Planning Commission
Government of India

PART A: News pertaining to Planning Commission

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(महान लोगों के विचार)

(Inspiration and genius–one and the same.प्रेरणा और प्रतिभा -एक ही हैं.)

Victor Hugo विक्टर ह्यूगो

1. The Indian economy is showing incipient signs of stirring back to life.
Shweta Punj, Business Today: December 7, 2014

There is a sense that the Indian economy is finally taking-off after several wasted years (Photo: Ajay Thakuri)

It is impossible to not notice the optimism and cheer these days when you speak to any businessman, economist or banker. Whether it is G.M. Rao of GMR Group, Keki Mistry of HDFC, Ajay Banga of MasterCard or Onno Ruhl of the World Bank, everyone agrees on one thing - the worst is over for the Indian economy. And the good times are just around the corner.

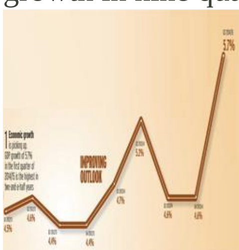
"I am very optimistic a turnaround will happen in a big way in the infrastructure sector," says Rao, Group Chairman of infrastructure giant GMR. Mistry, Vice Chairman and CEO of housing finance company HDFC, is also upbeat. "India is in a much sweeter spot today," he says.

Indeed, businessmen have already started talking of expansion plans, new projects, and fresh deals. Ramesh Chauhan, Chairman of packaged drinking water company Bisleri, is so enthused that he plans to put up one plant a month for the next 12 months. Ajay Banga, who apart from being CEO of MasterCard is also Chairman of the US India Business Council (USIBC), talks of $41 billion in investments from the USIBC members coming India's way over the next three years. And infrastructure and capital goods players such as L&T, Punj Lloyd and Lanco have seen their order books swell as fresh orders stream in.

Bankers are getting ready to lend to new projects again. Consumer loans are in demand once again. The stock markets have been scaling fresh highs. And people are talking excitedly about the prospects of an eight per cent **GDP growth** being just around the corner. And various bodies -

from the Organisation for Economic Co-operation and Development (OECD) to the World Bank - have started projecting that GDP growth will pick up sharply.

Six months after Prime Minister Narendra Modi was sworn in, there is a sense that the Indian economy has got moving after several wasted years. At home and abroad, the buzz about India has returned. Economists point to the improving macro-economic indicators - inflation has been reined in, the current account deficit is down, foreign direct investment (FDI) is picking up and foreign institutional money is flowing into the stock and bond markets. And, finally, GDP growth in the last quarter recorded a big jump. The Indian economy expanded by 5.7 per cent to log the highest growth in nine quarters.



Economic outlook

That is a sea change from just 18 months ago when gloom and doom prevailed, and people, at home and abroad, had nothing good to say about the Indian economy.

Chandrajit Banerjee, Director General of the largest industry body Confederation of Indian Industry (CII), recalls an industry meet late last year in the US where much of the conversation centred around India's 'protectionist attitude'. "We saw a lot of rhetoric on IPR, preferential market access, and a lot of talk on Indians taking up jobs that should have been in the US. There were big billboards against India, a lot of pushback." In contrast, says Banerjee, in October when Prime Minister Modi visited the US, there was a lot of positivity. "There was assurance that if there are impediments, they will be sorted out," he says. Banga says when Modi talked about how a project clearance status can be checked in Gujarat through a mobile app, it impressed everyone.

"Perception has a lot to do with actual business realisation. Perception is very important and at this point there is a swing as far as sentiment and mood is concerned," says Banerjee.

The CII Business Confidence Index, which plunged to its 22-year low last year, turned around in the July-to-September quarter this year to 57.4 from 45.7 in the same quarter last year. "Several companies have expressed intent to invest in India," Banerjee adds. A recent Business Today-C fore Business Confidence survey mirrored those findings. It showed that the business confidence index jumped for the fourth consecutive quarter to reach 60.5 in the July-to-September period,from 56.8 in the previous three months and 51.4 in the January-March period.

Everyone is talking about how quickly the Modi government is moving on a host of sectors - from policy reforms to new programmes. And the way he is intent on making things more transparent and easier for businessmen.

"I met Prime Minister Modi at a welcome luncheon in Japan hosted by five business organisations on September 1, and was astonished by his forceful speech. He announced the establishment of a Japan desk at the Prime Minister's Office... Japanese businesses have high expectations from his actions," said Masakazu Kubota, Director General, Keidanren (Japan Business Federation), in an email interview.

Zhiguo Zhu, Senior Vice President of Trina Solar, a Chinese maker of photovoltaic modules, told BT that his company is keen to set up a factory in India and that the country now figures big time in the plan to expand outside China.

He was aware that in the last few years, Chinese players such as Shanghai Electric needed nearly three years to register a company in India and telecom players such as ZTE and Huawei went through several processes and profiling. "This is a matter of the past. Now, under the new regime, we expect things to be faster and more fair."

RE-ENERGISING INDIA

Most businessmen and economists agree expectations soared when the Bharatiya Janata Party scored a historic win in the Lok Sabha elections, picking up 282 seats on its own. It became the first party since 1984 to have a simple majority of its own in the lower house.

Initially though, the expectations were belied as the government took time to settle down. Finance Minister Arun Jaitley's first budget merely tinkered at the margins. He did not repeal the retrospective taxation law that had been blamed for keeping foreign investment away. Nor did he slash the mammoth subsidy bill.

But since then, policy and programme announcements have come in quick succession. The ambitious 'Make in India' programme was announced first with great fanfare, promising investors rapid response times and all help for new project clearances.

The Supreme Court's decision on coal block cancellations could easily have proved a millstone around the new government's neck. But the immediate announcement that auctions would be held soon, and the ordinance that followed was widely appreciated by even those whose blocks had been cancelled.

Labour reforms were announced for small and medium industries. Self certification of documents by citizens was announced. Announcements of irrigation projects, environmental clearances and others followed. It was not just an announcement a day without follow-ups. Some 40 projects that had been stuck for lack of environmental clearances got the nod. About 181 projects are now getting off the ground.

Jayant Sinha, the Harvard-educated parliamentarian and Minister of State for Finance, lists out schemes declared by the government which he says are of "extraordinary importance". (Sinha was a member of the Standing Committee on finance at the time he was interviewed for this story).

The Pradhan Mantri Gram Sinchai Yojana seeks to take irrigation water to each and every field in the country. It includes a soil health card for farmers that will have information on the status and production capability of the soil.

"If you are able to switch a field from a rain-fed field with one crop a year to three crops a year, you are able to drive income, increase food supply. We could double our agriculture productivity," says Sinha, son of Yashwant Sinha, finance minister in the Atal Bihari Vajpayee-led National Democratic Alliance government from 1998 to 2002.

GETTING LUCKY

Economists also point out that the Modi government has been extraordinarily lucky in some ways. The plunge in crude oil prices, from $110 a barrel when he took over to $80 now, helped the Modi government cut its import bill and allowed it to de-control diesel prices, which would otherwise have been difficult.

"Inflation is coming down. The commodity prices world over are down. Oil, which was once predicted to be $180 [a barrel] by research firms, is now at $80 levels. Lower oil prices will help in further reduction of the current account deficit," says Mistry of HDFC, who expects interest rates to fall in the next 12 months.

Reserve Bank of India Governor Raghuram Rajan's decision to keep interest rates high has played a major role in cooling inflation, and that is aiding the Modi government. The improvement in the US economy is having rub-off effects. The fact that the other BRIC (Brazil, Russia and China) countries are seeing a slowdown or deteriorating performance has also helped India look all that more attractive to foreign investors.

In that sense, it is also true that the Manmohan Singh-led United Progressive Alliance (UPA) was unlucky as it had to deal with a global financial crisis and then rising commodity prices, though its policy paralysis and mis-governance were equally responsible for the sharp decrease in GDP growth.

A NEW BEGINNING

What experts are still divided on is whether the Modi government's economic thought represents a clean break from the past - or is merely evolutionary, with the odd big changes thrown in.

The mood in Yojana Bhawan, which houses the **Planning Commission** that had been created by India's first Prime Minister Jawaharlal Nehru to guide the nation's economic destiny, is pretty dismal. A year ago, it was one of the few power centres of New Delhi under the UPA government. Chief ministers of states needed to pay their respects to the mandarins at the Planning Commission to get their share of largesse.

But after taking charge as Prime Minister, Modi announced dismantling the commission. He did not make it clear what he was replacing it with. But he did indicate he was overturning the current model of centre-state relationships. The commission was the symbol of an all-powerful Centre allocating scarce resources to supplicant states. The Modi model is more about an evolved federalism.

Then, the announcements that the government wanted to repeal 287 outdated laws hindering business in double-quick time, and the willingness to relook at the labour laws - considered sacrosanct till a few months ago - gives a boost to the theory that Modi is willing to change everything that have defined India's economic policy making till date.

And yet, senior economists point out that Modi is also faithfully adhering to the UPA government's economic thinking in many ways.

The Congress itself has had major twists and turns in its development and economics ideology over the years. The first government of independent India led by Nehru was committed to long-term planning, based loosely on the Soviet model. It envisaged the public sector as taking care of the heavy industrial needs of the country. At the same time, it was not inimical to private enterprise - and private businesses thrived in a variety of sectors.

During the Indira Gandhi years, government control became stifling. Nationalisation of a host of sectors - from banks to coal mines to airlines - brought private enterprise to its knees. The licence raj became extreme, and exorbitant taxes virtually killed all new private enterprise. The draconian labour laws added to the problems.

Under the Rajiv Gandhi government, unshackling of the licence raj was initiated but many policies it followed (and those followed by its successor, the VP Singh-led government), brought the country to the brink of bankruptcy. It was left to PV Narasimha Rao, prime minister from 1991 to 1996, and his finance minister, Manmohan Singh, to liberalise the economy.

The Vajpayee government accelerated the reforms initiated by Rao. It pushed ahead with disinvestment and ushered in India's telecom revolution.

The two UPA governments led by Manmohan Singh tried to push through reforms while also increasing subsidy in a host of sectors - a throwback to the socialist policies followed by earlier Congress governments.

Now, the Modi government is making drastic changes in some areas - like abolishing the Planning Commission - while also faithfully carrying forward the UPA government's reform ideas in areas like FDI in defence and insurance. It has also adopted some socialist schemes of its predecessor - like the food security bill, and the direct transfer of subsidies using Aadhar, a unique identification number given to all citizens. Clearly, Modi is changing what seems to be broken, while retaining and finetuning policies that he considers sensible, even if they were initiated by his predecessor governments.

"Free enterprise should be encouraged. Their (Modi-led government's) economic thinking is free-enterprise oriented... This government is opening up FDI in real estate. Swacch Bharat is a brilliant campaign - he [Modi] is very development oriented," says Adi Godrej, Chairman, Godrej Group.

However, Ashok Desai, who worked closely with Manmohan Singh on the 1991 reforms, says this government, like the last one, does not have any economic models. "All the Leftists were shocked that we were doing this (reforms) and that the International Monetary Fund and World Bank had forced us to open the economy. The Rightists didn't think much of Manmohan Singh, he had worked in the government for 20 years and had shown no leaning towards liberalism. Economies are not driven by models, they are driven into models," says Desai.

The fact is that the Modi government inherited a broken economy and fixing it was not the easiest of tasks. The UPA had to deal with several problems, and governance too had been compromised with massive corruption scandals.

It also brought out the ugly face of what Harvard Professor Lant Pritchett describes as a "deal economy" - the nexus between politicians, bureaucrats and business - as opposed to "rule economics". Rule economies are those where one can predict the outcome on the basis of rules. Deal economy is dependent on the deal or the relationship one has with the economy or policy makers.

Pritchett calls India a flailing state that is trying to transition from deal economics to rule economics. "My diagnosis is that India is a flailing state because it is very much a deal economy. No investor comes in saying I don't worry about the politics of the state. In a deals economy there is no underlying rules protection," says Pritchett. "...In the last two years of the Congress rule, the certainty of the deals environment disappeared. There were no obvious centres of power that they will make a deal - and stand by the deal."

If the Modi-led government tries to turn into a rules economy overnight, there could be a serious economic backlash. "These things don't happen overnight. In the short run, I am super-optimistic that Modi can provide good deals. India is a really attractive country to do business in. In the long run, India will have to move towards a rule-based economy. Investors crowd in and crowd out depending on the signals in a deal economy," he adds.

But Modi is taking all the right steps, says Surjit Bhalla, Managing Director of Oxus Research and Investments. He says that the previous UPA government took some negative measures. Modi is undoing that damage and taking positive steps such as freeing up of oil prices. The Modi government also seems to be serious about bringing in long-term reform in agriculture, says Bhalla. Modi is also focusing on infrastructure, point out both Godrej and Mistry. For instance, smart cities and other similar projects are likely to give a big fillip to housing, they say.

MILES TO GO

Most experts agree on one issue though. The government has made the right start, but it will be a while before its policy announcements bear fruit and the country returns to its 8 per cent growth trajectory. Equally important, while some steps have been initiated, they now need to be followed up with detailing and policy implementation. And because of the enormous expectations, there is every chance that disillusionment can set in if things do not move fast enough.

Rajiv Kumar, Senior Fellow, Centre for Policy Research, points out that while the coal ordinance was a good, quick step, he would have been happier if the government had thought things out before the announcement. "The government could have taken more time and come out with a more detailed policy. The government ought to denationalise Coal India," he said.

"There is so much hope and excitement. Prime Minister Modi needs to show this excitement is warranted. Every government has a honeymoon period, but people's memories are short," cautions Michael Cohen, President of the Michael Cohen Group, a research firm.

But Cohen is optimistic nonetheless. "Modi seems to have embarked on a policy with little successes that can lay the foundation on which bigger things can get built... You have a man with a proven track record who wants to stimulate the economy," he points out.

In fact, almost all the measures announced are likely to impact the real economy in the medium term. The 'Make in India' campaign has identified 16-17 sectors, in which four sectors - defence, railways, space and electronic components - can attract additional investments.

Some of these though have high strategic value even if their economic multiplier effect is relatively low compared to other sectors. Take defence production or bullet trains or even space technology, for instance. They are all capital intensive and showcase technology prowess, but they do not create many jobs or show quick trickle-down effects. Onno Ruhl, Country Director, World Bank, for instance, talks about the Mars Mission as an important accomplishment that projected India as a nation that can do something that many others have failed in.

Ruhl points out that all reforms need not be painful, as was the opinion of the previous government. "I think in India there is a tendency to overestimate how unattractive reforms are from an electoral standpoint. Not all reforms are actually difficult," says Ruhl.

The other sectors the government is focusing on - such as electronic components - will have long-term benefits on jobs. Creating jobs is important as India stares at an impending crisis if it does not realign its model towards generating employment and skilling its workforce. While skilling and jobs seems to be at the heart of Modi's Agenda, creating 30,000 jobs a day is a daunting task. "The renaissance has to be real empowerment of people, by expanding opportunities of productive employment. There is no point in being a growth wala or a poverty wala [UPA]. You can be both by being an employment wala," says Rajiv Kumar.

Ajit Ranade, Chief Economic Advisor, Aditya Birla Group, says that if the government follows through on its measures, theinvestment cycle will pick up again. Ranade and many other economists feel GDP growth can reach 8 per cent in 18-24 months from now. The thrust on increasing manufacturing's share to 25 per cent of GDP, could increase India's overall capital-output ratio, which at 4:1 is among the lowest in the world. China's capital output ratio is 7:1.

Nirmala Sitharaman, Minister of State for Commerce, Industry and Finance, says the government is ready to change laws if they stand in the way of business. From the Land Acquisition law to the Companies Act, she says the government is willing to tweak them if they prove business unfriendly. "We won't mind looking at a few exceptions that can be added to the land acquisition bill. It should not become a yoke around the neck. We are willing to look at it," she says. The sentiment was also expressed by Finance Minister Jaitley recently.

The commerce ministry is taking a re-look at the free trade agreements India has with several countries to understand which pacts have benefited local traders. Special Economic Zones are being reassessed for their competitiveness and efficiency, and so are more than 1,000 laws that seem to hinder industry.

On the ground, the government still has to keep its promise of bringing 'acche din'. The world is watching if Modi, who has managed to convince investors from across the world about his track record in Gujarat, will deliver. This perhaps is India's biggest opportunity in recent times to once again take centre stage and emerge as a force to reckon with. Hopefully, the Indian lion is ready to roar.

Modi government's report card

(inputs from Anand Adhikari, Venkatesha Babu and Anilesh S. Mahajan; Research inputs by Jyotindra Dubey)

2. Fund fillip for Andhra Pradesh's backward districts
The Times of India: Nov 20, 2014, 01.42 AM IST

Narendra Modi may adopt Varanasi villageSanjjanaa to meet Narendra Modi today?Narendra Modi wishes Lata Mangeshkar on birthdayPM Narendra Modi meets top military commandersPM Narendra Modi to visit Visakhapatnam tomorrow

HYDERABAD: In the first major compensation for Andhra Pradesh after the bifurcation of the united state, the Centre is all set to approve a financial package of nearly Rs 20,000 crore as special development fund for seven districts in the residuary state.

Four Rayalaseema districts __ Anantapur, Chittoor, Kadapa and Kurnool __ and three north coastal Andhra districts __ Srikakulam, Vizianagaram and Visakhapatnam __ will get the funds under this package. According to reliable sources, the Centre also agreed to the AP government's request to allow the state to utilize the funds released under the package for the upliftment of 42 identified backward areas in East and West Godavari, Guntur and Prakasam districts.

The AP government has requested Rs 24,350 crore under the package and highly placed sources told TOI that the Centre is likely to sanction around Rs 20,000 crore based on the recommendation of the Union ministry of planning. "The **Planning Commission** approved the package over a month ago after which the Union planning ministry has okayed it. It has to be cleared by the finance ministry and the Prime Minister. We hope to see the formal announcement of the package by PM Narendra Modi in a week or two," a senior AP official negotiating the package with the Centre told TOI.

"The planning and finance ministries have assured us that 90 per cent of what we have asked for under the special development package will be sanctioned," he added. Officials managed to score a point by securing funds for 42 identified backward areas in four south and central coastal districts even though section 46 (3) of the AP Reorganisation Act defines only the Rayalaseema region and north coastal Andhra as backward areas eligible for the package.

Four major areas have been identified for utilization of funds: Expansion of road network and connecting them with the state and national highways, for which Rs 7,500 crore has been requested by the state government. To provide safe drinking water, quality power supply, minor irrigation and tanks development, the state has sought Rs 8,500 crore. For setting up new regional hospitals with modern medical infrastructure and improving the human development index by strengthening women and child welfare programmes, AP has sought Rs 1700 crore. It would cost Rs 3,000 crore for improving education infrastructure and sanitation programme in the backward areas, the TDP regime has said.

Apart from these areas, funds released under the package will be spent to develop small ports in Srikakulam, Vizianagaram and Visakhapatnam. The residuary state has asked for Rs 700 crore to expand information technology by providing higher bandwidth and internet in these seven districts. Modernisation of agriculture, setting up of cold storages and green house farming will also get funds. Separate funds have been sought for skill development programmes so that employment opportunities can be improved.

Once approved, the funds will be released in a phased manner over a five-year period beginning April 2015. "However, the chief minister had in a letter dated June 23 this year requested the Prime Minister to release at least Rs 5,000 crore during the current financial year in view of the Rs 16,500 crore revenue deficit the residuary state is facing post-bifurcation,. We are still making efforts to get the funds released under the package advanced to this financial year instead of April next year," said sources.

3.'Sterilization tragedy in Chhattisgarh was waiting to happen'

Syeda Hameed, The Times of India: Nov 20, 2014, 07.23 AM IST

Chhattisgarh sterilization deaths: Accused doctor blames adulterated ...Chhattisgarh sterilization deaths: Dead woman's thumb impression on c...Sterilization deaths: Drugs had rodent-killing chemicalBotched sterilization surgeries: 16 more women admitted to hospital i...

The sterilization tragedy that claimed 16 tribal women in Chhattisgarh was waiting to happen. Notes from a visit made eight years ago...

As a member of the **Planning Commission**, I had gone to Takhatpur in 2006.Very few in India had heard of this sleepy tehsil in Chhattisgarh's Bilaspur district back then. Now, with the death of 16 young tribal women post sterilization, Takhatpur has gone viral all over the world.

The purpose of my visit to Takhatpur was to look at the work of a group of young doctors who had set up a hospital in this remote part of the state to give decent healthcare to poor tribals. Around 20% of the district's population consists of tribes such as Gond, Muria, Bhumja, Baiga, Kanar, Kawar and Halba. Most of them are Primitive Tribal Groups (PTG), whose protection is mandated by law because they are becoming extinct. Despite this clear directive, it was young women from this group who became victims of the State's targeted approach to population stabilization last week.

Eight years ago, I had written a report on my visit as a wake-up call to the central and state governments on the public health situation. My objective was to showcase the work of the group of private doctors who had set up free healthcare for the tribals as a contrast to what the state had provided. I wanted to list good practices such as this, which I saw across the country , and hold them up as worthy of emulating and upscaling. At the end of my first term at the commission, I had also turned my experiences into a book.

My experience of Jan Swasthya Sahyog, the organization which had set up the hospital for these PTGs in a village called Ganiyari, was one of the best. I saw how this team of doctors provided them with caring and dignified treatment, subsidizing their medicines and giving them nourishment to enable the medicines to be effective. I had seen how they had used locally developed health innovations to cut costs -from water purifiers to cheaper diagnostic equipment to detect sickle cell anemia which is rampant amongst this population.

The public health set-up stood in stark contrast.While going to the Jan Swasthya Sahyog facility, I drove through Achanakmaar National Park. On the way I saw a sign: CHC Block Headquarters, Kota. As was my practice, I stopped the government vehicle and went inside the facility. The building itself was desolate. No doctor was in sight. The operation theatre was locked.Outside, I spotted a young man in a white lab coat.

"Why is the OT locked?" "Madam, it is for safety -to ensure that no equipment is stolen."

"Where is the key? Open it."

He shifted uncomfortably on his feet. "It is with the medical officer."

"Call him."

"He is not here."

I realized then that he was the only one in this desolate place."Where are the other doctors? What if there is an emergency?" Silence. "Where are the other patients?' Silence.

"How many beds?" "Thirty ."

"How many people does this CHC cover?" "Two lakh."

"How many specialists?" "None."

All of the above was part of my report and my book.

Looking back, I can see that it was at such a centre that the sterilizations were carried out. At that time I saw all signs of a possible disaster.At the annual Plan discussion with the state, which was an important part of our work at the Planning Commission, these facts were brought to the attention of the chief minister. He took cognizance of my field report and personally went to see the work of JSS. I felt a great sense of fulfillment that my work had achieved the desired result. But with 16 deaths of young women in a botched-up case of alleged medical negligence in a desolate, unused hospital administering spurious medicines, there was obviously no followup -a huge gap between intention and implementation.

Last week, 40 civil society groups presented their charter of demands to the state government on the deaths of young tribal mothers. It needs to heed that, take on board good practices, and transform its dismal public health scenario.

The writer is former member, Planning Commission

4. From equity to intensity

Nitin Desai, Business Standard: 20.11.2014

India must now match the offers from China, the US and Europe with an emissions-reduction plan that goes beyond what it has already offered

In a few weeks, the parties to the United Nations Climate Convention will meet in Lima, Peru, to prepare for their Paris meeting in 2015. This is the culmination of a process that began in Durban in 2011 with the aim of securing agreement to reduce greenhouse gas emissions to a level at which there is a two in three chance of restricting the average global temperature increase to two degrees Celsius above the pre-industrial level.

The meeting will take place just about a month after the Intergovernmental Panel on Climate Change (IPCC) released its synthesis report, which summarised the outcome of its fifth assessment drafted by over 800 authors and reviewers from 85 countries. This assessment report is more categorical in asserting that the observed changes are not just a natural fluctuation but a consequence of anthropogenic emissions of greenhouse gases. It is also more insistent on the need for immediate action.

The risks of climate change depend on cumulative emissions. The IPCC synthesis report presents a global carbon budget for containing the likely temperature increase to two degrees Celsius above pre-industrial levels. To meet this goal, cumulative emissions would have to be limited to 790 gigatonnes of carbon (GtC) - of which we have used up 515 GtC, leaving us with 275 GtC. To stay within this budget, global emissions will have to come down by 40-70 per cent of the 2010 level by 2050 and to zero by the end of the century. The negotiations are about how what remains should be shared.

In 1992, when the convention was signed, the confrontation was not between North and South but between those who were sceptical about the reality of anthropogenic impact on climate change and those who were convinced that it was sufficiently proven. There was also a United States-Europe confrontation on burden-sharing. The developing countries were not under any sort of pressure and their demand for common but differentiated responsibility was accepted.

Today, 20 years later, the situation is very different. Rapid growth and the heavy dependence on coal has pushed China into the number one position of emitters in the aggregate. Its per capita emissions are also now at 7.2 tonnes of carbon dioxide, comparable to Europe. They are now under pressure to join in the mitigation effort, and the first concrete result of this is the recently announced United States-China deal where the United States has committed to an absolute reduction in emissions of 26-28 per cent relative to 2005 level before 2025 and China has committed to peaking its emissions not later than 2030 and raising the contribution of non-carbon energy sources from the current 10 per cent to 20 per cent of primary energy supply.

The United States commitment does involve some additional effort on their side. But China got away easily. Its peaking commitment does not stop it from continuing to increase its emissions to 2030 when they may reach 10-12 tonnes per capita, more or less comparable to the United States. The doubling of non-carbon energy is a more serious commitment but readily achievable given the way China is pushing solar and wind energy.

In some ways, the most significant element in the deal is that the United States has accepted differentiation in the nature of the commitment between the two countries. Differentiation on the basis of capacity or developmental need maybe acceptable to the United States. Their problem is with differentiation based on culpability for past emissions.

The fact that the two countries that are quite prepared to be in a minority of one in multilateral negotiations have come up with something positive that they can put forward as the "intended nationally determined contributions" (INDC) will put pressure on others to come up with something credible. Europe has already raised its commitment to a 40 per cent reduction in emissions by 2030 relative to 1990 levels and raising the share of renewables to 27 per cent. Japan, no doubt, will also announce something soon.

This puts India in the cross hairs. We will have to come up with our offer on the mitigation front. Now that China has broken ranks, and South Africa and Brazil have always been more willing to accept some obligation, India will be under pressure to offer a credible contribution to the global effort to manage climate risks.

We need not fear this. We cannot make an offer on a peaking year. Our per capita emissions at 1.7 tonnes are way below China and there is no reason to equate us with them. However, we have a reasonable story to tell on energy efficiency. We can also offer commitments on renewables that are at least as substantial as China's or Europe's promise. The metric that we should push for is of carbon efficiency per unit of gross domestic product (GDP). The report of the Expert Group on Low Carbon Strategies for Inclusive Growth has outlined a path that could give a 42 per cent improvement in carbon efficiency by 2030 at a cost of a little over $800 billion of investment. The merit of this offer is that it gives a basis for demanding equally precise commitments from the developed countries on finance and technology.

An offer to contribute to carbon emission mitigation through carbon efficiency gains need not involve a substantial growth penalty. In the medium term, it will rely on energy efficiency, which is desirable in any case, and renewables, which are fast becoming an attractive proposition in terms of costs. It will also strengthen the case for effective international action on adaptation support, which would be welcome given the substantial adaptation measures we will have to take even if the temperature increase is contained at two degrees Celsius.

Uncontrolled climate change will be hugely harmful to India, and it is in our national interest to do what it takes to get an effective climate agreement. A failure in Paris in 2015 is not in our national interest. We are justified in emphasising equity, and we should insist that it should be a factor in the assessment of the adequacy of the national offers that are put on the table, an assessment that should also take into account developmental needs and capacity. But we must now match the offers from China, the United States and Europe with an offer that looks beyond the 2020 carbon intensity goals that we promised at Copenhagen.

5. Swachh Business Abhiyan

Kanika Datta, Business Standard: 20.11.2014

Indian business and industry have never been so openly overjoyed about a political victory as when Narendra Modi became prime minister. Traders powered the BSE Sensex past 25,000 in anticipation of his victory.

Mr Modi has duly returned this regard with myriad promises and cryptically reassuring statements via the multiple social media sites to which he subscribes.

Both see mutual benefit in the relationship. Industry salivates at the thought of putting the days of ennui and corruption behind them and finally attaining the kind of business paradise that has eluded India since, well, 1947.

Mr Modi, with quite as much touching if naïve sincerity, hopes to make business and industry the deux ex machina to power a disciplined, obediently homogenised nation into the ranks of the rich and prosperous.

There are undeniably honourable intentions on both sides of the equation. But the problem with this heart-warming symbiosis is the lack of a Swachh Business Abhiyan, to purloin the label of Mr Modi's pet scheme.

Indian business has many legitimate grievances against the political class for not delivering an optimal business environment. Corporations complain of the insidious harassment of petty officialdom that demand premiums for services for which they are legitimately due. That is only one, admittedly irritating, aspect of the issue and it is not in any central government's control. But when Indian industry complains of corruption in public life it scarcely does so from the vantage point of the moral high ground.

Indeed it's the massive and intentional leveraging of money power to access public resources - bank credit to coal mines, telecom spectrum and land, to name a few - and manipulate pricing and approvals that weaken its case. It is true that the United Progressive Alliance foundered on the blatant evidence of corruption; it is strange that the corporate sector has escaped public censure despite Arvind Kejriwal's best efforts on power and gas pricing. Many of those who did or sought to benefit from the earlier regime are now making blatant overtures to the current one.

Nor has Mr Modi's accession to the prime ministerial office noticeably changed that perception. Though the former chief minister of Gujarat has a conspicuously clean image, shares of Adani Enterprises, the flagship of Gujarat-based Gautam Adani's group of companies, soared 60 per cent in the month ahead of the national elections, almost as if the investor community was anticipating a link between Mr Modi's rise to power and Mr Adani's corporate destiny.

The surge in Mr Adani's fortunes only reinforces the notion. In May, around the time Mr Modi was celebrating his party's stunning victory, Mr Adani acquired Dhamra Port in a Rs 5,500-crore deal, the group's first acquisition on India's east coast. In July, the environment ministry approved his port and special economic zone in Mundra with some conditions about conservation.

Unwarranted? Perhaps, but recent developments Down Under have raised, for the first time, misgivings about the arm's-length nature of the Modi-Adani relationship. This was the $1-billion (approximately Rs 6,000-crore) loan that government-owned State Bank of India (SBI) has pledged to lend Mr Adani's coal-mining venture in Australia during the prime ministerial visit. This deal raises so many questions - the viability of the project in a falling commodity cycle, the enormous debt on the group's balance sheets and SBI's own bad loan portfolio* - that it is impossible to ignore the hint of crony capitalism implicit in the deal.

Not that Mr Adani should be singled out. In August this year, The Economist wrote a devastating leader on Mukesh Ambani, head of India's largest private sector company by market capitalisation and the country's richest man, "Reliance is a rotten role model for corporate India. When it comes to governance this secretive and politically powerful private empire is not a national champion but an embarrassment."

Watching the rise and rise of the Reliance empire from the mid-1980s, it is difficult to refute this statement. But it is galling when India's corporate image is dominated by such examples. But then, from real estate to pharmaceuticals, Indian companies have earned a reputation that is unlikely to attract admiration.

Should this matter? In his book Conquering the Chaos, former Microsoft India chairman Ravi Venkatesan has argued that India is no worse than other emerging markets when it comes to a "doing business" environment. It may also surprise many to know that Indian corporations performed the best among the BRIC countries in terms of corporate reporting in Transparency International's report. China, it turned out, is a major laggard.

But before we congratulate ourselves, it is worth remembering that China is somewhat sui generis in terms of business practices. Indian businesses, on the other hand, like to project themselves as adopters of global best practices. Given that, the reality of this mutually reinforcing political-industry complex detracts from India's image as a place to do business as much as any other metric. If Mr Modi can use his considerable moral clout to curb this dynamic, India would be so much better for it.

6. Why India needed to stand up to WTO

Tulsi Jaya Kumar, Business Line: 20.11.2014

Seeing green India's grain exports have led to a global backlash TACSTOCK1/SHUTTERSTOCK.COM

The WTO's objections over our grain stockpile do not make sense. Hence the July stand-off and the recent resolution

India's tough stance at the World Trade Organisation over public stockpiling of food grain and its dispute resolution with the US is being portrayed as another instance of the trade brinkmanship. With the signing of the indefinite "peace clause", India can continue with its food subsidy programme pending a permanent settlement of the issue. But is it right to look upon this as brinkmanship?

While India seems to have won this round, South Asia security affairs expert Teresita Schaffer suggests that the incident may strengthen and vindicate India's stance to use 'brinkmanship tactics' in trade negotiations, in turn souring relations with Washington.

Earlier too, Western commentators had criticised the Government's refusal to play ball with regard to the Trade Facilitation Agreement (TFA).

India's stance was seen as compromising the consensus-based approach of the WTO, threatening the credibility and the very future of the WTO. But the reality is more complex.

Not in agreement

It is true that the earlier UPA government had agreed upon the TFA and a reversal of stance by the new government in July may have raised questions on the credibility of India's political system.

Equally, India's refusal to approve the TFA in July had only a handful of supporters among the 160 WTO members. That India had a point however, was amply demonstrated in the few voices that spoke out in support.

Thus, South Africa in a strong statement to the General Council on the issue, said: "Repeated failure to deliver meaningful outcomes on issues of interest to the poorest members… can equally be characterised as harming the credibility of our organisation".

Developed countries oppose developing country food security programmes based on the contention that they represent implicit subsidies under the WTO's Agreement on Agriculture (AoA).

India's national food security programme — which involves government procurement of food grain at administered prices and their distribution to the target sections either free or at subsidised rates — was seen as one such subsidy.

The difference between the (higher) administered prices and current market prices represented a subsidy under AoA, which, it was alleged, could be used to build food surpluses that could be dumped into international markets.

These allegations of implicit subsidies were problematic. One, the 'subsidies' appeared larger on account of the AoA's selection of international prices in 1986-88 as the reference point. The food price changes since then render this base outdated. A more recent base year is called for to accurately assess the real value of the subsidy.

More importantly, a deeper analysis of the economics of the food security row reveals the hypocrisy of developed countries — especially the US and the European Union — with their larger food support programmes.

US domestic support in 2010 under the AoA, for instance, amounted to $120.5 billion, as opposed to India's $12 billion in food subsidy.

Food exports

The two major food grain distributed under India's food security programme are wheat and rice. A perusal of Reserve Bank of India (RBI) data indicates that for the period 2000-01 to 2013-14, the government's procurement of rice and wheat went up by 47 per cent and 53 per cent, respectively.

The Government's additions to stocks of rice over the period were of the order of 31 per cent. In the case of wheat, paradoxically, stocks fell by 17 per cent over the period.

These numbers are not significant enough to suggest that the Government influenced international food grain availability and prices, through official stocks.

Perusal of export data presents a different picture. Indian exports of rice are mainly of two types — the aromatic Basmati and the non-Basmati rice varieties.

While the quantity of basmati rice exports increased by 316 per cent, that of non-Basmati exports rose by 862 per cent over 2000-01 to 2012-13; the quantum of wheat exports rose by 279 per cent.

More staggering is the increase in the value of rice and wheat exports in US dollar terms.

Thus, while the value of rice exports over the period increased by 670 per cent, that of wheat exports increased by a whopping 2029 per cent.

Which means the food security row seems to have little to do with increased government procurement and release in the form of export surpluses.

At the heart of the row are the growing Indian exports of food grains, and their potential effects on global food grain prices.

Brinkmanship?
The TFA sought easier market access for developed countries through improvements of ports and other trade infrastructure such as customs regulations of developing countries.

This involved additional capital costs for developing countries together with opportunity costs in terms of developmental expenditure foregone.

Moreover, the TFA was only one element of the Bali package; food security and policies to support least developed countries constituted the remaining two elements.

The latter two, however, had vague commitments and distant deadlines and compromised the “single undertaking” principle governing the package.

By ‘reneging’ on its ‘commitment’ to implement the TFA, India seemed to have used trade brinkmanship to threaten, “the first global trade reform since WTO was set up in 19 years”.

However, even a suggestion of such a nature represents a failure to understand the true economics of the food security row, as also a genuine concern of developing country needs.

The writer teaches Economics at the SP Jain Institute of Management & Research, Mumbai. The views are personal

PART B

NEWS AND VIEWS

Thursday 20th November 2014

Polity	: Not interested in toppling govt.: Pawar
Economy	: RBI inflation focus spurs sales as yields drop
Planning	: Road Ministry to Relax Exit Rules for Developers
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Phone # 2525

The Hindu

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Not interested in toppling govt.: Pawar

NCP chief Sharad Pawar addresses a party conclave in Alibaug near Mumbai on Wednesday. – PHOTO: VIVEK BENDRE

Priyanka Kakodkar

ALIBAUG: A day after Nationalist Congress Party chief Sharad Pawar's warning of snap polls in Maharashtra caused a stir in political circles, Mr Pawar clarified on Wednesday that his party was not seeking to pull down the BJP-led minority government.

"We are not interested in toppling the government. We had earlier offered our support to it. But if the government goes against the interests of the people, then any party is free to take a decision," Mr. Pawar said, addressing party workers at a conclave here.

He also defended backtracking on his party's offer of unconditional support to the government soon after the polls. Contradicting this stand on Tuesday, Mr. Pawar said had his party was not responsible for ensuring the government's stability. "There is no difference between these two comments. Even earlier we said that if the government took a stand against the interests of the people, we would oppose it."

ISRO to rope in industry to focus on R&D

Divya Gandhi

BENGALURU: The Indian Space Research Organisation (ISRO) is looking at means to consolidate its partnership with industry to produce launch vehicles and operational communication satellites, "so that the team can concentrate more on research and development," ISRO chairman K. Radhakrishnan said on Wednesday.

Alluding to creating an entity on the lines of Arianespace – a commercial satellite launch company representing 10 European countries – he said, "In five years from now, we should see products coming out of it." India's Mars Orbitor Mission (MOM) saw 125 firms participating, whether in the making of the space launch vehicle, payload or ground system, he told reporters at Bengaluru Space Expo.

ISRO wins Indira Gandhi Prize

Special Correspondent

NEW DELHI: Forty years of pioneering work culminating in the successful launch of India's first Mars orbiter this September has won the Indian Space Research Organisation the Indira Gandhi Prize for Peace, Disarmament and Development for 2014.

"ISRO has shown how much Indian scientists and talent can be harnessed to international levels, catching up with much more advanced nations in a highly technical and sophisticated field," the Indira Gandhi Memorial Trust's secretary, Suman Dubey, said in a statement.

"It has shown what true self-reliance is, often working in adverse circumstances... It has demonstrated that in space technology, Indians stand shoulder to shoulder with the best in the world."

The prize was also for ISRO's contributions in strengthening international cooperation in the peaceful use of outer space and for the organisation's role in addressing the needs of rural Indians in remote areas, he added. A jury chaired by Vice-President Hamid Ansari chose ISRO for the award, given to individuals or organisations who promote international development, a new international economic order or make scientific discoveries for public good.

The Financial Express

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RBI inflation focus spurs sales as yields drop

Mumbai, Nov 19: RBI governor Raghuram Rajan's success in curbing inflation is starting to deliver growth dividends as corporate borrowing costs drop at the fastest pace since 2009.

Five-year AAA yields have fallen 55 basis points this quarter to 8.69%, the lowest level since June 2013, allowing Rural Electrification Corp (REC) to sell notes with an 8.56% coupon last week versus 9.04% in October. PVR, which manages Bollywood movie theaters, sold bonds this year for the first time since 2010, helping lift 2014 rupee offerings to Rs 2.28 lakh croer ($36.9 billion), nearing a full-year forecast of a record Rs 3 lakh crore by Axis Bank, the nation's top-ranked bond arranger since 2007.

"These are attractive levels for companies to borrow at," said Shashi Kant Rathi, Axis Bank's Mumbai-based head of investments and capital markets. "The market's already factored in a rate cut after the recent fall in inflation. Apart from the usual issuers, lots of rare borrowers are also checking the market."

Central bank adviser Ashima Goyal said this month that falling oil prices and efforts to cut the Budget deficit may "enable the RBI to support the growth process" by cutting its benchmark interest rate by March. India needs to spur investment to achieve a government forecast of as much as 8 percent economic expansion within two years, up from 5.7% currently.

ICICI Home Finance issued three-year notes at 8.8% last week, down from 9.05% last month. NHPC plans to raise Rs 1,600 crore this month as it prepares to build India's biggest hydro-power plant.

RBI will reduce the 8% repurchase rate as early as next month, according to Capital Economics and Credit Agricole CIB, as consumer price inflation dropped below Rajan's 6% January 2016 target more than a year ahead of schedule.

UBS AG says the central bank will ease policy rates in the first quarter of 2015 by 25 bps, and that a rate cut in December wouldn't be a "significant surprise" because of the lower energy and food prices. India imports 80% of its oil needs. The RBI is next due to review policy December 2.

Consumer prices rose 5.52% in October from a year earlier, the slowest pace since the index was created in January 2012, official data released November 12 showed.

"I see an aggressive rate cut of at least 50 basis points post March after the Budget has been announced and if inflation continues to fall," Jayesh Jain, the chief financial officer of PNB Housing Finance, said in a phone interview November 13. New Delhi-based PNB plans to raise about Rs 500 crore selling bonds either at the end of next month or in early January, Jain said, adding he doesn't expect interest rates to move any lower between now and then. *Bloomberg*

The Economics Times

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Road Ministry to Relax Exit Rules for Developers

Current government rules say developers have to hold at least 26% stake in highway projects, tying them to projects executed by them

Ruchika.Chitravanshi
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New Delhi: The government will soon relax the rules so that road developers can sell their completed or stuck project, which will free them up to invest in other road projects that have found few takers in recent years.

The current rules say developers have to hold at least 26% stake in highway projects, tying them to projects executed by them.

The road ministry is moving a fresh Cabinet note which would allow them to completely exit from their projects two years from the commissioning.

Moreover, the change proposed in the exit policy will be applicable for highway projects signed up before 2009 as well. The reworked proposal has been sent to the Cabinet and is likely to come for discussion soon.

The highway ministry has proposed that the developers be allowed to divest their entire stake two years after the commissioning of the project, senior government official said.

While the concession agreements signed after 2009 allow such exit, the senior official said, the cabinet note is to make it applicable for the old projects retrospectively.

The exit policy could help unlock capital in the road sector which has been witnessing a slump for the past five-six years. Private companies have refrained from bidding for road projects due to liquidity issues or excessive debt. Around 21 projects from 2012 to 2014 did not receive a single response.

For the same period the National Highways Authority of India terminated 23 projects of 2,500 kms.

"A policy would help in bring investment flow into the sector, subject to the viability of the project on sale. Investors are expecting distressed projects to be available at attractive valuations," Manish Agarwal, Leader – Capital Projects and Infrastructure, PwC India said.

NHAI has also received interest from companies including Piramal Enterprises, Tata Group and Reliance Infrastructure in taking over completed projects.

In an earlier letter to the road transport and highways ministry, NHAI had said that after convincing private equity funds such as SBI Macquarie, foreign pension funds to invest in completed road projects they not been able to move ahead because of restrictive exit rules.

In August the highways ministry had floated a cabinet note to amend the exit policy to allow concessionaires to sell their entire stake at any stage in ongoing or completed projects.

The proposal was then turned down by the Planning Commission, Finance Ministry and the Prime Minister's Office.

The Highways ministry feels it has made a better case this time and the proposal should go through.

Easier Exit Route

What does the ministry want?

To relax exit policy rules for road projects

How will it help?

Road developers can sell their completed or stuck project, which will free them up to invest in other road projects

Current Rule:

- Developers have to hold at least 26% stake in highway projects
- Proposed change will be applicable for highway projects signed up before 2009 as well

Problem in Road Sector:

- Private companies have refrained from bidding for road projects due to liquidity issues or excessive debt
- From 2012 to 2014 21 projects did not receive a single response

National Highways Authority of India terminated 23 projects of 2,500 kms

Business Standard

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Govt hopes smooth Parliament session

ARCHIS MOHAN
New Delhi, 19 November

The National Democratic Alliance (NDA) government anticipates a frenetic but non-confrontational winter session of Parliament. It hopes to table as many as a dozen bills in the first week of the session that starts on Monday, and views the coming session as an opportunity to push through its reformist agenda.

"The government will push its reforms agenda in the winter session. We will attempt to reach consensus on most issues, and expect the Opposition to adopt a non-confrontational approach on issues of national interest," a highly placed source in the Narendra Modi-led government told *Business Standard*.

The government is likely to achieve this "non-confrontational consensus" by not tabling any contentious legislation like the bill to amend the Land Acquisition Act, 2013, or the Real Estate Regulation and Development Bill. Even the Goods and Services Tax (GST) Bill will be tabled only by mid-session after discussions with other political parties. The GST Bill will require the NDA to build a consensus, given that it needs to be passed with a two-thirds majority. The NDA is woefully short of the majority mark in the Rajya Sabha.

PARLIAMENT BUSINESS

Some of the Bills likely to be tabled in this session

- Prize Chits and Money Circulation Schemes - Banning- (Amendment) Bill
- Coal Mines (Special Provisions) Bill
- Lok Pal and Lokayuktas (Amendment) Bill
- Marriage Laws (Amendment) Bill
- Drugs and Cosmetics (Amendment) Bill
- Consumer Protection (Amendment) Bill
- Warehousing Corporation (Amendment) Bill
- Goods and Services Tax Bill

The three Bills were discussed along with the entire pending legislative agenda during a meeting of secretaries of all government departments on Tuesday. Finance Minister Arun Jaitley chaired the meeting as Parliamentary Affairs Minister M Venkaiah Naidu is on an official overseas tour. The land bill is currently with the cabinet. Earlier this week, Jaitley said the GST Bill would indeed be tabled during the winter session. The meeting on Tuesday discussed 86 bills at various stages of legislative process, including drafting, with the cabinet, or with any of the parliamentary committees.

Of the bills likely to be tabled, the government is hopeful of getting parliamentary assent for the Coal Mines (Special Provisions) Bill to replace the ordinance on the subject on the first day of the session, on November 24. This will be followed by the Rajya Sabha approving a resolution to fill the vacancies in the House select committee currently studying the Insurance (Amendment) Bill.

Legislation to raise foreign direct investment in the insurance sector to 49 per cent from 26 per cent was passed by the Lok Sabha but is currently being studied by a select committee of the Rajya Sabha headed by BJP MP Chandan Mitra. Two of its members, Mukhtar Abbas Naqvi and JP Nadda, are now ministers in the Modi cabinet. The BJP has proposed the names of VP Singh Badnore from Rajasthan and Rangasayee Ramakrishna from Karnataka as their replacements. The committee is to give its report by the end of the first week of the session. Sources said the government was confident of support from major opposition parties on key Bills.

The Economic Times

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Govt Mulling Funding for Power Plants Worth over ₹6 lakh crore

Department of Financial Services will suggest a series of steps to Reserve Bank of India

Sarita.Singh@timesgroup.com

New Delhi: The government is working on big-ticket financial package for about 1,30,000-mw thermal and hydro power plants worth over ₹6,00,000 crore that are hit by severe funds crunch while continuing to face cost and time overruns.

Officials said the Department of Financial Services will shortly recommend a series of steps to the Reserve Bank of India. These include lenders providing additional debt to distressed projects without the condition of bringing fresh equity from the developers, lowering interest rates, restructuring loans without classifying them as non-performing assets and extending the project construction period and loan repayment period to match cash flows of the projects. The recommendations are based on a report prepared by a committee led by India Infrastructure Finance Company Ltd chief Santosh Nayyar on debt restructuring and moratorium scheme for stranded power plants. The committee was set up after power companies met bankers and senior officials of the department of financial services on October 17 on issues related to loans given to stalled power plants.

The power plants are facing challenges like gas and coal shortage, delay in obtaining regulatory clearances, low off-take by distribution companies, transmission bottlenecks, high interest rates and rupee depreciation. Suitable packages might be recommended for power plants facing time and cost overruns, idling without adequate fuel supplies, without power purchase contracts and delayed hydropower plants, including those affected by floods in Uttarakhand. Banks' exposure to these projects is expected to be over ₹4,00,000 crore.

The department is likely to recommend to the RBI to provide additional debt to the projects that are facing time and cost overruns. The debt can be replaced by equity within a specified time from the developers once the project is operational or finds strategic investors. Large thermal power capacity is either delayed by about two years or halted since one year due to regulatory issues, funding constraints, rupee depreciation and increase in interest rates.

The recommendations may also include shifting project completion timeline by banks. Restructuring the loans without classifying them as non-performing assets is also likely to be recommended. The government may also ask RBI to allow deferring interest payment by capitalising it and collecting it after a few years and reducing the interest rate to SBI's base rate till plants are operational. The government has been working overtime to address the problems of the sector. Leading private companies have invested huge sums to set up power projects in recent years but Coal India has not been able to raise production commensurately. Many gas-fired projects are also idling because the country's gas supply is inadequate.

To ease the shortage of coal, the Power, Coal and Renewable Energy Minister Piyush Goyal is determined to make sure that state-run Coal India Ltd doubles its production to more than 1 billion tonnes a year. This will help stranded power plants to run at optimum capacity.

The auction of coal blocks is also expected to increase supply of coal. Apart from captive mines that were operational, many others that had not been developed are expected to contribute significantly to domestic supply. The government is also hopeful that the railway network would be expanded to reach certain coal-rich zones that have the potential to produce 200 million tonnes a year.

The Times Of India

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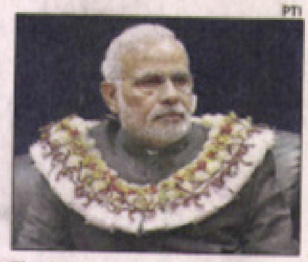
Modi woos Fiji days ahead of Xi's visit

TNN & AGENCIES



PTI

The PM wears a traditional Fijian garland in Suva on Wednesday

PM Narendra Modi reached out to Fiji on Wednesday, trying to make up for the three-decade-long indifference towards the south Pacific nation which is home to a big population of ethnic Indians and is of strategic importance to India because of its location.

During the first visit by an Indian PM to Fiji since Indira Gandhi's in 1981, Modi announced a $75 million line of credit for the country's sugar industry. The amount, significant because of Fiji's small size, came days before Chinese President Xi Jinping's scheduled visit to the nation.

▶Continued on P 12

New day in our relations with Fiji, says Modi

▶Continued from P1

It is a new day and a new beginning in our relations with Fiji," Modi said at a joint appearance with his counterpart Frank Bainimarama at the prime minister's office in capital Suva. "Fiji could serve as a hub for stronger Indian engagement with Pacific islands. I see this visit as an opportunity to renew an old relationship and lay the foundation for a strong partnership in the future," he added.

During his meeting with Bainimarama, Modi sought greater security and defence cooperation with Fiji. Modi also announced a visa on arrival for Fijians and assistance projects that included a parliament library and doubling the scholarships and training slots in India for Fijians.

The PM arrived in Fiji early morning on the third and final leg of his 10-day three-nation tour

PC

The Financial Express

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PM announces $80-mn line of credit for Fiji

■ Offers visa on arrival for all 14 nations in region

Suva, Nov 19

INDIA'S Pacific Ocean outreach gained traction on Wednesday with the announcement of a slew of lines of credit and development assistance totalling $80 million for Fiji and a visa on arrival for all the 14 island countries in the region during Prime Minister Narendra Modi's visit here.

Modi, who held talks with his Fijian counterpart Frank Bainimirama, also announced a $1 million Special Adaptation Fund for the Pacific nations and a proposal to develop Pan Pacific Islands Project for telemedicine and tele-education. His trip is the first by an Indian premier to Fiji in 33 years after Indira Gandhi in 1981.

India and Fiji also agreed to expand their security and defence cooperation during Modi's day-long visit to Fiji, considered as hub in the Pacific Ocean region, as Suva rolled out the red carpet with billboards "Vula Modi (Welcome Modi) dotting various traffic intersections.

Prime Minister Narendra Modi meets school children after attending a traditional welcome ceremony in Fiji on Wednesday

Modi also utilised his visit to address a meeting of leaders of 12 Pacific Ocean countries, a move considered significant. He also addressed the Fijian National University, the first by a world leader.

The other decisions announced at this meeting relate to an increase in Grant-in-Aid to Pacific Island Countries from $125,000 annually to $200,000 to each Pacific Island country for community projects, complimentary space to Pacific Island countries during exhibitions organised by ITPO to showcase their products and an offer to support the setting up of a Trade Office in New Delhi to promote trade between India and Pacific Island countries.

"It is a new day and a new beginning in our relations with Fiji," Modi said at a joint media appearance with Bainimarama. *PTI*

The Indian Express

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China chill behind warmth of India-Australia security pact

P VAIDYANATHAN IYER
MELBOURNE, NOVEMBER 19

WITH China President Xi Jinping still around, Australian Prime Minister Tony Abbott chose not to talk up a "security cooperation" framework agreement he signed with Prime Minister Narendra Modi in Canberra, but its intense agenda clearly points to the strategic choices he has made in the wake of Beijing's rapidly increasing influence in the Asia Pacific and Indian Ocean region.

The framework binds the two countries to annual summits, including meeting of the two PMs, regular meetings of the defence ministers, regular bilateral maritime exercises, close cooperation in counter-terrorism and international crimes, early operationalisation of the civil nuclear energy cooperation agreement and Australia's support for strengthening India's energy security by supply of uranium for India's safeguarded nuclear reactors. *The Australian Financial Review*, a leading daily, described it as "a hedge against China's growing military power" in its front page main report.

Abbott's stated top priority is a free trade policy with India by the end of next year, which, he said, needs to be "cranked up" and is something the two "can-do PMs" will achieve, but this comes with a close alignment of the two countries' economic cooperation agenda with their strategic interests. The ambitious framework of security cooperation has 32 actionable points organised under seven heads: annual summit and foreign policy exchanges and coordination; defence policy planning and coordination; counter-terrorism and other transnational crimes; border protection, coast guard, and customs; disarmament, non-proliferation, civil nuclear energy and maritime security; disaster management and peacekeeping; cooperation in regional and multilateral fora.

In his address to the joint session of Australian Parliament, Modi said the two countries do not have to rely on borrowed architecture of the past, "nor do we have the luxury to choose who we work with and who we don't." He said India and Australia can play their part by expanding their security cooperation and deepening their international partnerships in the region.

Australia, according to strategic experts, is forging close ties with India — another big Asian country with which it shares the ethos of democracy, freedom, human rights and the rule of law. With Japan and the US, Abbott's gameplan is to rope in India to form an axis that stitches together its economic and strategic interests. This has not gone unnoticed by the Opposition as well as the media here.

Bill Shorten, leader of Opposition, told Fairfax, "Our national interests are converging more broadly in the region, and heading that is security." Melbourne newspaper *The Age*, which devoted a page to the first visit by an Indian PM in 28 years, said in a report, "This security framework ranks alongside Australia's deepening 'quasi-alliance' with Japan's rapidly tightening military ties with India, and the strengthening collaboration of all three countries with the United States."

THE ACTION PLAN

◀◀ Modi with Abbott on Tuesday. PTI

FOREIGN POLICY

- Annual summit and foreign policy exchanges and coordination
- Annual meeting of PMs, including on the margins of multilateral meetings
- Foreign ministers' framework dialogue
- Regular defence ministers' meeting

DEFENCE POLICY

- Annual defence policy talks
- Annual 1.5 track defence strategic dialogue
- Service to service engagement, including regular high-level visits, joint training and exercises
- Regular bilateral maritime exercises

COUNTER-TERRORISM

- Annual joint working group on counter-terrorism, transnational crimes
- Cooperation in counter-terrorism training
- Exchanges on counter-radicalisation
- Cooperation between police on probe of transnational crimes
- Cooperation on extradition and mutual legal assistance requests

DISARMAMENT, NON-PROLIFERATION

- Annual bilateral dialogue on disarmament, non-proliferation and international security
- Australian support for Indian membership of export control regimes
- Early operationalisation of civil nuclear energy cooperation
- Australia's support for strengthening India's energy security by supply of uranium

The Indian Express

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'Modi-Sharif meeting can be facilitated at SAARC summit'

Nepal minister says peace needed for prosperity of region

SHUBHAJIT ROY
NEW DELHI, NOVEMBER 19

THE leaders of SAARC countries can "facilitate" a meeting between Prime Minister Narendra Modi and his Pakistani counterpart Nawaz Sharif during the "informal" sessions of the summit on November 26 and 27, said Nepal foreign minister Mahendra Bahadur Pandey.

Pandey, speaking to *The Indian Express* over telephone from Kathmandu, also said that "three agreements on energy, rail connectivity and motor vehicles will be signed" at the 18th SAARC (South Asian Association for Regional Cooperation) summit, which is being hosted by Nepal.

When asked whether strained relations between India and Pakistan were a challenge for the eight-member grouping, the minister said, "During the informal sessions of the summit, we can facilitate a meeting between the two leaders. The two countries can sit together and peacefully resolve issues. A conflicting situation is not desirable... Look, the two countries got their Independence around the same time, they were partitioned... the important thing is they should sit together and talk peacefully."

The Nepalese minister's comments assume significance in the wake of reluctance of New Delhi and Islamabad to ask for a meeting between the two Prime Ministers. If the meeting takes place, it would be their second meeting since Modi took charge as PM — as Sharif had attended the swearing-in ceremony in May this year. "Peace", Pandey said, "is needed for the prosperity of the region" and "counter-terrorism" was one of the topics on the agenda, which would be discussed during the summit.

"Maintaining peace and harmony in the region by controlling terrorist activities," he said. According to officials, the SAARC nations are likely to sign three framework agreements in Kathmandu for establishing rail, road and electricity connectivity.

The three deals — Agreement for the Regulation of Passenger and Cargo Vehicular Traffic amongst SAARC Member States, SAARC Regional Agreement on Railways and SAARC Framework Agreement for Energy Cooperation (Electricity) — have been negotiated over the past three years.

Nepal foreign minister said that the theme for the Kathmandu Summit is "Deeper Integration for Peace, Progress and Prosperity". The idea of the three deals came from the Declaration of the 16th Summit in Bhutan styled "2010-20, Decade of Intra-Regional Connectivity in SAARC". When signed, the agreements would pave the way for building direct connectivity and providing better access to economic activities among the SAARC states and people of the region.

MODI TO GIFT BODHI SAPLING TO NEPAL

DEHRADUN: Prime Minister Narendra Modi will gift a "sapling" of Bodh Gaya's sacred Bodhi tree to Nepal during his two-day visit on November 26 and 27. A team of Dehradun-based Forest Research Institute (FRI), led by scientist Dr Amit Pandey, head, Forest Pathology, has already gone to Bodh Gaya to examine the condition of the sapling. "Ministry of External Affairs has approached us to examine the Bodhi sapling which the PM would present to his Nepal counterpart," said NSK Harsha Kumar, a senior scientist. ENS

P.C.

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WTO to discuss India's food security demand at special meet

NAYANIMA BASU
New Delhi, 19 November

In an unprecedented move, the World Trade Organization (WTO) will hold a 'Special General Council' meeting on November 26 to discuss India's demand for food security, as well as signing of the trade facilitation agreement (TFA). This follows an understanding reached between India and the US on the food security issue.

WTO has decided to call a meeting of delegations from all member countries to seek their views on food stockpiling and whether or not India, and other developing countries, should be offered a 'Peace Clause' in perpetuity till a permanent solution to the issue is achieved.

"It is a Special General Council meeting, with only two items on the agenda — the protocol of amendment for TFA and the public stockholding limit for food security purposes. This was inspired by the India-US breakthrough; other members need to be informed what is going on and brought on board," a top official who did not wish to be named told *Business Standard*.

If a broad consensus was achieved during this meeting, "it is highly possible" that TFA would be signed and an understanding on the 'Peace Clause' for food stockpile be achieved when the General Council would formally meet on December 10 and 11, the official added.

It is learnt that the WTO Secretariat has already issued invitations for this 'special' meet to all 160 member countries.

The November 26 meeting, the first of its kind, will also take up trade facilitation agreement

TFA and public stockholding for food security are the main pillars of the Bali Package, signed during WTO's ninth ministerial conference in the Indonesian island resort in December last year.

India and the US recently reached an understanding that the US will support India's demand for a permanent 'Peace Clause' till the issue of providing farm subsidies under public stockholding programmes is settled. The 'Peace Clause' also gives India immunity from legal challenges on farm subsidies. A permanent solution, though, will require an amendment to WTO's Agreement on Agriculture (AoA).

The India-US understanding, however, does not seem to have enthused farmers and civil societies, which believe India should have tried for a permanent solution, and not settled for a perpetual 'Peace Clause.'

"The US is playing such games because it needs TFA. No one will be able to bring them back to negotiate for a permanent solution after the trade agreement has been implemented. India is not playing its cards right in international negotiations. This was the time to bargain for a permanent solution on the food security issue. Once TFA comes into affect, no one can stop other countries from pointing fingers at us," said Devinder Sharma, a food and trade policy expert.

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Govt moves to ensure no entity has coal monopoly

Plans to cap the number of coal mines companies can bid for

OUR BUREAU

New Delhi, November 19

In a sign that it will not allow a repeat of the past, the Coal Ministry has decided to have tighter monitoring norms for mine developers in the next round of allocations/ auctions.

Aiming to prevent any monopoly of the sector, the Government intends to cap the number of coal blocks a company can bid for. The cap will be applicable for public as well as private sector entities, said Coal Secretary Anil Swarup, while sharing the draft rules for the e-auction and allocation of blocks.

Developers will have to furnish a performance bank guarantee, which can be encashed if they fail to meet work commitments. There are instances of coal miners, including those in public sector undertakings, not commencing any work on the assets they own."Certainly conditions will be there on monitoring the work," said Swarup. The draft rules propose to allow a successful bidder or allottee to use the coal mined from a particular area in other similar end-use plants owned by it, after prior intimation to the Union Government. The Government can impose terms and conditions as needed, adds the draft. Following the Supreme Court verdict de-allocating 204 coal blocks, the Government had to come up with a mechanism to re-allocate the blocks to manage fuel supplies for key consumers, such as power, steel, and cement.

Timeline

Coal block auction/allocation

- Issue tender document: **December 21, 2014**
- Bid due date: **February 11, 2015**
- Technical Qualification of bidders: **March 3, 2015**
- Bidding: **March 6, 2015**
- Complete process: **March 16, 2015**

In the first phase, the Government proposes to auction/ allocate 74 blocks (42 producing, 32 ready to produce) by March 31, 2015, with a potential to produce 210 million tonnes annually.

Bigger auction possible

Swarup, however, said the number of blocks offered in the first phase could be more than 74. "The Ministry has been facing time constraints and therefore has been undertaking a lot of parallel activities. A committee looking into the reserve and floor price for the 74 blocks has already firmed up its formula. A decision has to now be taken by the Cabinet," he said.

While not disclosing the details of the formula, Swarup said the intent is to see that the end tariff does not increase in the case of power.

A reserve price is being set for blocks that will be kept out of the auction and offered to public sector entities. Swarup said another committee was working on the number of such blocks. Indications are that at least 20 blocks could be kept aside for the state-owned companies.

On the levy imposed on miners of de-allocated blocks for coal extracted till September 24 this year, Swarup said the figure is yet to be worked out. He, however, said that it has to be deposited by the prior allottee on or before December 31. The levy on coal extracted from September 24 till March 31, 2015 has to be deposited on or before June 30, 2015, he added. Stakeholders have been asked to provide their feedback on the draft rules by November 24.

The process

Allocation	Auction
Nominated Authority	**Nominated Authority**
1. Mine dossier	1. Tender document
2. End use to be specified	2. Technical and Financial bids
3. Specify maximum number of mines to be allocated to PSUs	3. Eligibility criteria (part of tender document)
4. Set floor or reserve price	4. Specify number of blocks a miner can bid for

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Jan Dhan scheme: FinMin asks LIC to speed up execution of life cover

LIC told to enter into MoU with Indian Banks' Association

KR SRIVATS

New Delhi, November 19

The Finance Ministry has directed Life Insurance Corporation (LIC) to immediately operationalise the life cover benefit under the Pradhan Mantri Jan Dhan Yojana (PMJDY). It has been asked to expeditiously enter into a memorandum of understanding (MoU) with the Indian Banks' Association (IBA) for providing this facility, official sources said.

PMJDY is the flagship financial-inclusion programme of the Narendra Modi-led Government being undertaken on mission mode.

Contrary to its earlier stance, the Finance Ministry has now said that the National Payments Corporation of India (NPCI) would not be required to enter into an MoU with LIC and IBA for providing life cover benefit.

During the launch of the scheme on August 28 in the Capital, Prime Minister Narendra Modi had announced life cover of ₹30,000 with the RuPay card to all those who subscribe to a bank account for the first time during the period August 15 to January 26 next year.

Under the recently framed guidelines for life cover, the Finance Ministry had specified that an agreement with LIC, IBA, NPCI and Department of Financial Services will have to be executed to operate the scheme.

But now the Finance Ministry wants NPCI to be out of this arrangement and has directed LIC to operationalise the life cover through an MoU with banks.

Funding

LIC will create a fund for life cover under the PMJDY with an initial corpus of ₹100 crore from the social security fund of the Government under the Aam Aadmi Bima Yojana (AABY) being managed by it. This will be recouped through a budgetary provision by the Government, the Department of Financial Services (DFS) said.

The fund will be replenished by the Government from time to time.

This fund is separate from the Controlled Fund of the LIC. The contribution due for the next scheme year will be based on actual claim payment, administrative expenses and any other permissible expenses pertaining to the scheme incurred by LIC and will be provided by the Finance Ministry.

Sameer Kocchar, Chairman of SKOCH Group, a Gurgaon-based think tank, said the Government should not give any budgetary support to recoup LIC's spend on life cover under the PMJDY.

"LIC should be asked to bear the entire cost for the life cover under Jan Dhan. There should not be any need for budgetary support to recoup the cost incurred by LIC. They (LIC) need to bear the cost as the Corporation had neglected the poor of India for the last 60 years," he told *BusinessLine*.

Meanwhile, the Finance Ministry has now clarified that life cover benefit will not be available for those individuals who have been registered under the AABY. It has also specified that life cover benefit cannot be denied if the RuPay card is still in the process of being issued.

Internet users will cross 300 million this year

INDO-ASIAN NEWS SERVICE

New Delhi, November 19

The number of Internet users in India would reach 302 million by December 2014, registering a year-on-year growth of 32 per cent over last year, a study said here.

The report, 'Internet in India 2014', is jointly published by the Internet and Mobile Association of India (IAMAI) and IMRB International.

The Internet in India took more than a decade to move from 10 million to 100 million and three years from 100 to 200 million. However, it took only a year to move from 200 to 300 million users, it said.

According to the report, the number of Internet users in urban has grown by 29 per cent from October 2013 to reach 177 million in October 2014.

It is expected to reach 190 million by December 2014 and 216 million by June 2015.

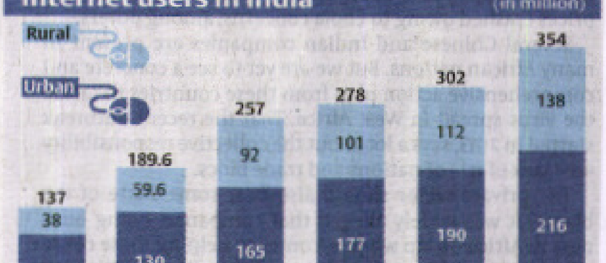
Compared to last year in rural India, internet users have increased significantly by 39 percent to reach 101 million in October 2014. It is expected to reach 112 million by December 2014 and 138 million by June 2015.

"In October 2014, there were 278 million Internet users in India. Currently, India has the third largest Internet users' base in the world but it is estimated that by December 2014, India will overtake the US as the second largest Internet users' base in the world," the study said.

China tops the table

China currently leads with more than 600 million Internet users while the US currently has an estimated 279 million users.

The report also stated that in urban India, for nearly 93 per cent of the respondents, the primary use of Internet is for search, followed by online communication and social media networking. However, in rural India, entertainment is the primary reason for Internet usage, followed by communication and social networking.



Source: Internet and Mobile Association of India (IAMAI) and IMRB

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Govt considers system to ease loan recoveries

TAMING NPAs Issue of cases dragging on for years to be raised in meeting between PSU banks and fin services secy

Mahua Venkatesh

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NEW DELHI: The government is considering putting in place a stringent mechanism that would ensure time-bound closure of legal cases pertaining to non-performing assets (NPA), a move that would speed up the recovery process for banks.

Non-performing assets are loans that do not yield returns.

At present, such cases can drag in various courts for several years, delaying the recovery process for banks.

"Recovery process is indefinitely delayed in many cases due to lengthy court procedures and cases and endless adjournments and this is an area the government is focusing on, the aim is to make it time bound," said a senior government official quoting the Kingfisher Airlines case.

The official added that overall recovery mechanisms must be strengthened to protect the lenders as well.

The issue is likely to be brought up in the review meeting between public sector bank chiefs and financial services secretary, Hasmukh Adhia, to be held on Thursday.

Until now, existing recovery norms including the Sarfaesi Act 2002, which allows lenders to auction all properties of borrowers in case of default, have not given the desired results.

Meanwhile, the government has directed banks to be tough with wilful defaulters. Promoters of companies seeking corporate debt-restructuring are likely to be asked for a list of personal assets and these will be charged to the lending banks to ensure that banks have sufficient collateral to cover their loans in case of defaults.

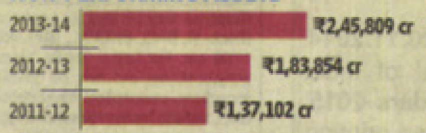
That apart, banks would have the final authority to change the management of the company that goes in for restructuring. Banks have also been asked to aggressively adopt the "name and shame" policy to make public the list of wilful defaulters.

According to the All India Bank Employees' Association (AIBEA), Kingfisher Airlines, Winsome Diamond & Jewellery, Moser Baer India, Deccan Chronicle Holdings and Educomp are among the top defaulters.

ON ROAD TO BETTER HEALTH

Govt eyes reduction in NPA by making debt recovery time-bound

NON-PERFORMING ASSETS



- Sarfaesi Act 2002, which allows financial institutions to auction properties when borrowers fail to repay their loans, has been found inadequate in helping banks reduce their NPAs

- Banks may get final authority to change management of a company that goes in for financial restructuring

Business Line
Editorial

Kisan Vikas Patra 2.0

Desperate times call for desperate measures and the Centre's decision to re-launch Kisan Vikas Patra, a popular small savings instrument that was discontinued three years ago, may be seen in this light. Lakhs of investors have fallen victim to illegal money-pooling and Ponzi schemes, including the Sahara and Saradha scams, in the last three years. These instances show that the current suite of financial products offered by the Government and private players have become too complex to attract small savers. The recent dip in household financial savings to a decadal low is mainly a result of the difficulty in understanding financial instruments and in keeping up with their ever-changing Know-Your-Customer (KYC) rules, apart from the uneasiness that most savers have with market-linked returns. The Kisan Vikas Patra (KVP), in its new avatar, directly addresses these pain points. It offers a fixed return (the investor's money will double in 100 months), ease of transaction (it is a bearer instrument with no PAN requirement) and good liquidity to boot (exit is available freely after a 2.5 year lock-in). Therefore, it may well succeed in its objective of wooing the un-banked population into financial savings.

Having said this, the new KVP raises some concerns from a policymaking perspective. For one, its offer of a fixed return is a step back in the process of restructuring all small savings schemes and aligning their returns to market rates. This overhaul, initiated three years ago at the behest of the Shyamala Gopinath Committee, was undertaken to improve the performance of the national small savings fund, which generated sub-par returns. If the Centre is keen on resurrecting the concept of a fixed return, it must address the funding issue on a war footing. Two, given that the KVP is likely to entail high costs for the Centre, it is essential that the money be put to productive use. Presently, collections from small savings schemes (whatever their nomenclature) are mainly lent out to fund unproductive revenue expenditure of the States and the Centre; they don't fulfil a specific developmental objective.

Most important of all, the Centre must take note of warnings that the reworked KVP may turn out to be a backdoor amnesty scheme for those who evade taxes. With its PAN waiver, facility for unlimited investments and bearer status, the instrument can be easily used to launder and park black money. It was precisely this concern, in fact, which had prompted the Gopinath committee to suggest its closure in 2011. To prevent rampant misuse of the KVP in its new avatar, the Centre must expedite the computerisation of India Post and use technology to track down large investments and redemptions from this scheme. It should also put in place an annual investment ceiling on individual purchases of KVP, similar to those for the public provident fund and other post office schemes. Given its other attractions, this will not materially dent the instrument's appeal to small savers.