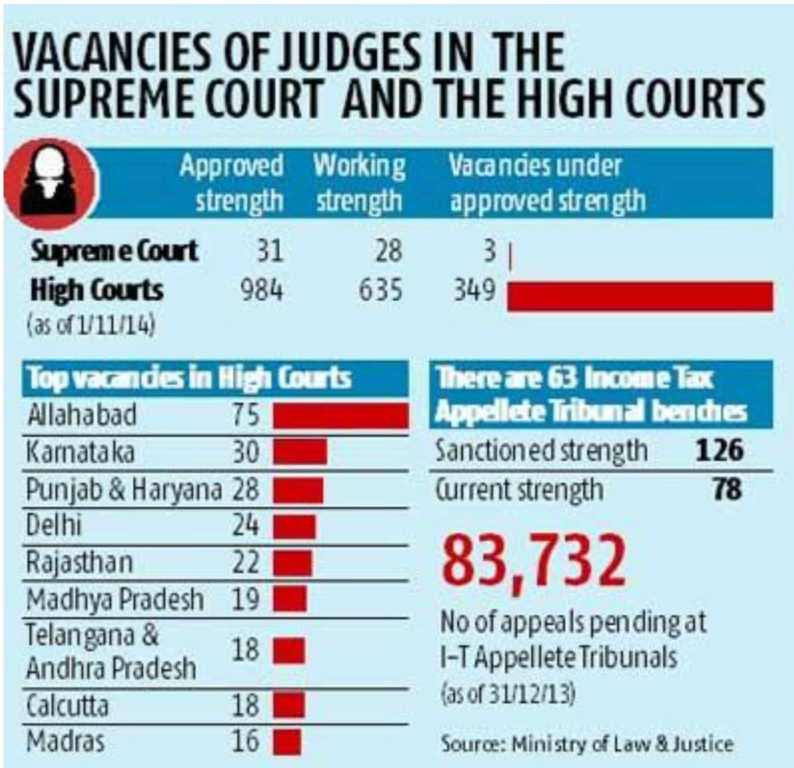
The fourth floor at Shastri Bhavan, which houses the Ministry of Law and Justice, has been abuzz the whole of last week with officials sitting late into the evening, giving finishing touches to presentations for the new minister in office. For D V Sadananda Gowda, the new law minister, his predecessor Ravi Shankar Prasad seems to have set the agenda for the ministry in his five-and-a-half month stint.

High on the priority list for Gowda are bringing down the number of litigations in the country, weeding out obsolete laws, pushing for ratification of the National Judicial Appointments Commission Bill by state Assemblies, havingmore courts, fill up vacancies of judges, and expediting the creation of a nationaljudicialgrid.

Perhaps the biggest challenge that Gowda has on hand is to avoid friction between the judiciary and the legislature as he steps on the gas to push for more sweeping legal reforms, feel many in legal and academic circles. The judiciary and the executive have already seen some pow-wow over the appointment of judges in the past few months.

TASKS CUT OUT FOR THE NEW MINISTER
Face challenges of undertaking judicial reforms taking both judiciary and legislature into confidence
Have more courts, appoint judges, increase the budgetary allocation for judiciary
Check litigation by Central government, both as petitioner and respondent, without any adverse impact on governance
Expedite creation of a national judicial grid

"He will have to handle the judiciary very carefully and avoid confrontation with the legislature," says Ashwani Kumar Bansal, dean, faculty of law, University of Delhi. The legal fraternity is already divided over the procedure of appointing judges.



Senior Supreme Court advocate P P Rao, minces no words while expressing what he thought about some of the initiatives of the government.

He says: "The draft Constitutional amendment and the Bill for the constitution of a National Judicial Appointments Commission is an ill-conceived measure."

According to Rao, the problem of lack of transparency and accountability of the collegium system needs to be tackled without violating the three aspects of the basic structure of the Constitution - independence of the judiciary, separation of powers and the rule of law.

"Any such commission should give marginally more representation to the judiciary while keeping the Minister for Law and Justice as a member and one eminent jurist as another member," he adds.

Manan Kumar Mishra, chairman, Bar Council of India, says the council has differences with the government over the issue of appointment and transfer of judges. "Representatives of the bar council should be involved in the process."

At present, only three state Assemblies - Goa, Rajasthan and Tripura - have given consent to the Bill. The law minister will have to use his good offices to persuade the other state governments. Consent of at least half of the legislative Assemblies in the country is required for the approval of the Bill. The government has already proposed deletion of 36 obsolete laws and has identified 287 others to take up in the winter session of Parliament. The Law Commission has identified the set of laws that it has recommended to the Ministry for removal. "Law must evolve with time, or the purpose of law is defeated", says Haigreve Khaitan, managing partner, Khaitan & Co. Two other issues that need immediate action from the minister are - clearing the judicial delivery system off arrear of cases and checking litigation by government.

According to K K Venugopal, senior advocate, Supreme Court, all cases have to be disposed-off in a time-bound manner. For this to happen the overall efficiency of the legal system has to be improved. That would involve increasing the number of courts.

"Any litigant with a genuine grievance should not be afraid to approach a court. If this is not done, our legal system will continue to remain ineffective, expensive and time-consuming," says Venugopal.

Legal experts note that central and the state governments have the dubious distinction of being the largest litigant in the country, both as a petitioner and respondent.

One way to reduce litigation by the government is to come out with a comprehensive policy to reduce repetitive and routine filing of appeals by various government departments.

"All governments should make it a policy to settle the grievances of citizens at the department level itself, instead of passing the buck to the judiciary as a matter of routine," says Rao.

This could be done by having an in-house dispute resolution mechanism at each level of the government, with appellate powers given to the next level, notes Khaitan.

"Only when the internal mechanism has failed should the courts be approached," he adds.

To deal with corruption within the legal system, Rao feels a provision should be made in the Constitution for relieving a public servant found to be of doubtful integrity.

Experts feel that having a national judicial grid to check the status of cases filed anywhere in the country would go a long way to make the legal service more people-friendly. "India needs fewer and simpler laws that are mercilessly enforced," says Rakesh Nangia, managing partner, Nangia & Co.

For Gowda, that is a challenge worth taking on.

6. Can our banks finance the economic recovery?

Subir Gokarn , Business Standard: 17.11.2014

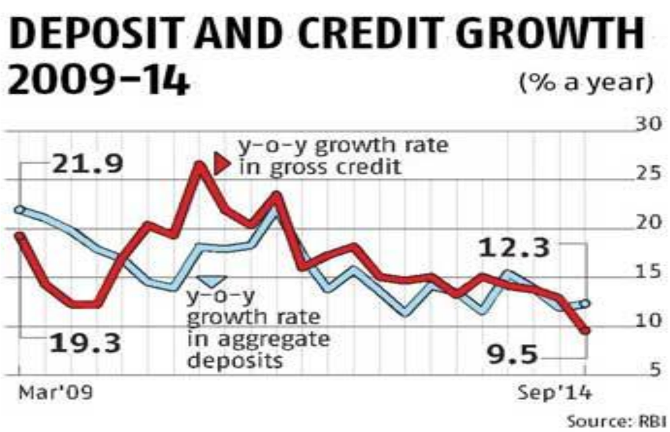
The banking system's capacity to finance the ongoing recovery may become a constraint

There is little question now that the Indian economy is steadily climbing up from the bottom. Even though theindustrial growth numbers are still quite low, the fact is that they are rising. Key sectors like basic metals and automobiles have been growing steadily over the past few months. Most importantly, the dramatic decline in oil prices over the past couple of months has completely re-written the macroeconomic script. The three major stress points - inflation, the current-account deficit and the fiscal deficit - will ease off significantly over the next few months if oil prices remain at the level that they are now. Lower oil prices will, of course, help revive global growth as well.

Overall, the Indian economy is now seeing the emergence of positive drivers last seen during the early 2000s. This raises the question as to whether it will repeat its growth performance during the 2003-08 period. The answer to this has two parts. One part, from the structural perspective, is that it depends on whether there are appropriate policy responses to the major structural barriers to accelerating growth. The other, which is what I want to write about in this column, is whether there are potential constraints to even the cyclical recovery that is now in progress.

To my mind, the key short-term constraint is finance. Specifically, it is the limit on the capacity of the banking system to accelerate provision of credit to businesses, who will need more funds to support growth. Even if all the other conditions are favourable to a recovery, the lack of availability of credit can clearly weaken or hinder it.

Why should we worry about the banks' capacity to lend at this time? To provide a context for this question, the accompanying graph plots the growth rates of aggregate deposits and gross credit raised and provided by all scheduled commercial banks over the past five years. There are three distinct phases: a credit boom in the early part of the period, when credit accelerated far ahead of deposit mobilisation; a middle phase, when both were growing at comparable rates, but steadily slowing; and, finally, in the last few months, some acceleration in deposit growth, but a relatively sharp decline in credit growth. In the quarter ended September 2014, credit grew by 9.5 per cent, the lowest rate in the entire five-year period.



One could argue that this is in itself a cyclical pattern; credit is slowing because demand for it was sluggish. This would imply that, as demand for credit picked up, so would supply. Ergo, no cause for concern on this front. However, in my view, this argument misses a very significant development in the banking system over the past few years - the rising burden of non-performing assets (NPAs). For the banking system as a whole, gross NPAs as a percentage of total advances went up from 2.4 per cent in 2008 to 3.4 per cent in 2013. For public sector banks, this ratio increased from 2.3 per cent to 3.8 per cent over this period. Here again, the argument could be made that this is a cyclical pattern and will reverse as growth picks up. But there is another factor at work here.

During this period, banks were lending aggressively to infrastructure projects, which reflected the great hopes placed on the public-private-partnership model. As these hopes were increasingly dashed by the realities of projects delayed by policy uncertainties, clearances and approvals, and various other barriers to timely execution, they put promoter companies in financial distress and banks that had lent to them in a situation of mounting NPAs. Unlike the traditional business cycle pattern of NPAs, these are structural and will not self-correct with a growth recovery. In short, the banking system is entering the economic recovery phase with an asset-quality problem that will not sort itself out.

When banks have an NPA burden, an increasing share of their profits needs to be dedicated to provisioning. Managements come under pressure and, consequently, become more and more averse to taking on additional risks. Even public sector banks that are listed are constrained by this, because the analyst and investor communities are so focused on asset quality. These pressures induce bank managements to look for the safest possible ways to deploy their funds.

In the Indian context, traditional commercial lending is not on the top of the list. Pride of place goes to lending to the government. Government securities are the one risk-free asset class that is available in plenty. Returns are attractive, and under the statutory liquidity ratio (SLR) provisions, holdings up to 22.5 per cent of banks' liabilities are exempt from mark-to-market requirements, insulating the banks' balance sheets from interest rate risk.

The pattern of deposit and credit growth that the graph shows for the last quarter suggests that banks are deploying incremental deposits into buying government securities. This also explains why the yield curve has been inverted over the past quarter; the yield on 10-year government securities, which is the most liquid tenor, has been consistently below the overnight repo rate. This combination of outcomes is what leads to my basic concern; even if the economy shows signs of recovery, the structural nature of banks' NPAs will constrain their willingness to provide credit to businesses, which will need it to sustain the recovery.

Policy responses can certainly be visualised. In the immediate term, the system's lending capacity can be enhanced by capital infusions into the public sector banks. Of course, this has long-term fiscal and governance implications, which need to be considered when the allocations are made, but there will be tangible short-term benefits. Importantly, to push the enhanced capital into financing business instead of buying more government securities, the mark-to-market exemption needs to be sharply reduced.

From a somewhat longer-term perspective, the chronic burden of infrastructure NPAs needs to be taken off the banks' balance sheets. In an earlier column, I had argued for a National Investment Fund model to transfer these assets from the banks to a government-funded entity. Whether through this or any other model, it is imperative that bank balance sheets be restored to a state in which they can meet the normal business needs of their conventional borrowers.

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7. A Swachh Financial Sector Abhiyan?
Debashis Basu, Business Standard: 17.11.2014

The FSLRC is another United Progressive Alliance initiative that Mr Modi is keen to adopt and implement

According to a newspaper report, Prime Minister Narendra Modi is seeking to revamp financial sector regulations. For this, he wants a report on the implementation of recommendations of the Financial Sector Legislative Reforms Commission (FSLRC).

The FSLRC is another United Progressive Alliance initiative that Mr Modi is keen to adopt and implement. And as with all his other initiatives, Mr Modi is not interested in putting out a white paper on the current status so that the nation knows where we are and where we are headed under the new thinking emanating from him.

Apparently, the Prime Minister's Office has sought a status report from the finance ministry on the progress of the FSLRC recommendations after President Pranab Mukherjee brought the tardy implementation to Mr Modi's attention in early October.

It so happened that at the same time, a bureaucratic reshuffle pushed out Arvind Mayaram as the finance secretary, followed by G S Sandhu as the financial services secretary who was zealously implementing the prime minister's Jan Dhan Yojana. In place of Mr Mayaram came the dynamic Rajiv Mehrishi from Rajasthan, while Hasmukh Adhia from Gujarat, Mr Modi's man, has replaced Mr Sandhu as the new financial services secretary. Clearly, the financial sector is an important area for the prime minister. He is preparing the ground for important decisions.

However, the government has not yet signalled that it is keen to implement the two main FSLRC recommendations - a Unified Financial Regulatory Agency (UFRA) and a central platform to hear all grievances of financial consumers called Financial Redressal Agency (FRA). These two would have been the most ambitious steps so far. It would have amounted to a big-bang reform of the sort that many expected the prime minister to implement but which he has steadfastly refused to, preferring incremental changes.

The FSLRC, as we know, has proposed massive fundamental changes in financial regulations. One was demolishing sectoral regulators for insurance, capital markets and pension, and putting them under the UFRA. It must be remembered that the FSLRC recommendations were so contentious that that there were major differences among the members on important issues.

One of the commission members, Kishori J Udeshi, a former deputy governor of the Reserve Bank of India (RBI), objected to the proposed overbearing role of government regarding capital flows: "When the rule-making vests with the government, the RBI may be consulted, but if there is a disagreement, the RBI would willy-nilly have to deal with a fait accompli and be accountable for the actions it would be required to take in the light of the government's decisions."

P J Nayak, former chairman and managing director of Axis Bank, had a different problem: "One must view with apprehension the very substantial statutory powers recommended to be moved from the regulators (primarily the RBI) to the finance ministry and to a statutory Financial Stability and Development Council (FSDC), the latter being chaired by the finance minister. The finance ministry thereby becomes a new dominant regulator."

J R Verma, professor at Indian Institute of Management (IIM), Ahmedabad, pointed out the "authorisation" requirement for providing any financial service, defined very broadly in Section 2(75), amounted to regulatory overreach. "Many activities carried out by accountants, lawyers, actuaries, academics and other professionals as part of their normal profession could attract the registration requirement because these activities could be construed as provision of a financial service. Similarly, investors who rebalance their own portfolios regularly and day traders who routinely place limit orders on a stock exchange could also be deemed to require authorisation. An expansive reading of Section 2(75) (k) could require even a messenger boy who delivers a mutual fund application form to obtain authorisation. All this creates scope for needless harassment of innocent people without providing any worthwhile benefits."

Y H Malegam, professional accountant and the longest-serving director of the RBI, believed that non-banking finance companies and housing finance companies must continue to be regulated and supervised by the RBI.

In essence, of the six members other than the chairman, four of them had important points of disagreement that could not be ironed out before the report was signed. Is this why the Modi government is moving to implement the less controversial regulations such as setting up the Financial Sector Appellate Tribunal (FSAT), the Resolution Corporation, the Public Debt Management Agency (PDMA) and the Financial Data Management Centre (FDMC)?

If the Modi government really wants to make an impact, however, it should think of fast-tracking the Financial Redress Agency, putting some genuine pro-consumer people to run it, who will make it a mission to treat the duped and harassed financial consumer fairly.

As this column has explained many times in the past, while the business of financial services essentially runs on the deposits we put in the bank, the insurance premium we pay or mutual funds we buy, the financial consumers have absolutely no voice anywhere.

The three main regulators have different approaches to grievance redressal and different standards to stop harmful from coming pitched at the consumer. None of them is proactive. Unit-linked insurance products were straightened out only in 2010, after being allowed to run amuck for five years when millions of people lost money.

The RBI still does not care to rein in banks selling third-party products without any obligation to their customers. Chain-money schemes are being regulated by the Securities and Exchange Board of India (and it is making a hash of it) when it is a deposit-taking activity and should be regulated by the RBI.

Finally, India is probably the only country where jewellers to manufacturing companies to builders can pick up money from the public without coming under any regulation. Financial consumers are in a mess. It is time for a Swachh Financial Sector Abhiyan.

The writer is the editor of www.moneylife.in

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8. G20 supports Modi's pitch on black money

Moscow/ Brisbane, November 17, 2014

Leaders meet at the first plenary session at the G20 summit in Brisbane, Australia Saturday. (AP Photo)

In a victory for India, the G20 on Sunday endorsed **Prime Minister Narendra Modi's strong pitch for repatriation of black money** at its summit, echoing the government's line on the need for transparency and disclosure of tax information.

Modi while voicing India's support for a new global standard on automatic exchange of tax information urged every jurisdiction, especially tax havens, to provide information for tax purposes in accordance with treaty obligations.

The new global standard will be instrumental in getting information relating to unaccounted money hoarded abroad and enable its eventual repatriation, Modi said, utilising the forum of G20, which accounts for 85 per cent of world's GDP.

The prime minister also noted that increased mobility of capital and technology have created new opportunities for avoiding tax and profit sharing.

The three-page communique was released at the end of the two-day summit of Group of 20 industrialised and leading emerging economies hosted by Australia.

Welcoming the "significant progress" on the G20/OECD Base Erosion and Profit Shifting (BEPS) Action Plan to modernise international tax rules, it said, "We are committed to finalising this work in 2015, including transparency of tax- payer specific rulings found to constitute harmful tax practices."

Briefing newsmen, railways minister Suresh Prabhu and external affairs ministry spokesperson Syed Akbaruddin said the reference to transparency, which was not there in the draft communique, was incorporated in the final communique after Prime Minister's strong intervention at Sunday's plenary session.

After Prime Minister Modi's intervention, several countries, notably Brazil and South Africa wanted a reference to be made to transparency in the final communique, Akbaruddin said.

"After the prime minister's own and strong intervention (on repatriation of black money), several countries shared his sentiments and wanted the views to be reflected in the final communique," he said.

Tensions soar over Putin

Vladimir Putin's early exit from a G20 summit in Australia after an icy reception from world leaders may further stoke Russia-West tensions and lead to renewed fighting in Ukraine, analysts said.

Western leaders piled huge pressure on the Russian strongman at the Group of 20 meeting in Brisbane, with host Tony Abbott calling on Putin to "atone" for the shooting down of Malaysian flight MH17 over rebel-held east Ukraine and Britain's David Cameron branding him a "bully".

Analysts said Putin's apparent anger at his treatment by his fellow leaders could worsen the crisis in Ukraine.

"If he is leaving irritated, just wait for the fighting in Ukraine to intensify," independent analyst Stanislav Belkovsky told AFP.

In eyebrow-raising remarks, Putin, who prides himself on his stamina, cited the "need to sleep" and a long flight home as his reasons for leaving the summit earlier than planned.

Despite the baking heat in Brisbane, the chill in the air was unmistakable.

Australian tabloid The Courier-Mail demanded apologies from Putin, while Russian media complained that Western leaders went out of their way to ostracise the Russian president.

"At the G20, Australian hosts tried to humiliate Vladimir Putin in every way possible," pro-Kremlin magazine Expert said online.

Armed with the Forbes magazine title of "the most powerful man in the world" and domestic approval ratings over 80%, Putin arrived in Australia with a flotilla of Russian navy vessels in tow.

The G20 summit had been expected to be the Russian president's toughest foreign visit since the start of the standoff between the Kremlin and the West over Russia's support for the separatists in eastern Ukraine.

Putin and the West had not been expected to reach a breakthrough over the Ukraine crisis, yet no one had expected hostilities to break out into the open.

In recent years Putin has habitually stolen the limelight at international gatherings, setting himself up as an outsider at G8 gatherings as the Kremlin agenda grew increasingly at odds with Western interests.

But the walkout in Brisbane took tensions to a whole new level.

Analysts said that Western leaders' increasingly vocal criticism of the Kremlin's policies and Putin's abrupt departure indicate that neither side was interested any longer in maintaining even a patina of civility.

'De-escalation did not pan out'

Fyodor Lukyanov, chairman of the Kremlin-connected Council on Foreign and Defence Policy, warned that Western criticism might just force Putin to harden his position.

"We are witnessing a further radicalisation of the positions of some Western countries, first and foremost North America and Australia, which is the summit host," Lukyanov said on Russian radio.

"There is no desire on their part to somehow soften this, on the contrary this is spilling into the public sphere. Well, the reaction is predictable -- Russia will also harden its stance."

Going into the summit, US President Barack Obama said Russia's aggression against Ukraine was "a threat to the world" and called the shooting down of Malaysian Airlines Flight MH17 over the rebel-held east of the ex-Soviet country in July "appalling".

Australia's Prime Minister Abbott accused Putin of trying to relive the "lost glories of tsarism".

Putin was also apparently rebuffed by Canadian Prime Minister Stephen Harper when the Russian leader approached him to shake hands.

"Well, I guess I'll shake your hand, but I only have one thing to say to you: you need to get out of Ukraine," said Harper, quoted by Canadian media.

The British premier accused Putin of undermining Russia's interests.

"You're not serving that country if, at the end of the day, the result is an economy under pressure, banks that can't raise money, a falling ruble, a stock market under pressure," Cameron was quoted as saying by British media.

The West this week accused Russia of sending fresh military hardware into eastern Ukraine, fuelling fears of a return to all-out conflict, and threatened Moscow with new sanctions if the violence intensifies.

Russia denies its troops are on the ground in Ukraine.

"De-escalation did not pan out. The EU may introduce new sanctions against Russia," said Gazeta.ru.

'More capricious, more attention'

Analysts also said Putin's walkout on the Western leaders would play well with his supporters back home.

"All the gestures of the Russian leader are aimed at the so-called Putin majority," Konstantin Kalachev, head of the Political Expert Group, told AFP.

He said Putin's attitude would be interpreted by his backers as: "What does Russia's national leader have to talk about with the rotten West?"

Kalachev also pointed out that by dispensing with diplomatic niceties Putin might be intentionally setting himself apart from other leaders.

"The more capricious, the more attention," he said.

Observers also pointed to Putin's charm offensive at APEC summit in Beijing ahead of the G20 where he caused an uproar by wrapping China's first lady Peng Liyuan in a shawl.

While some in Russia chalked up the gesture to Putin's old-school gallantry, others said it was the latest sign that the Russian leader considered himself above normal conventions.

"Vladimir Vladimirovich has his own style," journalist and former diplomat Alexander Baunov wrote for the liberal Slon.ru news website.

"This is also a hint at his own power."

PART B

NEWS AND VIEWS

Monday 17th, November 2014

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Communication, IT Information Division
Phone # 2525

The Hindu

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Doors still open for talks with Sena: Fadnavis

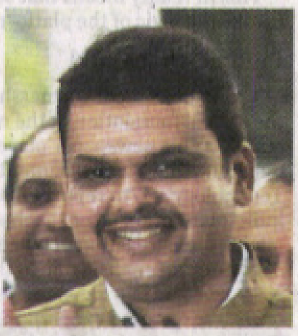
NAGPUR: While announcing that his Cabinet will be expanded next week, Maharashtra Chief Minister Devendra Fadnavis said here on Sunday said that the doors were still open for talks with the Shiv Sena to forge an alliance.

The winter session of the Maharashtra Legislature will start on December 8.

The Chief Minister denied media reports that RSS chief Mohan Bhagwat might mediate between the Sena and the BJP to break the deadlock. The RSS chief had nothing to do with the talks with the Sena, Mr. Fadnavis said.

However, he said, "The doors for talks with the Sena are not closed. In politics, such a thing never happens. Talks are possible."

Significantly, talking to presspersons in Mumbai, Union Minister and Shiv Sena MP Anant Geete indicated that his party was not going to pull him out of the Union Cabinet, though the Sena was at loggerheads with the BJP in Maharashtra.



Devendra Fadnavis

The Chief Minister said the government was taking steps to deal with the drought-like situation in Marathwada and approaching the Centre for financial assistance. — PTI

Business Standard

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Moderate inflation a passing phase: Economists

ISHAN BAKSHI
New Delhi, 16 November

The sharp fall in inflation over the past few months has raised the clamour for interest rate cuts. With the Consumer Price Index-based inflation falling to 5.5 per cent in October from 6.5 per cent a month ago, is below the central bank's target of six per cent by January 2016, the pressure on the Reserve Bank of India (RBI) to loosen monetary policy is mounting. While so far RBI resisted pressure to reverse its stance, the decision to cut interest rates is likely to be guided by whether the moderation in inflation is transitory.

The recent slowing in retail inflation has been driven largely by food inflation, which fell from 7.7 per cent in September to 5.6 per cent in October, due to lower prices of fruits, vegetables and sugar. According to CRISIL, "The seasonally adjusted month on month momentum in food inflation was muted at 0.02 per cent." This suggests the recent decline was largely due to the strong base effect. As food inflation averaged 13 per cent in September-December last year, it is likely to moderate further over the next few months on base effect. But this effect is likely to wear off. "While inflation is likely to come down over the next few months, it is expected to rise again early next year as the base effect wears off," says D K Joshi, chief economist at CRISIL. ICRA estimates the base effect is likely to wear off by early next year and retail inflation is likely to revert to seven per cent by February-March. CRISIL expects inflation to average 7.2 per cent in FY15.

Economists estimate the base effect is likely to wear off by early next year and retail inflation is likely to revert to seven per cent by February-March

There are other factors also at work. A deficient monsoon is likely to impact agricultural output, which could impact food inflation in the coming months. "With the ministry of agriculture forecasting a lower kharif output for cereals, pulses and oilseeds, it could lead to some upward bias on inflation in coming months," says Madan Sabnavis, chief economist at CARE Ratings. However, recent steps taken by the government like the decision to release grain from its stock and limiting the increases in minimum support prices (MSP) could, on the other hand, ease pressure on food inflation. Also, the sharp fall in global crude oil prices could act as a damper, easing inflation, especially in the transport and communication and fuel category. Crude oil prices for the Indian basket ended the month of October at $83.8/bbl as compared with $95.3/bbl at the beginning of the month.

The impact of these contradictory forces, whose outcome is difficult to predict, suggests RBI will adopt a wait-and-watch approach. "While inflation has come down much faster than expected to bring it firmly under control, RBI must continue with the tight monetary policy," says Joshi. The anti-inflationary stance adopted by RBI is likely to help rein in household inflation expectations. This should prevent it from feeding into wage contracts, which could translate to more generalised inflation.

Although a rate cut will probably boost sentiment, Aditi Nayar, senior economist at ICRA, says "If monetary easing is undertaken in the immediate term, subsequent to which inflationary pressures undergo a resurgence on account of either exogenous factors such as global commodity prices or a sharper than expected revival in demand conditions, an early reversal of the monetary stance could impact the credibility of the inflation targets."

Thus, while the pressure on RBI to cut rates and boost growth is likely to intensify, according to Sabnavis, "RBI will reverse its stance only when it is convinced that the recent moderation in inflation is sustainable and not transitory."

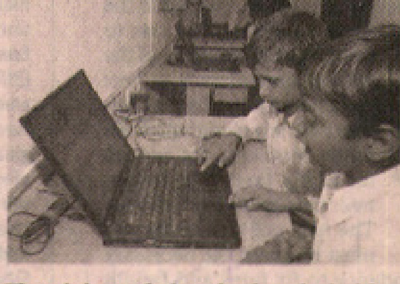
Govt project to convert school texts into e-books

SURABHI AGARWAL
New Delhi, 16 November

The central government is planning a project to convert all books covered under school curricula into e-books. The project is being loosely termed *e-basta* and could put the government at par with some large e-book hosting platforms such as Amazon.

The Centre for Development of Advanced Computing is building the platform to host the e-books, Ram Sevak Sharma, secretary to the department of electronics and information technology, told *Business Standard*. "The platform should be ready in a month and will be like an intelligent online marketplace, where suggestions for related books, etc, will be given."

The platform will also provide to publishers the tools and technology for converting their books into e-books. There will be a payment gateway built in, to enable purchase of higher-end books, which will not be available for free download. "This project, along with others such as biometric attendance and e-greetings, are part of the priority projects under the Digital India initiative," added Sharma. Both have been rolled out within a few months of their announcement.



The ministry of education is tasked with the work of identifying the curricula and the books which will be first available on the platform BS FILE PHOTO

The Union Cabinet approved the blueprint for the Digital India project in August. It is expected to see investment upwards of ₹1,00,000 crore over the next three to four years. The project envisages all government services be delivered electronically by 2018. It will also provide "high-speed internet as a core utility" down to the gram panchayat level and a "cradle-to-grave digital identity — unique, lifelong, online and authenticable".

The ministry of education is tasked with the work of identifying the curricula and the books which will be first available on the platform. The books will be shortlisted in coordination with the National Council of Educational Research and Training (NCERT). Currently, several private organisations, as well as technology and education firms, offer e-books of the NCERT curriculum. However, these are scattered across platforms and are not comprehensive. The idea of a government platform is make sure all the material is available at one place, is current and easy to access.

Prime Minister Narendra Modi is a big proponent of digitising libraries. In early 2013, when he was the chief minister of Gujarat, he'd said efforts were underway to make books available in every household in the state through technology. "Libraries will now be just a click away for people. The importance of e-books is increasing," Modi had said. Every publisher releases a digital book, too, which had helped in increasing the reach, he added.

Students might be aided with digital devices such as notebooks to make the central project successful.

The Pioneer

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Govt plans to amend law to empower consumers

NEW DELHI: With an aim to empower consumers, the government plans to amend a law to allow customers to file case against sellers from their place of residence.

As per current norms, the case has to be filed at the place of transaction.

Also, the requirement of engaging lawyers in the consumer forums is likely to be done away with, if the goods or services availed is of less than ₹2 lakh value.

According to sources, the Ministry of Consumer Affairs proposes to bring amendments to the Consumer Protection Act, 1986 to make it more effective.

The proposed amendments would be sent to the Cabinet for approval after seeking views from other ministries, they added.

The objective for bringing in amendments is to protect consumer rights by simplifying the judicial process to ensure speedy and inexpensive justice.

"Currently, customers have to file case against sellers from the place where they have bought the goods. We propose to allow customers to file the case from the place where they reside," a source said, while giving details about changes proposed by the Ministry.

"No lawyers shall be permitted for both the parties (consumers and sellers) if the value of good or service is less than ₹2 lakh," the source said, adding that mediation between both the parties would be allowed except in certain cases.

The amended Act is likely to have provisions to cover e-commerce companies and some other service providers like Railways and courier firms.

To make the complaint registration procedure simpler for consumers, the Ministry has not prescribed any fixed format and the complaints can also be made online. After 21 days, the complaints would be deemed to be accepted.

Concerned over the pending cases in consumer forums, sources said the department has proposed that there would be only one stage for appeal in higher forum.

Recently, Food and Consumer Affairs Minister Ram Vilas Paswan had said that the Government plans to make amendments in the Consumer Protection Act to "make it more effective as protection of consumers in terms of quality, quantity and safety is of utmost importance."

The Government has proposed an authority under this law to protect consumers against unfair trade practices and also to keep a close watch on various consumer services also, he had said.

Sources said the Central Consumer Protection Authority would be like an investigating agency, which will take up cases suo moto or complaints involving more than one person. It will promote, protect and enforce consumer rights and even recall hazardous products."The authority would have the power to fix liability incase complaints are related to e-commerce," a source said.

The proposed authority will have all executive and enforcement powers for redressal of consumer grievances and penal action against defaulting companies.

Presently, the consumer forums have been set up at more than 600 districts, 35 states as well as national levels to render simple, inexpensive and speedy justice to consumers in respect of complaints against defective goods, deficient services and unfair/restrictive trade practices. **PTI**

Business Standard

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India, US trade policy forum talks on Nov 25

NAYANIMA BASU
New Delhi, 16 November

After a long hiatus, the Indian and American governments are finally going to hold the much-awaited Trade Policy Forum (TPF), to iron out several bilateral trade and investment issues, on November 25 here.

US Trade Representative (USTR) Michael Froman, who will be co-chairing the high-level dialogue with commerce and industry minister Nirmala Sitharaman, will be leading a high-powered business delegation. This will be the first trade dialogue with the US under the Narendra Modi government.

The TPF this year is after a gap of almost two years. In this time, the two countries had battles on a variety of issues concerning trade and investment, especially in the areas of intellectual property rights (IPRs) and patents. They've taken each other to the World Trade Organization's dispute settlement body over a range of issues, from import of poultry to steel rods.

The TPF will be preceded by the first meeting of the high-level intellectual property working group, decided on during the recent meeting between Modi and US President Barack Obama.

In recent years, India has come under strong attack from American pharmaceutical companies, as well as manufacturing ones, with severe complaints on the taxation system, the government's emphasis on domestic procurement and alleged lack of innovation and research.

Deputy USTR Wendy Cutler had recently met commerce secretary Rajeev Kher to prepare for the ground work - both sides will have a big list of items.

The TPF is the premium forum for bilateral trade and has five main focus groups — agriculture, innovation and creativity, investment, services, tariffs and non-tariff barriers. Earlier this month, USTR Froman said the TPF would be "an important opportunity" in advancing of issues concerning bilateral trade, with "constructive, face-to-face discussions".

The USTR in its 2014 'Special 301 Report' retained India as a 'Priority Watch List' country for having a weak IPR and patent regime. For the first time, it also launched an 'out-of-cycle review' to keep a close monitor on Indian IPR laws.

In July, India won a long-standing dispute with the US on steel exports. The US had imposed heavy import duties on Indian steel products.

However, India faced a major defeat in the hands of US authorities in a poultry import case at the WTO that was initiated in 2011. India had banned poultry import from the US, fearing spread of bird flu.

Both sides have set an ambitious target of achieving $500 billion worth of annual bilateral trade in goods and services from the present $96 billion.

"This will be a good time to discuss all outstanding issues and deal with it with a fresh, new outlook. We cannot keep shooting each other without sitting and dealing with those together. There are many issues that both these countries need to look at and move on," said Robinder Sachdev, director of India affairs, US-India Political Action Committee (in Washington).

TPF will be preceded by the first-ever meeting of the intellectual property working group, decided during PM Narendra Modi's *(left)* maiden meet with US President Barack Obama in Washington BS PHOTO

BILATERAL BENEFIT

Trade Policy Forum to be held after a two-year gap

AGENDA To help advance issues concerning trade between the two countries

FOCUS AREAS Agriculture, innovation and creativity, investment, services, tariffs and non-tariff barriers

CO-CHAIRPERSONS Commerce and Industry Minister Nirmala Sitharaman & US Trade Representative Michael Froman

For full reports, visit www.business-standard.com

Business Standard

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G20 endorses India's stance on black money

PRESS TRUST OF INDIA
Brisbane, 16 November

In a major gain for India, the G20 summit on Sunday endorsed the government's line on the need for transparency and disclosure of tax information as Prime Minister Narendra Modi sought a new global standard on automatic exchange to tackle the issue of black money.

Raising the pitch on the black money issue, Modi in his intervention at the summit of the Group of 20 industrialised and major emerging economies called for close global coordination to address the challenge posed by it.

The new standard will be instrumental in getting information relating to unaccounted money hoarded abroad and enable its eventual repatriation, Modi said, utilising the forum of G20, which accounts for 85 per cent of world's GDP.

Modi while voicing India's support for it urged every jurisdiction, especially tax havens, to provide information for tax purposes in accordance with treaty obligations.

He also extended India's backing for all initiatives to facilitate exchange of information and mutual assistance in tax policy and administration.

The prime minister while flagging his concern over cross border tax avoidance and evasion also noted that increased mobility of capital and technology have created new opportunities for avoiding tax and profit sharing.

The prime minister made the remarks at the plenary session on the subject of "Delivering Global Economic resilience" on the second and final day of the summit held at the Brisbane Exhibition and Convention centre.

He also expressed the hope that base erosion and profit sharing (Beps) system would fully address concerns of developing and developed economies.

BEPS is a technical term referring to the effect of tax avoidance strategies used by multinational companies on countries' tax basis. BEPS is known more commonly as "transfer pricing"

This term is used in a project headed by the OECD that is said to be an attempt by the world's major economies to try to rewrite the rules on corporate taxation to address the widespread perception that the corporations don't pay their fair share of taxes.

The prime minister also said increased mobility of capital and technology have created new opportunities for avoiding tax and profit shifting.

ON THE SIDELINES

Fighting corruption

G20 leaders vowed to implement an anti-corruption plan as part of a drive against the use of shell companies and trusts to engage in tax evasion and money laundering. "We endorse the 2015-16 G20 Anti-Corruption plan that will support growth and resilience," the leaders said in a communique released at the end of the two-day summit.

S Arabian prince on India biz

Describing India as "a very friendly country", Crown Prince Salman bin Abdul Aziz has told Prime Minister Narendra Modi that Saudi Arabia is ready to cooperate with India on all aspects. "There are delegations from Saudi Arabia coming to India on specific areas. They will work on how to proceed further on this," he told Modi during their first bilateral meeting, on the sidelines of summit.

China to host 2016 G20 summit

China will host world leaders for the G20 summit in 2016, Australian Prime Minister Tony Abbott said at the conclusion of two days of talks in Brisbane. Turkey takes over the presidency from Australia and will host the event in Antalya next year. In a communique the group of the world's biggest economies said China would be home to the G20 in 2016.

Prime Minister Narendra Modi unveiling the statue of Mahatma Gandhi at Roma Street Parklands in Brisbane, Australia on Sunday. PTI PHOTO

Cutting remittances' cost to 5%

Taking concerns of India and other developing countries on board, the G20 vowed to take "strong practical" measures to reduce the global average cost of transferring remittances to five per cent. India, which is world's largest recipient of remittances with $71 billion sent last year, pushed for a reduction in the remittance costs for non-residents at the G20 summit, asking it to work on steps to reduce costs in sending money home from abroad which is as high as 10 per cent in some countries.

Peaceful resolution of maritime disputes

The US, Australian and Japanese leaders called for peaceful resolutions of maritime disputes, a day after Barack Obama warned of the dangers of outright conflict in Asia where China contests disputed territory. The trio said they were committed to deepening their already strong security cooperation in the Asia-Pacific, which comes amid China's increasingly assertive expansion in the region.

India-US pact welcomed

Welcoming the breakthrough between India and the US on the food stockpiling issue, G20 leaders on Sunday hoped it would put World Trade Organization (WTO) negotiations back on track and facilitate the implementation of trade pact which is necessary for driving growth and generating jobs.

"We welcome the breakthrough between the United States and India that will help the full and prompt implementation of the Trade Facilitation Agreement (TFA) and includes provisions on food security.

"We commit to implement all elements of the Bali package and to swiftly define a WTO work programme on the remaining issues of the Doha Development Agenda to get negotiations back on track," said the communique released after the G20 meet. PTI

The Indian Express

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Govt orders quality checks on Chinese steel

PRIYADARSHI SIDDHANTA
NEW DELHI, NOVEMBER 16

ACTING on Prime Minister Narendra Modi's directive to curb needless imports, the finance ministry has directed that specific Chinese steel products must be subjected to stringent quality checks before allowing them to enter the country's hinterland.

In an order issued to the Central Board of Excise and Customs (CBEC) on November 7, the finance ministry has said that Indian importers buying Chinese steel products like thermo-mechanically treated (TMT) bars, used extensively by the realty sector, will henceforth have to compulsorily secure certification by the Bureau of Indian Standards (BIS) at all entry points to the country.

The move is specifically aimed at Chinese steel makers exporting steel by adding boron in their product mix to bypass the defined quality standards of the steel ministry's Quality Control Order 2012 and the commerce ministry's import duty classification.

The Indian Express had reported on September 18 that steel ministry had expressed serious concerns over the burgeoning steel imports from China which during the second quarter of 2014-15 exceeded "the historic (quarterly) high" of 90 million tonnes.

The Indian Steel Association (ISA), the newly created umbrella body of the country's leading steel companies, has written to the government on November 4 cautioning that imports of hot rolled coils, sheets and plates are up by 41 per cent in the first half of the current fiscal of which imports from China amounts to 111 per cent.

Of the total imports Boron added steel accounted for 80 per cent imports from China. Imports of colour coated steel from China has surged by 117 per cent in the first half of this fiscal, while wire rod imports have shot up by 110 per cent, the ISA said in its letter.

IMPORT CURBS

- The finance ministry has directed that importers of Chinese steel products have to secure certification by the BIS
- The move aimed at Chinese steel makers exporting steel by allegedly adding boron in their product mix to bypass the steel ministry's quality standards and import duty classification

The Statesman

Date: 17/11/2014
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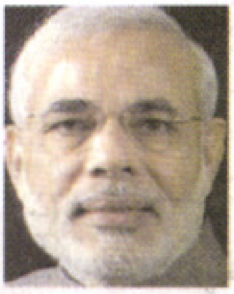
G20 ENDORSES INDIA'S STANCE ON BLACK MONEY

MODI CALLS FOR GLOBAL COORDINATION

PRESS TRUST OF INDIA
Brisbane, 16 November



In a major gain for India, the G20 summit today endorsed the need for transparency and disclosure by countries of tax information as Prime Minister Narendra Modi voiced support to the new global standard on automatic exchange to tackle the black money issue.

Raising the pitch on the black money issue, Modi in his intervention at the summit of the Group of 20 industrialised and major emerging economies called for close global coordination to address the challenge posed by it.

The new standard will be instrumental in getting information relating to unaccounted money hoarded abroad and enable its eventual repatriation, Modi said, utilising the forum of G20, which accounts for 85 per cent of world's GDP.

Modi while voicing India's support for it urged every jurisdiction, especially tax havens, to provide information for tax purposes in accordance with treaty obligations.

He also extended India's backing for all initiatives to facilitate exchange of information and mutual assistance in tax policy and administration.

Modi's remarks at the G20 session come as his government has repeatedly said that bringing back black money is a priority and it has constituted a special investigative team (SIT) headed by a former Supreme Court Judge to unearth black money. Unofficial estimates of India's illegal money stashed abroad range from USD 25 billion to over USD 4 trillion.

The Prime Minister, while flagging his concern over cross border tax avoidance and evasion, also noted that increased mobility of capital and technology have created new opportunities for avoiding tax and profit sharing.

Modi made the remarks at the plenary session on the subject of "Delivering Global Economic resilience" on the second and final day of the summit held at the Brisbane Exhibition and Convention centre.

He also expressed the hope that Base Erosion and Profit Sharing (BEPS) system would fully address concerns of developing and developed economies.

BEPS is a technical term referring to the effect of tax avoidance strategies used by multinational companies on countries' tax basis. BEPS is known more commonly as "Transfer pricing".

This term is used in a project headed by the OECD that is said to be an attempt by the world's major economies to try to rewrite the rules on corporate taxation to address the widespread perception that the corporations do not pay their fair share of taxes. Modi also said that increased mobility of capital and technology have created new opportunities for avoiding tax and profit shifting. He underpinned the need for the world community to take coordinated decisions although each country has its domestic priority.

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Govt Finally Gets Moving to Shutter Terminally Ill PSUs

HMT Watches and Tungbhadra Steel among 6 companies to be closed in first phase

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New Delhi: Days after Finance Minister Arun Jaitley indicated that the government was willing to consider the privatisation of sick state-run firms, the Centre has begun the process of shutting some of them.

A senior government official confirmed that a Cabinet note proposing the closure of six firms under the department of heavy industry has been circulated.

The list includes Hindustan Photo Films, HMT Bearings, HMT Chinar Watches, Tungbhadra Steel, Hindustan Cable and the iconic HMT Watches.

In the second round, 15 more loss-making firms will be under consideration, including British India Corporation, IDPL and their subsidiaries.

"Once this gets through, we will look at those firms where no production activity is being carried out or are totally closed," said the official cited. He didn't want to be named.

Government data shows there are 61 sick central public sector enterprises (CPSEs) that had 1.53 lakh employees as on March 31, 2013. The government has been paying the salaries of all these employees largely through the budget.

Interestingly, HMT watches have been in high demand following indications the company could be shut.

Earlier this month, Jaitley had said that the government would look at privatising some of the loss-making public sector undertakings as taxpayers could not keep picking up the tab.

The Time is Up

Govt moves ahead with decision to close down sick PSUs

Cabinet note floated to close six in first round

In second round, 15 more will be shut down

IN THE FIRING LINE

- Hindustan Photo Films
- HMT Bearings
- HMT Chinar Watches
- Tungbhadra Steel
- Hindustan Cable
- HMT Watches

EMPLOYEE INTEREST PROTECTED

Around 3,600 employees to get VRS

This will be at 2007 pay scale

They will also get other benefits such as gratuity and leave encashment

IN THE SICK ROOM

61 loss-making central public sector enterprises

These had 1.53 L employees at the end of March '13

HOW DOES IT HELP

Closure could cost govt nearly ₹1,000 cr

Govt will be spared recurring expenses of paying wages

Assets of these cos will be freed up, and govt can use these

BORDER ROADS

States Should Clear Green Hurdles: Centre

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New Delhi: The ministry of road transport and highways wants environmental clearances for its projects in states along the border to be handled by the state governments concerned to avoid a pile-up of files at the Centre, or an exemption from green clearances in such cases, to speed up projects.

"If the government wants it can provide such an exemption," a senior ministry official said, pointing out that the previous BJP-led NDA government had relaxed the norms for roads within 100 km of the international border. The highways ministry has written to the ministry of environment to consider this request for all its projects in states, including Arunachal Pradesh, Mizoram, West Bengal, Bihar, Uttar Pradesh, Jammu and Kashmir, Rajasthan, Punjab and Gujarat, among others.

"Right now all requests are landing up in Delhi, resulting in delays. We want that regional officers should be delegated powers to give such clearances," said the official, requesting anonymity. Although there are two broad categories of projects under the Environment Protection Act, requiring clearance from either the Centre or the state depending on size and scale, all highway projects have to get the green nod from the Centre.

While the ministry has raised the issue to expedite the projects, the move could draw the ire of environmentalists. "It will effectively dilute the environmental clearance because states are ill-equipped and have limited capacity to do environment impact assessment studies," said Srestha Banerjee, senior research associate, Centre for Science and Environment. Highway projects are not stuck due to green clearances alone, but these clearances are expected to speed up construction and also help foster interministerial cooperation, the lack of which also often ends up delaying infrastructure projects. The highways ministry has also signed a MoU with the railways ministry recently to expedite clearances for rail over bridges, etc.

The Financial Express

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Govt proposes norms for easier exits, revival of MSMEs

The proposed amendments include establishment of revival and exit committee as an adjunct to MSME facilitation council and establishment of appellate authority

New Delhi, Nov 16: The government has proposed amendments to the MSME Act with the twin objectives of time-bound exit and revival of loss-making units to help them consolidate their businesses and re-deploy capital in other greenfield ventures.

It has invited suggestions related to the proposed changes with a view to formulate a policy in this regard.

"The objective of proposed amendment for MSME Act is two-fold — revival and exit of MSMEs.

"Revival: MSMEs that seek early assistance to tide over difficult financial times and provide a framework where a viable MSME can seek standard as well as customised relief and concession to revive.

"Exit: To provide an easier and expeditious exit procedure for the benefit of promoters and guarantors through liquidation and change in management," the MSME ministry said.

"It is proposed that a separate chapter on Restructuring & Exit of MSME can be added to the MSME Act, which mandates scheme for closure of sick MSMEs," it added.

The proposed amendments include establishment of revival and exit committee as an adjunct to MSME facilitation council and establishment of appellate authority.

Moreover, the MSME can file an application voluntarily if accumulated losses of the enterprise equals to half or more of its entire net worth for last financial year and enterprise apprehends failure of its business specifying revival plan or exit through liquidation proceedings.

Upon filing, an automatic moratorium for a period of 180 days shall operate (extendable to 30 days more at a time till revival plan or liquidation proceedings initiated).

Besides, on appeals and discharge, the first appeal by an aggrieved enterprise/creditor should be presented before appellate authority within 30 days; whereas the second appeal against appellate authority's order would lie before the Supreme Court.

"The MSME facing insolvency/bankruptcy should be provided legal opportunities to revive its unit. This could be by way of re-organisation and rehabilitation scheme with comfort to creditors and a mechanism for interim suspension of enforcement rights," the MSME Ministry said.

As of now, there is no legal framework for re-organisation/winding up/exit for small units leading to a huge wastage of human resources (promoters and employees), capital (banks & financial institutions) and physical resources (industrial land & buildings, plant, machinery, etc.)

The changes proposed are in tune with "Body Corporate" as under Companies Act and Limited Liability Partnership (LLP) Act, 2008 with regard to limiting liabilities and improving process for winding up with affordable litigation process/administrative mechanism. *PTI*

The Financial Express

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G-20 to set up global infrastructure hub

Brisbane, Nov 16: The G-20 leaders on Sunday decided to set up a global infrastructure hub to help reduce barriers to investment and improve information sharing to channelise funds into the sector.

Located in Sydney, the hub will contribute to developing a knowledge-sharing platform and network between governments, the private sector, development banks and other international organisations.

"The hub will foster collaboration among these groups to improve the functioning and financing of infrastructure markets," said the communique released at the end of a two-day G-20 meeting.

"With a four-year mandate, the hub will work internationally to help countries improve their general investment climate, reduce barriers to investment, grow project pipelines and help match investors with projects," according to Australia, which holds the G-20 presidency.

The B-20, a grouping of business leaders of G-20 nations, have estimated that the hub could help unlock an additional $2 trillion in global infrastructure capacity by 2030.

Countries like the UK, China, Saudi Arabia, New Zealand, Korea, Mexico and Singapore have given a financial commitment for establishing the hub. "The Australian government will be a major contributor to the hub with other contributions coming from G-20 members, non-member countries, international organisations, non-government stakeholders and the private sector," Australia said in a statement on the G-20 website.

PM Narendra Modi (second from left) attends the G-20 meeting in Brisbane on Sunday

Stressing on the need for global investment in infrastructure to boost growth and job creation, the G-20 said it will work with multilateral lending agencies and encourage national banks to provide additional lending to the sector.

India's infrastructure sector will require an estimated $1 trillion in the 12th Plan period ending 2017 and half of it is expected to come from the private sector.

Leaders of the world's 20 developed and emerging economies vowed to boost global GDP by over $2 trillion over five years by investing in infrastructure and increasing trade. *PTI*

Hindustan Times

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India scores, G20 backs Modi on black money

BIG MOVE Member countries agree to exchange info, amend global tax rules

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BRISBANE: The G20 countries Sunday endorsed Prime Minister Narendra Modi's concerns over black money, committing to modernise global tax rules and put in place a mechanism for automatic exchange of information by 2018.

The move comes at a time when the Supreme Court is hearing a matter on black money stashed by Indians in overseas banks. The government has already submitted 627 names of account holders to the court and a special investigation team (SIT) is probing the case.

Sunday's push by G20 countries, which account for 85% of the world's GDP and 90% of the global trade, will bolster India's efforts at securing information from tax havens. Unofficial estimates of illegal money stashed abroad by Indians range from $460 billion to more than $1.4 trillion.

The Indian government called the outcome an "unprecedented success". "India's concerns on black money and tax avoidance have found an echo and have been taken on board the final G20 communique," the Prime Minister's Office tweeted.

On the second and final day of the G20 summit here, Modi reiterated need for close policy coordination among major economies, saying it was important not just for addressing the challenge of black money but also to battle terrorism, drug trafficking and arms smuggling.

In a communiqué, the leaders of the world's 20 largest economies said, "We endorse the 2015-16 G20 anti-corruption plan that will support growth and resilience."

To prevent cross-border tax evasion, the countries endorsed "the global common reporting standard for the automatic exchange of tax information on a reciprocal basis".

Supporting exchange of information, Modi said it would be instrumental in getting data about unaccounted money stashed abroad and help bring it back.

Narendra Modi, first Indian PM to visit Australia in 28 years, greets people at a civic reception in Brisbane on Sunday. PTI PHOTO

morestories

Merkel raises dropping of German with PM

The German Chancellor utilised a meeting with PM Modi to raise his government's move to drop German as a third language in Kendriya Vidyalayas. "The PM assured her that he is a votary of Indian children learning other languages" and that her concerns will be addressed "within the confines of the Indian system", MEA spokesperson Syed Akbaruddin said.

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Govt targets 100 mn Jan Dhan a/cs, to help LPG subsidy scheme

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NEW DELHI: With the Pradhan Mantri Jan Dhan Yojana (PMJDY) eliciting good response, the government is now looking to open about 100 million new bank accounts by January 26, 2015, compared to the original target of 75 million.

Bank accounts being opened under PMJDY are critical for the success of the direct benefit transfer for LPG (DBTL), which will be rolled out nationwide on January 1, 2015. Under the scheme, the subsidy amount of around ₹400 per LPG cylinder will be transferred directly into beneficiaries' bank accounts.

"We have already achieved the target... Over 7 crore (70 million) zero balance savings accounts have already been opened under the scheme, which would be linked to directing subsidies directly. We are now looking at about 10 crore (100 million) new accounts by January 26," a senior finance ministry official said.

"A meeting would be held this week to take stock. Prime Minister Narendra Modi is keeping a close watch on the progress of the scheme," he added.

The DBTL scheme has already been launched in 54 districts in 11 states. The increased number of bank accounts would boost the efforts to service the 160 million LPG customers in India.

The PMJDY accounts will also facilitate transfer of subsidy to eligible citizens under various other government-run welfare schemes. Subsidy flow into these accounts will boost low-cost deposit for the banks and provide overdraft and loan facilities to the account holders.

The government is also looking at making subsidised LPG available in smaller cylinders.

"After the country wide roll out of DBTL, consumers will have to pay the ₹810 for a regular 14.2 LPG cylinder. Many poor people cannot afford it, and need only 2-3 kg of cooking gas a month. Smaller 5 kg subsidised cylinders will be introduced shortly to make life easier for crores of Indians," oil minister Dharmendra Pradhan had told *HT* last week.

ON A ROLL

Bank accounts under PMJDY are set to exceed target by Jan 26

75mn No. of accounts the govt targeted under PMJDY by Jan 26; 72 mn have already been opened

100mn New target for no. of accounts

160mn No. of LPG account holders

THE LPG SUBSIDY

- Prime Minister Narendra Modi launched the Jan Dhan Yojana (PMJDY) to boost financial inclusion
- PMJDY will facilitate transferring of subsidies of direct benefit transfer of LPG subsidy (DBTL) and other welfare schemes into beneficiaries' accounts
- DBTL, which will cover 160 mn consumers with LPG connections, will be rolled out nationwide on Jan 1

Raghuram Rajan on shortlist for BRICS bank chief post

Puja Mehra

NEW DELHI: Reserve Bank Governor Raghuram Rajan, a Union Cabinet Minister and a well-known banker in infrastructure finance have figured so far in discussions on possible candidates for BRICS' New Development Bank president. This shortlist is not final; the Modi government is scouting for more names before it takes a decision on the nomination, a Finance Ministry source told *The Hindu.*

Prime Minister Narendra Modi, in his opening statement at the BRICS leaders' meet in Brisbane on Saturday, proposed that 2016 be set as the target for the inauguration of the BRICS Bank. "We hope to ratify the agreement by the end of the year... We would soon nominate our candidate for the post of the presidency," Mr. Modi said. The BRICS nations — Brazil, Russia, India, China and South Africa — had agreed at their sixth Summit in Fortaleza that India will nominate the first president of the bank and that its headquarters will be located in China.

RAJAN'S RECORD

- **Lower volatility** of rupee
- **Stabilised** external account

India will nominate the first president of the BRICS bank

The government has not formally reached out to Mr. Rajan, the source said. He also indicated that ultimately it might become difficult for India to spare Mr. Rajan for the role. Volatility in the rupee has reduced and external account stabilised over the first 14 months of Mr. Rajan's tenure at the Reserve Bank.

GOVT. MAY NOT LET RAJAN GO | PAGE 10

Government may not let Rajan go to BRICS bank

Puja Mehra

NEW DELHI: The Modi government is in the process of short-listing candidates for the president of the proposed BRICS bank -- the New Development Bank. The BRICS nations — Brazil, Russia, India, China and South Africa — had agreed at their sixth Summit in Fortaleza that India will nominate the first president of the bank and that its headquarters will be located in China.

Though the name of RBI Governor Raghuram Rajan is on the list along with that of a Union Cabinet Minister, sources said it might be difficult to release Dr Rajan. "It is a question of the confidence the global world of finance has come to have in Dr. Rajan as India's Central banker ... there is always the risk that his departure from the Reserve Bank could bring the rupee under pressure with overnight dollar outflows," the source said.

The Union Cabinet Minister figuring on the early list of names for the BRICS Bank president nomination too has expressed preference for staying on in his current assignment in the Modi government.

The Fortaleza Summit had delivered the New Development Bank and the Contingent Reserve Arrangement. The BRICS nations are collectively creating the global institution to promote sustainable development and bridge infrastructure gaps. This also sends a strong message to the rest of the world about the efficacy of BRICS, Mr. Modi said in his remarks in Brisbane.

India-EU n-deal likely by 2015

NEW DELHI: India is engaged in talks with the European Union (EU) to sign a civil nuclear cooperation agreement and the deal is expected to be inked by next year.

EU's Ambassador to India Joao Cravinho said last week: "An agreement is expected to be signed between the India's Department of Atomic Energy and Joint Research Centre of the European Union. It will focus on areas of research and energy." Mr. Cravinho said talks between were on and the pact should be signed next year.

He, however, did not give any specific time frame on when the agreement will be inked.

"There were concerns raised by a few countries about signing an agreement because India is not a signatory to the Non-Proliferation Treaty, but there is a consensus on this now," he said. Both sides and countries within EU are ironing out the differences over the "language" of the draft.— PTI

The Financial Express

Editorial

Saving telecom

DoT-defence deal will be welcome

While it is unfortunate the Telecom Commission has decided to reject most of the Telecom Regulatory Authority of India's (Trai) suggestions on the need to get in a lot more spectrum before conducting the next round of auctions, news reports suggest there may be some breakthrough in the offing. Trai had argued that, were this to not happen, spectrum prices would skyrocket in the next auctions and possibly put several telcos out of business—while roughly 90% of the spectrum auctioned last February was brand-new spectrum, things will be the exact opposite in the February 2015 auction when just 10-15% of the spectrum will be new. As *FE* reported last month, the finance secretary had written to his counterpart in the telecom ministry sounding an alarm since, if the telecom and defence ministries don't reach a solution, the ministry's projected ₹27,000 crore from spectrum auctions in FY15 is not going to materialise. New reports suggest telecom minister Ravi Shankar Prasad will be meeting defence minister Manohar Parrikar soon to sort out pending issues. A start has already been made, *Mint* reported last week, with the telecom ministry agreeing to the defence ministry's long-standing demand for notifying a defence band and a defence interest zone. Once this is done, the defence forces are likely to release a lot more spectrum—as it is, in comparison to what was agreed to between defence and telecom in 2009, a subsequent agreement in 2011 envisaged releasing of more spectrum by the defence forces. And once BSNL completes the long-delayed optic fibre cable network, defence could be persuaded to release even more spectrum.

Trai's proposal to get the defence ministry to free up 2x35 MHz of spectrum in the 2100 MHz frequency band will help telcos immensely and will help further India's data revolution, but getting this done won't be easy—despite the problem being known for years, for instance, the defence ministry continues to squat on spectrum used for commercial use in the 1800 MHz band and vice versa. The telecom ministry's best bet, for now, is to work assiduously on spectrum swapping, and point out to the defence ministry that this does not include defence giving up any extra spectrum. The telecom ministry has reserved spectrum in the 1900-1907.5 MHz and 1980-1987.5 MHz bands for CDMA-based mobile players once they exhausted their current spectrum, but the fact is that existing CDMA-mobile phones don't automatically work in this band unlike the GSM-mobile phones that worked on both 900 and 1800 MHz frequencies—in any case, the CDMA-mobile business is hardly growing, which is why Tata Tele has surrendered much of its spectrum. So, if the telecom ministry is to give up this spectrum to the defence ministry, it can easily get the same amount of spectrum in the 1939-1954 MHz spectrum band—the downlink for this is 2129-2144 MHz which is currently unoccupied and so outside the purview of the telecom-defence pact on spectrum sharing. This 2100 MHz spectrum, based on even the last auction, can fetch the government ₹50,000 crore in the auction, which means around ₹17,000 crore will be paid upfront, enough to help the finance minister meet his budget targets—the 900 MHz and 1800 MHz spectrum that is available right now is unlikely to fetch more than ₹10,000-12,000 crore.