

PART A: News pertaining to Planning Commission



13-15.09.2014

Compiled by:

S. Wadhawan, ALIO
Mrs. Varsha Satija, SLIA
Planning Commission Library

and Communication, IT & Information Division

[Note : Now the Daily Digest is divided into two parts: Part A contains News pertaining to Planning Commission and Part B contains general News and Views]

1. Modi raises performance bar for ministers by 10%

15 Sep 2014 Hindustan Times (Delhi)

Chetan Chauhan chetan@hindustantimes.com

Hikes ministries' development targets, gives plan panel monitoring job

NEW DELHI: Prime Minister Narendra Modi, who recently called himself a 'hard taskmaster', has set his ministers a minimum 10% target for enhancing existing infrastructure in their areas of responsibility by the end of the financial year.

And he plans to keep an eye on them. The task of monitoring the performance of ministries has been given to the Planning Commission, and later to the think tank that replaces it.

The government is currently giving shape to the think tank but has already decided on some of its functions, one of which will be to oversee the implementation of the PM's innovations such as Digital India, Skill India and Swacch Bharat, senior government officials said. It would be required to submit regular reports to the prime minister's office (PMO).

The PMO's direction, quoting Modi, to ministries to add 10% to existing physical infrastructure and services provided by March 2015 would translate into mobile services for half of India's rural villages, a minimum 80% literacy level (from the current 72%) and 19% gross enrolment ratio in higher education (17% now).

The road transport ministry headed by Nitin Gadkari will have to add 7,700km of new roads and highways compared to its target of 7,000km. The PM wants 500km of new railway tracks instead of the 300km target presented by railway minister Sadanand Gowda.

Similarly, targets for civil aviation and shipping ministries have also been upped.

"This is the minimum the PMO has prescribed," a government official said, adding that anything over and above would add to the annual performance of ministers and secretaries.

A union minister who refused to be named said the initiative would push them to achieve more. "The Prime Minister is targeting us to do more for the country, and we will try our best. We, as well as the bureaucrats, will be under pressure but it will help us deliver."

The PMO has told plan panel secretary Sindhushree Khullar to prepare a template for reviewing the performance of ministries with the new target in mind. Monitoring divisions of the panel are being strengthened with staff from other units. “We believe the divisions entrusted with monitoring will continue their job till the new think tank is in place,” another senior official said.

Khullar has already made a presentation on the performance of core infrastructure ministries for 2014-15 and deliberated on targets suggested by them for the fiscal.

PM’S INFRASTRUCTURE PUSH

If ministries meet the enhanced target set by PMO, here’s what it could translate into by March 2015

- Mobile services for half of India’s rural villages
- Minimum 80% literacy rate, up from the current 72%
- 19% gross enrolment ratio in higher education (currently 17%)
- 7,700km of new roads and highways
- 500km of new railway tracks



THE MONITOR

- Planning Commission’s monitoring divisions entrusted with keeping an eye on the performance of ministries
- Since plan panel has been officially scrapped, the job will pass on to the new think tank that replaces it
- Govt is currently giving shape to the new think tank

2. Centre set to stop ministers from using Gmail, Yahoo for official email

15 Sep 2014 Hindustan Times (Delhi)

Moushumi Das Gupta letters@hindustantimes.com

NEW DELHI: Ministers and bureaucrats may soon be barred from using Gmail, Yahoo or any other email facility that has servers hosted outside India for any official communication. A new draft email policy makes services by the National Informatics Centre (NIC) mandatory for government work.

The policy says service providers other than the NIC – the government’s official email service provider – can be used for personal communication only.

It also restricts officials from forwarding emails from their official IDs to their personal IDs.

A draft cabinet note on the policy, prepared by the department of electronics and information technology, has been circulated for inter-ministerial consultations. “We will go to the cabinet soon for approval,” said an official.

Sources said though the NIC had provided official email IDs to 3.5 million government employees so far, only 700,000 were currently used.

The decision to have an email policy was announced last year to check theft or snooping of critical government data. It was prompted by Edward Snowden’s revelation that the US National Security Agency carried out mass illegal surveillance in many countries, including India.

Government employees were also directed to not use non-NIC email services but the move failed in the absence of a formal policy.

The policy also says that government organizations — including those dealing with national security — that have independent email servers can continue to use them, provided they are hosted in India.

3. Ignou shuts down colleges teaching skill development, yet govt asks it for roadmap

15 Sep 2014 Hindustan Times (Delhi)

Brajesh Kumar brajesh.kumar@hindustantimes.com

FRAME A SCHEME FOR SKILL DEVELOPMENT WITH CERTIFICATION THAT IS COMPLIANT WITH THE NATIONAL SKILL QUALIFICATION FRAMEWORK IN NEXT 15 DAYS AND FURNISH THE SAME TO THE MINISTRY
HRD MINISTRY LETTER

NEW DELHI: The Human Resources Development (HRD) ministry has asked Indira Gandhi National Open University (Ignou) to draw a roadmap for a yearly intake of 5 lakh students for skill development training. Ignou, the world's largest distance education provider, is mired in a controversy for its highly contentious decision to close down more than 500 community colleges imparting skill development training.

"Frame a scheme for skill development with certification with an annual intake capacity of five lakh students that is compliant with the national skill qualification framework in next 15 days and furnish the same to the ministry for approval," the ministry wrote to the university.

The ministry's directive which is in keeping with Prime Minister Narendra Modi's priority on skill development raises questions at Ignou's arbitrary decision of shutting down colleges and courses leaving more than 1.5 lakh students in a lurch, sources said.

The ministry has already appointed a three-member committee to look into the functioning of the university from 2006. Its terms of reference include scrutinising the decision of closure of a large number of courses during the tenure of vice chancellor M Aslam.

The decision to close down colleges was taken in 2012 which cited the recommendations of a high-powered committee which it said had recommended shutting down colleges and the Ignou act, 1985 which the university contended, did not give it the mandate to conduct face-to-face programmes.

Both its assertions have been questioned, with critics accusing Ignou of suppressing facts.

4. Divine Benefits of Unique Identity

Sep 15 2014 : The Economic Times (Delhi)

If Hanuman can be issued a Unique ID, why hold back a bank account?

That Bhagwan Hanuman himself had apparently applied for an Aadhaar card clearly did not bewilder the intrepid implementers of the unique identity project. No matter how divine or omnipotent, even deities seeking to be enrolled are all part of a day's work for those engaged in this project of national importance, it seems. More so if those involved in the data collection are unaware of godly genealogies. That is why Hanuman so Pawan would not ring any bells, temple or otherwise. Nor would they ever entertain the thought, obviously , that someone could be having a chuckle at their expense. Coming as this does soon after some mere mortals receiving their Aadhaar cards prefixed with choice expletives suggests that the people involved in the project are not exercising their grey cells but only their inputting skills.

Indeed, had a postman with a better knowledge of devotional lore not sensed that the Shri Hanuman on the Aadhaar card he was charged to deliver was not a local wrestling hero, the prank would have gone unnoticed. The card would have probably been returned to the UID offices with a 'recipient untraceable' tag, which in itself is a rather correct assumption. A list of unlikely applicants -such as, say , Barack Obama so Barack Obama Sr -may need to be distributed to all data-collecting units forthwith

5. Towards a knowledge economy



Posted online: Monday, Sep 15, 2014 at 0000 hrs

SUMMARY The education system in our country requires a major revamp from mere governance to effective governance

Knowledge and learning are among the key parameters in charting the progress of a nation. With technology growing by leaps and bounds over the last decade, the education sector has had to evolve substantially in order to meet the requirements and challenges of the new world.

Effective governance has been an important element in the Indian education sector, but with changing times, it required an upgrade to e-governance to cope with the new challenges resulting due to technological influences on education. Broadly speaking, the concept of e-governance or electronic governance refers to the use of information and communication technology (ICT) in management or governance, transforming effectiveness, efficiency, accountability and bringing in more transparency in the communication and interaction between the government and stakeholders.

E-governance makes a crucial contribution in monitoring education standards, improving academic systems, effective teacher-student relationships and interactions and analysing their performances. It is more than just the automated face of systems and processes or computerised versions of records. E-governance in education is the solution to several industry ills such as massive drop in student performance, where necessary action has to be taken to boost their performance or that of the teachers who lack motivation.

The education system in our country requires a major revamp from just mere governance to effective governance. The education system, as of today, is lacking in stringent methods or a system that can provide constant monitoring of students and teachers, adequate feedback and communication between the various groups involved, including students, teachers and administrators, proper evaluation of students and teachers, and timely control to improve effectiveness and efficiency. Schools and other educational institutions, especially those run by the government, suffer from high rates of early school dropouts, lack of adequate teacher

involvement and an ineffective syllabus. Timely correction will ensure that these limitations are overcome and the bar of education and quality standards is raised in the education system of our country.

Biometric technology is one such useful e-governance tool that uses the face or hand scanning technique to track student and teacher attendance. Using this technology, the problem of low attendance among teachers and students in government schools can be tackled. Considering that e-governance technologies are not expensive to install and maintain, are easy to use and, most importantly, are scalable to suit individual needs and requirements, the government and other stakeholders in the education system should consider the many advantages and benefits of adopting the widespread use of e-governance measures.

Fortunately, the scenario is gradually changing. Although at a slow pace, stakeholders are beginning to recognise the importance and effectiveness of e-governance and the difference that it can make to the Indian education system. A notable example is Project Sampoorana, an initiative that successfully implemented the school management software Fedena in over 15,000 government schools in Kerala. Initiated in coordination with the Department of General Education of the government of Kerala, it facilitated complete governance of schools, allowing principals, teachers and headmasters to track and monitor all the activities of students with ease and efficiency. Various important processes including preparation of transfer certificates, generating reports related to teachers, students, staff and parents, maintaining scholarship and promotion lists, admission registers, creating an examination database, entry forms for events in schools and several other tasks became easier to handle and implement. In addition to the complete automation of systems and processes of schools, e-governance also has monetary benefits, saving millions every year. Therefore, complete e-governance results in an education system that has better management, an effective academic standard and also carries a huge economic advantage.

Efficient administration of educational institutions can lead to the fulfilment of a long-standing dream of a world-class standard that can put institutions in our country on a global platform, at par with international institutions. The evolving education system and the ever-increasing competitive market demands students who have wide experience and exposure and an educational background that is efficient and effective. E-governance promises to deliver that much and more.

Abdul Salam AZ

The author is CFO of Foradian Technologies

6. **India has potential to become knowledge based economy: ADB**

Press Trust of India Posted online: Friday, Sep 12, 2014 at 0000 hrs



SUMMARY India has the potential to become a leading knowledge based economy...

New Delhi : India has the potential to become a leading knowledge based economy with its youth population and growing information technology though it should overcome some barriers in this regard, Manila based funding agency Asian Development Bank (ADB) said in a report released today.

"India, with its youthful population and thriving information and communication technology (ICT) industry, can become a leading knowledge-driven economy as long as regulatory, education, and infrastructure barriers are overcome," ADB said in its report 'Innovative Asia : Advancing the Knowledge-Based Economy'.

The report said pro-poor technologies, growing investment in ICT, advantage in audio-visual services as an outsourcing hub for animation and other skill-intensive industries are few of the promising areas for India.

"By leveraging its strengths in human capital and ICT services, India can become a major global knowledge-based economy," said Bindu N Lohani, ADB Vice-President for Knowledge Management and Sustainable Development.

However, India will need steps such as supportive laws, improved infrastructure, removal of barriers to trade and investment, up-skilling of labour force, higher spending in R&D and innovative financing for small businesses and enterprises, Lohani said.

The knowledge based economies use ICT, innovation and research, and higher education and specialised skills to create, disseminate, and apply knowledge for growth.

Currently, developing Asia ranks well below the OECD average in the World Bank's Knowledge Economy Index.

ADB said that advanced Asian economies such as Japan, Korea, Singapore, Taipei and China have successfully shifted from agriculture to manufacturing to knowledge-based industries.

China and India, have built pockets of knowledge-based growth, but have not yet translated this into a broader economic model, the report said.

Countries such as Bangladesh, Myanmar, and Lao have yet to really embark upon knowledge-based growth.

"A shift to innovation-based growth would help countries avoid the middle-income trap and also address rising income inequalities," added the report.

Established in 1966, ADB has 67 members of which 48 are from the Asian region.

It works towards reducing poverty in Asia and the Pacific through inclusive economic growth, environmentally sustainable growth and regional integration.

In 2013, ADB assistance totalled USD 21 billion, including co-financing of USD 6.6 billion.

2014
The Sunday Statesman

THE ENGLISHMAN ~ Founded 1821. Printed from New Delhi, Kolkata, Siliguri and Bhubaneswar

ANN
ASIANEWSNETWORK

Skilling India

Transform Colleges Into Professional Institutions

arunabha bagchi

PRIME Minister Narendra Modi proved that he means business when he gave concrete shape to his rhetoric of "Skilling India" by creating a new ministry of skill development and entrepreneurship, in combination with youth affairs and sports. This he achieved within 100 days of the formation of his government, overruling all bureaucratic foot-dragging in the process. "We are in the process of activating the ministry of skill development and have reasons to believe that the Skill India Mission has the power to turn our demographic challenge into our greatest strength," the new minister Sarbananda Sonowal proclaimed.

Despite the euphoria of most mainstream economists about our demographic dividend, thoughtful observers worried for long about the increasing employability gap of our young workforce. Simply put this means a mismatch between the capacities of an aspiring employee in all its facets with the need of an employer with multiple expectations. "Skill development" is the new faith that is supposed to provide employment to the millions of youth joining the workforce every year.

This mismatch between education and employment is nothing new. One common

level in an earlier article, "Learning for a Vocation" (*The Statesman*, 30 March, 2014).

There is a parallel history of an elaborate educational system in the West that catered to the needs of the (upper) middle class, with primary and secondary schools followed by university education. The Church initially played a vital role in this process. This is the educational system that was firmly established in India at the time of our Independence. After ten years of schooling one could join a college for Intermediate and Bachelor degrees, operating under the auspices of a university, possibly followed by a Master degree taught by an academic staff working directly for a

made by our policy-makers was to deny the polytechnic graduates Bachelor degrees. A Bachelor degree being the minimum certificate to respectability, this decision alone killed the whole polytechnic experiment in India.

The failure of the polytechnic system led to a plethora of private engineering colleges in India. With economic liberalisation the number of (upper) middle class parents increased considerably. They were too eager to send their children to these dubious institutions for getting an engineering degree. Often people with more modest means, even in the rural areas, sold all assets to give their sons this opportunity. Instead of having overqualified engineers getting far less challenging jobs, we now have an abundance of engineering degree-holders with neither knowledge, nor skills, in their fields of study. To recuperate the vast investment in their education they all flock to the IT sector.

Out of roughly 500,000 engineering graduates every year, NASSCOM estimates that only 25 per cent are readily employable. According to a recent study by *MBAUniverse.com*, it is actually a meagre 21 per cent for our MBAs. Interestingly, a large part of these graduates are products of private institutions, glorified as the saviours of our higher educational system. Indian par-



Many prescient observers of the Indian

Continued.....

ing the workforce every year.

This mismatch between education and employment is nothing new. One common theme in the history of modern education is the constant effort to reduce this gap. It existed from the advent of the industrial revolution. It was not easy to organise disparate and illiterate villagers to work in factories with rules and reg-

ulations as industrial production started getting complicated. To spread the benefits among the rural poor of agricultural and veterinarian innovations also needed rudimentary literacy. This led to free and compulsory public education in the West, led by the United States. Japan introduced this system following the German model after the Meiji restoration. Interestingly enough, Japan initiated large-scale primary education in Korea during her occupation, albeit to increase production for her imperialistic design in Asia. After the end of occupation, South Korea rapidly expanded free compulsory education despite abysmal economic conditions. We in India have only recently embarked half-heartedly on universal and free public education.

The next stage of industrial revolution in the West saw a rapid rise in secondary education primarily leading to vocational training for increasingly sophisticated production. The prevalent guild system in Europe was a big help in this process. Companies in need of these workers found it convenient to join hands and help nearby towns build these schools for the common goal of providing trained manpower for surrounding industries. This type of education developed organically with the need of the industry. As industry largely contributed to this process, they saw to it that the education catered to their needs. Japan adopted this model following their drive for universal primary school education. As South Koreans started on their amazing growth path from the early sixties of the last century, they had already an elaborate primary school network. They decided to extend this by providing free secondary education and vocational training, instead of focusing on advanced university education for the few. The result of this policy is for everyone to see. Despite 67 years of Independence, we are still unable to develop a satisfactory model for secondary-cum-vocational education in India. We discussed skill development at the vocational

Many prescient observers of the Indian educational scene have observed that ordinary Indian college graduates neither develop the capacity for abstract thinking, nor learn any useful skill

university. The education was general, with exclusive focus on acquiring knowledge, rather than skills. After Independence, the primary goal of our educational policy was to expand this system. Need-based scholarship proliferated, hugely benefiting poorer students from among the upper caste Hindus. They already had tradition and respect for learning, and direct interaction with relatives having higher education. Schools and colleges increased to satisfy their aspirations. At the policy level, building up a technological base was a major priority. Import substitution was here the main motivation. This led to considerable expansion of engineering education, starting with the IITs. The number of students with an advanced science degree also increased rapidly. Jobs generated by industrialisation were, however, often not commensurate with advanced university degrees in engineering, and even more so in the sciences. Engineering graduates, still limited in number, got easily absorbed in newly created (public sector) enterprises mostly as supervisors/managers of a largely illiterate workforce. Scientists had even lesser affinity and competence for these jobs. Outside of the academia they mostly ended up working in (newly created) government research laboratories that had neither accountability nor clear economic purpose. It was a huge waste of our resources.

To increase technical graduates for future needs and for matching available jobs with appropriate skills, polytechnics were set up all over the country. The difficulty was that our engineering education experts had no first-hand knowledge of the polytechnic education. In the West there are many examples of highly accomplished engineers with polytechnic degrees. They usually play crucial roles in formulating policies on polytechnic education. This group was non-existent in India. Thus polytechnic education became an abridged version of the university engineering education, and was not skill-based either. The worst decision

are products of private institutions, glorified as the saviours of our higher educational system. Indian parents will continue to be duped by these institutions for years to come as long as the Indian economy remains skewed, with a miniscule manufacturing sector and barely 10 per cent of the work force employed in

the organised sector. Private players in the education market, in collusion with unscrupulous politicians, are minting money by exploiting the vulnerability of Indian parents.

Many prescient observers of the Indian educational scene have observed that ordinary Indian college graduates neither develop the capacity for abstract thinking, nor learn any useful skill. It is imperative that we focus on skill development at this professional level as well. The obvious solution would be to transform most colleges into professional institutions developing valuable skills in diverse fields, de-coupling them from universities altogether. This could include nursing, medical technology, teaching in primary schools, legal help, basic-level public administration, accounting, human resource management, media and television, food technology, just to name a few. Along with polytechnics, they would be the second tier of our higher educational system, with successful students obtaining Bachelor degrees. The result would be a significant reduction of the employability gap in many sectors of vital importance. (Lower) middle class parents would benefit enormously by this simple change in our educational system. Students currently have to pay huge fees to get private training in many of these areas after obtaining a Bachelor degree in order to be suitable for the job market. The rumour is that the government is thinking of expanding this post-bachelor training using the fashionable PPP model. This would be wastage of time for our youth and money for our government.

This two-tier system of skill development has been perfected in Germany. Our new policy-makers would do better to study this system instead of wasting taxpayer money by visiting junior colleges in the United States.

The writer is former Dean and Emeritus Professor of Applied Mathematics, University of Twente, The Netherlands

8. India's Industrial Growth Slower Than Expected
The Wall Street Journal: 12.09.2014



Men ride a motorcycle through a flooded area during rain showers in Mumbai, India on July 15. *European Pressphoto Agency*

India on Friday reported that industrial production grew at the weakest pace in four months in July, tempering optimism about an economic recovery.

Industrial output, hurt by a contraction in manufacturing, rose 0.5% from a year earlier, weaker than the 3.9% expansion in June, government data showed. The reading fell significantly short of economists' expectation of a 2% increase.

However, there was some relief as [consumer-price inflation eased](#) to 7.8% in August from 7.96% in July, separate data showed. That matched the prediction of economists.

"Growth still is weak," said Saugata Bhattacharya, chief economist at [Axis Bank](#). [532215.BY -0.37%](#) "Capital investments don't seem to have increased much and appear to be stagnating at low levels."

Economists said a [revival in monsoon](#) rainfall starting in July damped mining activity and hurt construction-linked sectors such as steel and cement.

India's economy has struggled in recent years due to slowing growth and rising inflation as a slow pace of policy changes, poor infrastructure and bureaucratic red-tape hurt investor confidence.

But businesses are now hoping Indian Prime Minister Narendra Modi, who took charge in May, will work to remove structural bottlenecks in key industries such as coal and power generation and push through approvals for private investment projects that have languished.

Mr. Modi's government has [opened up railway infrastructure](#) to foreign investment, allowed greater foreign ownership in defense companies and disbanded the Planning Commission, a remnant of India's Socialist past.

India's official gross domestic product data released in late August showed the economy expanded 5.7% in the three months ended June 30, the strongest growth rate in more than two years.

While that data had optimists cheering that the economy would continue accelerating, Friday's tepid industrial reading suggests a growth rebound would be gradual at best.

July's slower industrial growth was mainly because of a weak manufacturing sector, which contributes about three-fourths of industrial output. Manufacturing output fell 1.0% from a year earlier, turning lower after a 2.5% increase in June.

Output of capital goods swung sharply to a 3.8% contraction from a 23.2% increase in June. Economists said the turnaround is proof that businesses still are cautious about ramping up spending.

"We expect to see industrial growth in the low- to mid-single digit range and this should keep alive the hope of continued stability in economic growth," said Siddhartha Sanyal, India economist at Barclays Capital.

Mr. Sanyal said consumer demand is expected to improve ahead of the country's main festival season starting October and that too would support industry.

Write to : Anant Vijay Kala at anant.kala@wsj.com

9. Beyond Planning Commission

The New Indian Express: 13.09.2014

No one can deny that the Planning Commission was an integral part of the development history of India's federal republic for nearly six and a half decades. The legacies of this institution presided over by prime ministers from Jawaharlal Nehru to Manmohan Singh, whether for good or for bad, need to be addressed if one seriously seeks to reform or restructure India's economic management. One vital issue that cries for reform in India's fiscal federalism is the problem of intergovernmental transfers. India has over the years created multiple channels of transfers with diverse objectives and sometimes with conflicting priorities and distorted end results.

Before the 73rd/74th Constitutional Amendments, India was a dual federalism comprising the Union and the states where the local governments had no constitutional status. India's "co-operative federalism" is different from the interdependent variety in Germany or South Africa where the federal government decides major policies and the different levels of government are at best implementing agencies. It is also different from the independent model of Brazil where all three tiers of government enjoy autonomous and equal status and co-ordinate their policies horizontally and vertically. India also cannot be called the "marble cake" model of cooperative federalism where various levels of government have shared and overlapping responsibilities and where all tiers are treated as equal partners.

India is a multi-level federation that demands rational, equitable intergovernmental transfer arrangements. The *raison d'être* of a federation, indeed, is equity. The Finance Commission (FC), the Planning Commission and many centrally-sponsored schemes (CSSs) initiated by the central

ministries form a bewildering multiplicity of channels of transfers. The rapid growth of parallel agencies (notably the MPLAD) transgressing the assigned domains of panchayati raj institutions and urban local government has posed not only a serious threat to efficient fiscal decentralisation, but also encouraged endemic corruption. In the context of dismantling the Planning Commission, it is pertinent to examine de novo the role federal transfers played in reducing regional inequalities and promoting convergence. No reform in the design of transfers following the Planning Commission's exit can ignore this. Though not directly relevant, from a wider perspective it is important to evaluate the subsidised lending to the private sector by long-term refinancing institutions, and assistance from banks for priority activities and several other flows of resources that affect economic activities.

Although FC is the constitutionally authorised body to share Union taxes and grants to the states, over the years the Planning Commission became a powerful factor in allocative decisions and dispensing assistance to the states to finance development activities. A real confrontation over the jurisdictions of the two panels arose when the third FC made recommendations that took into account 75 per cent of the plan requirements of the states (strictly within their terms of reference 4(a)(1) mandating to meet "the requirements of the Third Five Year Plan") and the Centre rejected the recommendations accepting instead the member-secretary's recommendations that stayed within the non-plan domain. This precedent compelling the FC to confine its jurisdiction to non-plan has created problems of efficiency, redistribution and equity in the intergovernmental transfer of resources. The Planning Commission during the first two decades resorted to schematic transfers exercising considerable discretionary powers. It was due to the protests of states like Kerala that the Gadgil formula with accent on population, tax

efforts, state income below national average etc., was introduced from 1969 onwards. Although the Gadgil formula specified that the size of CSSs and ACAs (Additional Central Assistances) should not exceed one-sixth of central assistance, this was seldom followed. Besides, the process of central assistance, ACA, central sector schemes, CSSs, et al have not been strictly governed by normative criteria, transparency and accountability.

Significantly, the 73rd/74th Constitutional Amendments changed Article 280 that established the FC adding two sub-clauses mandating it to supplement the resources of the panchayats and municipalities which are expected to deliver “economic development and social justice” at the sub-state level. It is also mandated that the FC has to act taking into account the recommendation of the State Finance Commission (SFC), which in a way acknowledged the organic linkage of public finance in the country. SFC is a unique institution modelled on FC meant to rationalise the state sub-state level fiscal system. The District Planning Committee (however inept and inadequate it may be) is a constitutional body, (Article 243ZD) unlike the Planning Commission needs to be revived to form a viable part of sub-state level development process and may have to include so-called small towns planned under the new dispensation. SFC holds tremendous potential to play a vital role in fiscal decentralisation and has been given a subordinate status except probably in states like Kerala. It may have to be restored to a place of greater importance. It is constitutionally mandated to review the finances of local governments vis-à-vis their functional responsibilities and design an equitable and efficient transfer system at the sub-state level.

The underlying rationale of decentralised governance is to provide reasonable standards of public services like drinking water, sanitation

electricity, health care, primary education and good connectivity to citizens irrespective of residential location. One can maintain that in delivering basic public services all levels of governments have failed the common man. CSSs implemented through local governments reflect the Centre's preferences and not those of the locals. Also, these schemes which compel a state government to fall into the Centre's straitjacket of conditionalities in a country with great diversity in social and economic progress are untenable. Admittedly for Kerala, many CSSs are irrelevant. The message coming out most prominently is that all local governments should have the fiscal capability (through a relevant transfer system) to offer comparable levels of public services at reasonably comparable levels of taxation. The striving for new architecture of intergovernmental transfers will have to keep these goals fully in view. If some of these aspects are ignored the dismantling exercise will turn out to be another political gimmick, signifying nothing.

The writer is honorary professor, Centre for Development Studies (CDS), Thiruvananthapuram.

Email: maoommen09@gmail.com

10. No prior notice, IEO consultants given pink slips

Axed employees of Independent Evaluation Office might approach court

Business Standard: 13.09.2014

As fallout of the winding-up of the Planning Commission's [Independent Evaluation Office](#) (IEO), the government has terminated the services of 12 consultants, senior [consultants](#) and young professionals employed in it, with effect from August 31.

The services were terminated after paying them one month's salary in lieu of the notice period. The services of two consultants of the total 14-member staff have been retained but with a rider that they could also be terminated without any prior notice.

Some of the sacked employees tried to meet the [Planning Commission](#) secretary, but were asked to wait till Monday. Annoyed by the lackadaisical attitude of their employer, a source close to the development said, most of them are contemplating legal recourse, as the termination was ex post facto.

Earlier, the government had discontinued the services of the director-general of IEO, Ajay Chibber. Officials said the termination order came on September 10 but was effective from August 31.

The move is part of the government's endeavour to restructure the Planning Commission by closing down its attached offices, except the Unique Identification Authority of India. The director-general's post at Institute of Applied Manpower Research is being managed by an acting DG after the retirement of Suresh Mehrotra in August. The future of the third attached office of the Commission, the Rainfed Authority of India, is unclear.

Officials in the know said as part of the re-organisation exercise being carried out in the Commission, a move is afoot to strengthen the Programme Evaluation Office (PEO) with new mandate and powers and also more jurisdictions.

PEO is likely to have a wider role in the new body that is expected to replace the Commission. "The Cabinet note on the shape of the new body envisages a wider role for the PEO," a senior official said.

The PEO has a three-tier structure, comprising the headquarters that is in the Planning

Commission, seven Regional Evaluation Offices at Kolkata, Chandigarh, Chennai, Hyderabad, Jaipur, Lucknow and Mumbai, and eight Project Evaluation Offices at Guwahati, Bhubaneswar, Shimla, Bangalore, Bhopal, Patna, Thiruvananthapuram and Ahmedabad.

It was established in 1952 as an independent organisation under the Commission with a specific task of evaluating the community development programmes and other Intensive Area Development Schemes.

The office of [IEO](#) is a more recent addition and was created in November 2010 by the previous United Progressive Alliance government, as an attached office of the Commission.

Prime Minister Narendra Modi, in his maiden Independence Day speech, had announced abolition of the Commission and replacing it with a new body.

Subsequently, an open forum was created on the website mygov.nic.in for inviting suggestions on the new institution.

The government also held a high-level consultative meeting to frame the shape of the new body to replace the Plan panel.

11. Suman Bery: The argumentative Indian

A reformed Planning Commission should reflect the diversity of Indian debate

Business Standard: 14.09.2014

I was privileged to be the director-general of the National Council of Applied Economic Research in New Delhi when that distinguished organisation celebrated its golden jubilee in 2006. At that time, I searched for documentation on how the institution came into existence and came across an essay prepared by Peter Geithner, the deputy head of the Ford Foundation in Delhi in the 1950s.¹ The Ford Foundation had recently established its first overseas office in New Delhi, and its head, Douglas Ensminger, was requested by [Pandit Jawaharlal Nehru](#) to support the new venture.

As narrated by Mr Geithner, while the [Planning Commission](#) was first established in 1950, it really came into its own in the run up to the second Five-Year Plan in 1956. In this process, the issue arose of where capacity should be created for objective analysis to underpin the design of that Plan. After considerable discussion it was concluded that such capacity was best located outside government in an independent, board-run organisation, rather than as part of the government machinery.

The basic argument was that an entity situated within government would inexorably find itself drawn to support and rationalise government policy, rather than provide disinterested advice. More controversially, it was also decided that the way to keep the proposed institution focused on practical problems was to make it dependent on contract research.

Those discussions took place almost 60 years ago. India, the world and India's position in the world are fundamentally altered from that era. It is entirely appropriate that the role and function of the Planning Commission should be under review, and it is encouraging

that the prime minister has stimulated public debate on the subject. From my perch here in the Netherlands, it has been easier for me to follow the debate in the press than to participate in live discussions. I have followed with interest the debate sponsored by the advocacy group CUTS, as well as recent columns by Shankar Acharya and C Rangarajan.

From these sources and other press reports, it appears that a decision in principle has been taken to hive off many executive functions that over time had been assigned to the Planning Commission while strengthening its role as a central, influential and (ideally) objective policy commentator. While not perhaps impossible, it is certainly tricky for such a body to maintain its independence from the government of the day, and much depends on the formal governance mechanisms and informal conventions that emerge. Some would argue that this is exactly the balancing act that the chief economic adviser (CEA) to Union government has been required to perform these many years, often with distinction. But this only deepens the question of why a second such locus is needed, particularly as the CEA is supported, at least in theory, by the professional cadre of the Indian Economic Service.

The design questions that need to be addressed, however, ought really to go deeper, and to articulate not just the kind of polity that we currently are, but also the kind of polity that we aspire to become in the coming decades: monolithic and centrally directed by a strong state; or diffuse, decentralised, federal and plural with knowledge a vital public good for ensuring coherent and coordinated action over a vast population and territory.

Most observers would point to the United States as the society where policy institutions located outside government are arguably more influential than in most other democracies. In my view, this vibrancy derives from four specific characteristics of that society. These are its presidential form of government; the system of presidential appointments to civil service jobs ("the spoils system"); a high-quality university-research culture; and a philanthropic culture underpinned by a supportive tax system.

The presidential form creates a need for aspiring presidential candidates to develop independent, informed, differentiated policy positions, while the spoils system promises power and influence to those scholars who back the right candidate. The spoils system also means that there is a need to house the losers when there is a change of administration, and it is easier to transit in and out of policy institutions than it is out of universities. The university-research culture raises the standard for all intellectual work in the society, and provides a benchmark of intellectual quality and accountability that filters across to the best of the policy institutions. Finally, at its heart the United States remains a revolutionary society born of distrust of central authority. As a result, public financial support to this intellectual infrastructure is provided indirectly through a liberal interpretation of non-profit status rather than through the direct patronage of contracts from government.²

In contrast with the United States, it is striking how few parliamentary systems have succeeded in building an ecosystem of successful and influential policy institutions. While Britain certainly is peppered with a range of economic and security policy institutions, I do not get the sense that they are central to Whitehall deliberations although they influence public debate through the media. In Australia, think tanks are a relative rarity, with the Lowy Institute a pioneer, while in Japan (and in South Korea) think tanks are set up by ministries and led by trusted retirees.

What guidance does this provide for the future of the Planning Commission? I am, of course, biased, but it would be a big pity if such a body supplanted rather than complemented the rich, if underfunded, spectrum of existing policy institutions in India, which is rare in Asia. The successor body should concentrate on three principal roles: agenda setting; synthesis of important research results in chosen areas from whatever sources; and convening power to stimulate public and political discussion on key long-term issues. In brief, it should aim to bring knowledge back into the policy process, rebutting the late Raj Krishna's charge that India is (or was) knowledge-proof. Given my current location in the Shell scenarios group, I would also urge that such a dialogue could

productively take place using the tools of scenario thinking rather than just modelling and forecasting.

12. The argumentative Indian

Business Standard: 13.09.2014

The writer is chief economist, Royal Dutch Shell. These views are his own 1. Father of Timothy Geithner, the former United States Treasury secretary in the Barack Obama administration 2. The federal government is an important supporter of university resea

A reformed **Planning Commission** should reflect the diversity of Indian debate the society where policy institutions located outside government are arguably more influential than in most other democracies. In my view, this vibrancy derives from four specific characteristics of that society. These are its presidential form of government; the system of presidential appointments to civil service jobs (“the spoils system”); a high-quality university-research culture; and a philanthropic culture underpinned by a supportive tax system.



ILLUSTRATION BY BINAY SINHA

The presidential form creates a need for aspiring presidential candidates to develop independent, informed, differentiated policy positions, while the spoils system promises power and influence to those scholars who back the right candidate. The spoils system also means that there is a need to house the losers when there is a change of administration, and it is easier to transit in and out of policy institutions than it is out of

universities. The university-research culture raises the standard for all intellectual work in the society, and provides a benchmark of intellectual quality and accountability that filters across to the best of the policy institutions. Finally, at its heart the United States remains a revolutionary society born of distrust of central authority. As a result, public financial support to this intellectual infrastructure is provided indirectly through a liberal interpretation of non-profit status rather than through the direct patronage of contracts from government.

PART B

NEWS AND VIEWS

Monday, 15th September 2014

Polity

: Tension mounts between saffron Alliance partners

Economy

: Economy to Grow by 5.6%

Planning

: Modi raises performance bar for ministers by 10%

Editorial

: Modi SEZ right thing

Communication, IT & Information Division
Phone # 2525

Tension mounts between saffron alliance partners

Maha BJP ups ante, says party workers in favour of ending seat-sharing talks with Shiv Sena

TN RAGHUNATHA ■ MUMBAI

Upset over the Shiv Sena's latest efforts to "demcan" Prime Minister Narendra Modi, the Maharashtra BJP on Sunday hardened its stand on continuing its alliance with the Sena and said that its party cadres wanted the party to end its seat-sharing talks with its long-time saffron alliance partner and contest the October 15 Assembly polls on its own strength.

A day after Sena president Uddhav Thackeray said about

lack of Modi wave in some States and said that his party had contributed as much to the saffron alliance's victory in Maharashtra as the Modi factor, a peeved Maharashtra BJP spokesperson Madhav Bhandari said: "The comments (by Uddhav) demean Modi. Our party workers are extremely unhappy about this kind of a statement coming from the Sena president. And this is not for the first time that the Sena leaders are making such statements against our leader."

"Our party cadres want the party to end the ongoing seat-sharing negotiations for the State Assembly with the Sena forthwith. ...I am reflecting the views of the party cadres at the grassroot level. I am sure that the party leadership will heed the sentiments of the cadres and call off the talks with the Sena."

Bhandari said.

Bhandari said that his statement was very in much line with the stand taken by BJP's national president Amit Shah who had said during his recent visit to Mumbai that the next Government in Maharashtra would be formed under the BJP's leadership.

In another related development, senior BJP leader-in-charge of party's affairs in Maharashtra Rajiv Pratap Rudy strong disapproved Uddhav's remarks and virtually rejected the latter's claims for the chief minister's post.

A day after Uddhav, in an interaction with a television channel, projected himself as the chief ministerial candidate and the party as the senior alliance partner to the BJP in Maharashtra,

Continued on Page 4

Tension mounts between saffron...

From Page 1

Rudy said: "It is desirable for us to refrain from making such statements prior to elections and talks..... This issue (the post of Chief Minister) will be decided after the elections," Rudy said.

That the BJP has not climbed down on its demand for a bigger share of seats than the 119 seats (out of a total 288 seats in the state) that it had contested in the 2009 Assembly polls was evident from a statement by Rudy who told media persons in Pune: "... After allotting equal share of seats from our respective quotas to our alliance partners in the Maha-

Yuti, we expect to contest to 135 seats (out of a total 288 seats in the state) leaving equal number of seats to the Shiv Sena".

On its part, the Shiv Sena has repeatedly made it clear that it is not ready to dump the formula for the State Assembly polls -- worked out by late senior BJP leader Pramod Mahajan and late Sena chief Bal Thackeray -- that the Sena would contest 171 seats, leaving the remaining 117 seats to the BJP (The Sena says that the 2009 Assembly polls were an exception since it had given away two more to the BJP upon a special request from its alliance partner).

When asked if the Shiv Sena would accept the BJP's 135:135 seat-sharing formula being mooted by his party, Rudy said: "Why do you speculate on this. There is no plan A or B. We are awaiting their response from the Sena".

However, on its part, the Shiv Sena dismissed Bhandari's statement that the State BJP cadres were so miffed with Uddhav's comments against Modi that they were rooting for the party to end its seat-sharing negotiation with the Sena.

When contacted by "The Pioneer", Shiv Sena MP and spokesperson Sanjay Raut said "Who is Bhandari to talk about

our party president's remarks? If the BJP has an issue with the remarks, then its national president Amit Shah should speak about it and not Bhandari. I have nothing to say about Bhandari statement.... All I can is that the talks are going on between the Sena and BJP as before".

Informed sources in the BJP, meanwhile, said that there were some sections within the party that wanted the party to snap its ties with the Sena and go it alone in the Assembly polls so as to make the most of the prevailing mood in favour of Prime Minister Narendra Modi in the state.

Apart from its eagerness to get a bigger share of seats from a rigid Shiv Sena, what has

prompted the Maharashtra BJP to hit out at Uddhav is a remarks made by Uddhav at a programme hosted by a leading national television channel on Saturday.

Among other things, Uddhav made no bones about his readiness to take up the chief minister's post. "Like others do, I do not day dream or hanker for the chief minister's post. But, I am not the one to shy away from taking up the responsibility. Many expressed doubts about the fate of the Shiv Sena after Balasaheb. But, I accepted the responsibility and I am leading the party.. That's why I am saying that I am not the one to shy away from shouldering the responsibility".

In another equally significant statement, Uddhav remarked: "During the Lok Sabha polls, people in the country wanted a change. They wanted a new face who represented change in the country. The change came in the form of Narendrabhai. The people accepted Narendrabhai. Now, it is the turn of Maharashtra. People here want a change. They want a face to vote".

Asked if he wanted to be the face that represented change in Maharashtra, Uddhav said: "Why not. Ultimately, it is people who are looking for a change".

Asked if Prime Minister Narendra Modi would campaign for the saffron alliance in the Assembly polls, Uddhav

said in a statement that has miffed the BJP to no end: "Modi is our Prime Minister. He is our national leader. We campaigned for him in the Lok Sabha polls. After all he is the leader of the saffron alliance. He is not an enemy. Nor he is Nawaz Sharif. If the Sena-BJP alliance performed exceedingly well it was because both the parties worked hard for the victory. If you want to talk about the existence of a wave in the Lok Sabha polls. Why was there no such (Modi) wave in states like Tamil Nadu, Punjab, Orissa and West Bengal? If the Modi factor worked in Maharashtra, it was because our image was good and we (Sena) worked the success".

Uddhav also said that the

Sena was indeed the senior partner in the saffron alliance in the Assembly polls. "As far as Assembly polls are concerned, the BJP will contest whatever that the Sena aside to it".

Uddhav, however, hoped that the seat-sharing negotiations would fructify in the coming weeks. "Our alliance is on for the last 25 years. Ours is the only example where an alliance between the two parties has lasted for such a long time... But, all of us should know limits when we speak. If we follow such a policy, we will not face any impediments," the Sena president, referring to the tension currently prevailing between the two saffron alliance partner over the seat-sharing for the Assembly polls.

ECONOMY TO GROW BY 5.6%

GOVERNMENT HAS GIVEN VERY POSITIVE POLICY SIGNALS IN ITS FIRST 100 DAYS: FICCI

STATESMAN NEWS SERVICE
New Delhi, 14 September


Industry body Ficci's latest Economic Outlook Survey has pegged the country's GDP growth at 5.6 per cent in financial year 2014-15, an improvement over the 5.3 per cent growth estimate that was indicated in the industry chamber's previous survey.

The minimum and maximum range for the GDP growth in the current fiscal has been indicated at 5.3 per cent and six per cent, respectively.

This reflects a clear return in optimism and the economic activity is expected to continue with this momentum in the second half of the current fiscal year as well, the Ficci survey said.

While the agricultural growth is expected to remain steady despite a delay in the monsoons, the outlook for the industrial sector seems to have improved consider-

OUTLOOK FOR THIS FISCAL



- The minimum and maximum range for the GDP growth in the current fiscal is indicated at 5.3 per cent and six per cent, respectively
- Agricultural growth is expected to remain steady despite a delay in the monsoons
- Industrial sector is expected to grow by 4.7 per cent, which is 1.6 percentage points more than the growth estimate in the previous survey in June
- Services sector is likely to expand by 6.9 per cent in fiscal 2014-15
- CPI inflation rate is projected at 7.8 per cent, in sync with RBI's indication earlier this year
- The Reserve Bank of India is not likely to cut interest rates this year

ably. The latter is expected to grow by 4.7 per cent in FY'15, which is 1.6 percentage points more than the growth estimate in the previous survey round (conducted in the month of June 2014).

The growth in the services sector is expected to remain pretty much at similar levels as was reported last time. The sector is like-

ly to grow by 6.9 per cent in the current financial year.

The new government, guided by the objective of restoring growth and governance, has given very positive policy signals in its first 100 days.

"We see the confidence amongst investors slowly returning and hope that going ahead the momentum on implementation

front will build up," the survey said.

Inflation is expected to ease somewhat compared to last year and the annual average CPI inflation rate is projected at 7.8 per cent in FY'15. This is in sync with target indicated by the Reserve Bank of India earlier this year. However upside pressures on inflation may still arise.

The economists who participated in the survey were also asked to indicate by when they expect a cut in the key policy rates by the Reserve Bank of India. On this, a majority of economist felt that the RBI will consider a cut in policy rates only in the first quarter of the next calendar year.

The household inflationary expectations remain high and the central bank will wait and watch until there are definite signs of inflationary pressure abating.

The prognosis made by the economists with regard to exports and current account deficit (CAD) reflected no imminent risks.

The CAD to GDP ratio for FY'15 was projected at 1.9 per cent. Further, participants were of the view that the macro-economic fundamentals are gradually strengthening and the overall health of the economy is set to improve going ahead, the survey said.

Modi raises performance bar for ministers by 10%

TASKMASTER Hikes ministries' development targets, gives plan panel monitoring job

Chetan Chauhan

■ chetan@hindustantimes.com

NEW DELHI: Prime Minister Narendra Modi, who recently called himself a 'hard taskmaster', has set his ministers a minimum 10% target for enhancing existing infrastructure in their areas of responsibility by the end of the financial year.

And he plans to keep an eye on them. The task of monitoring the performance of ministries has been given to the Planning Commission, and later to the think tank that replaces it.

The government is currently giving shape to the think tank but has already decided on some of its functions, one of which will be to oversee the implementation of the PM's innovations such as Digital India, Skill India and Swachh Bharat, senior government officials said. It would be required to submit regular reports to the prime minister's office (PMO).

The PMO's direction, quoting Modi, to ministries to add 10% to existing physical infrastructure and services provided by then by

PM'S INFRASTRUCTURE PUSH

If ministries meet the enhanced target set by PMO, here's what it could translate into by March 2015

- Mobile services for half of India's rural villages
- Minimum 80% literacy rate, up from the current 72%
- 19% gross enrolment ratio in higher education (currently 17%)
- 7,700km of new roads and highways
- 500km of new railway tracks

March 2015 would translate into mobile services for half of India's rural villages, a minimum 80% literacy level (from the current 72%) and 19% gross enrolment ratio in higher education (17% now).

The road transport ministry headed by Nitin Gadkari will have to add 7,700km of new roads and highways compared to its target of 7,000km. The PM wants 500km of new railway tracks instead of the 300km target presented by railway minister Sadanand Gowda. Similarly, targets for civil aviation and shipping ministries have also

been upped.

"This is the minimum the PMO has prescribed," a government official said, adding that anything over and above would add to the annual performance of ministers and secretaries.

A union minister who refused to be named said the initiative would push them to achieve more. "The Prime Minister is targeting us to do more for the country, and we will try our best. We, as well as the bureaucrats, will be under pressure but it will help us deliver."

The PMO has told plan panel

THE MONITOR

- Planning Commission's monitoring divisions entrusted with keeping an eye on the performance of ministries
- Since plan panel has been officially scrapped, the job will pass on to the new think tank that replaces it
- Govt is currently giving shape to the new think tank



secretary Sindhushree Khullar to prepare a template for reviewing the performance of ministries with the new target in mind. Monitoring divisions of the panel are being strengthened with staff from other units. "We believe the divisions entrusted with monitoring will continue their job till the new think tank is in place," another senior official said.

Khullar has already made a presentation on the performance of core infrastructure ministries for 2014-15 and deliberated on targets suggested by them for the fiscal.

Govt may modify IT Act to remove legal hurdles in e-commerce

NEW DELHI: The Government is likely to modify the Information Technology Act, 2000 to remove legal obstacles in e-commerce transactions as it seeks to further boost the rapidly expanding over \$2-billion online shopping market in the country.

Under the proposed Communications Convergence Bill, the government plans to modify the IT Act, 2000 to provide legal recognition for transactions carried out using electronic data interchange and other means of electronic communication, sources said.

Besides, it also aims to draft a set of globally acceptable guidelines to increase the legal predictability for electronic commerce (e-commerce) and adopt the United Nations General Assembly's (UNGA) recommended Model Law on Electronic Commerce (MLEC), they added.

According to UN Commission on International Trade Law, MLEC seeks to enable and facilitate transactions done using electronic means by providing governments with internationally acceptable rules aimed at removing legal obstacles and increasing legal predictability for e-commerce.

The law is intended to "overcome obstacles arising from statutory provisions that may not be varied contractually by providing equal treatment to paper-based and electronic information.

"Such equal treatment is essential for enabling the use of paperless communication, thus fostering efficiency in international trade," the UN body said.

The Government has already constituted a committee to develop a conceptual framework for Communications Convergence Bill, which was originally drafted in 2000 under the BJP-led NDA Government.

The Bill was at that time shelved due to differences between the Telecom Ministry and the Ministry of Information & Broadcasting on bringing the broadcasting sector under the ambit of a super-regulator.

The Department of Telecom (DoT) is likely to finalise the draft Bill before the Winter Session of Parliament.

The Government's move to modify the IT Act, 2000 to boost online shopping also gels with its ambitious project worth around ₹35,000 crore that aims to provide high-speed broadband connectivity to 2.50 lakh gram panchayats in India.

According to Telecom Minister Ravi Shankar Prasad, the National Optical Fibre Network will lead to an explosion of e-commerce in the country.

A joint study by consultancy firm PwC and industry body Assocham predicts that the size of the e-retail industry is poised to touch \$10-20 billion by 2017-2020 and e-commerce firms are expected to spend up to \$1.9 billion by 2017-2020 on infrastructure, logistics and warehousing.

Another report by consulting firm Technopak pegs the \$2.3 billion e-tailing market to reach \$32 billion by 2020.

PTI

Now toilets scheme for urban areas

VIJAITA SINGH

NEW DELHI, SEPTEMBER 14

AFTER unveiling a plan for toilets in rural areas, the NDA government has decided to extend the project in cities and towns.

The Urban Development Ministry is working on an ambitious project that will ensure toilets to all the people living in urban areas.

The scheme is likely to benefit slum dwellers and people living in unauthorised colonies who do not have access to basic sanitation facilities.

According to the latest

National Sample Survey Office (NSSO) data, nearly 12 per cent of urban population still does not have access to toilets and the government will give an assistance of Rs 10,000 per family to build toilets near their homes.

"We are giving final shape to the proposal of building toilets also in urban areas, specially slums. We will be soon moving the Cabinet and disbursing the money required to build toilets to each household through the states," said Shankar Aggarwal, secretary, Urban Development.

Prime Minister Narendra Modi has already invited suggestions for the Swachh Bharat Mission to be launched on October 2 on Mahatma Gandhi's birthday.

A senior UD ministry official said the plan to build toilets in urban areas will be done through the state governments.

"The states will be an important part of the scheme. The money allocated by the Centre will not be directly given out to households. There will be active state participation where we will give them incentives to encourage

people with no access to toilets to build one," said a senior official.

The government is also looking at innovative technologies to build toilets that do not occupy much space.

"A survey will be done through each municipal body and people will be made aware about the government's scheme. The local municipal corporation will (also) be involved. There will be another layer of checks and balances to see the money is not misused or is embezzled. All these things are under consideration," said an official.

Money laundering: RBI takes action against erring UCBs

PRESS TRUST OF INDIA
NEW DELHI, SEPTEMBER 14

CRACKING down on money laundering, the Reserve Bank of India (RBI) has closed down six urban cooperative banks (UCBs) which were suspected of being used to route illegal money.

The central bank has also asked state governments to take stern action against any other erring UCBs after reports emerged that such entities were being used as conduits for money laundering.

The matter of misuse of UCBs, over which there is dual control by Central and state governments, was discussed during a recent meeting of the Economic Intelligence Council (EIC) headed by finance minister.

UCBs are inspected annually or once in two years depending on their ratings or classification. About 70 per cent of these urban cooperative banks are subjected to inspection every year.

RBI has aggressively pursued the issue and around six UCBs were closed as they were found to be "unviable", according to the minutes of the meeting.

Sources who were present at the meeting said it was found that these banks were lax on regulatory issues and were used as conduits.

SIT on black money empowers ED to probe huge forex violations

NEW DELHI: To check large-scale foreign exchange violations and generation of slush funds, a Special Investigation Team (SIT) on black money has asked the Reserve Bank of India and Enforcement Directorate (ED) to jointly take on cases of huge exports outstanding.

The SIT, for the first time, has authorised the ED to obtain regular information on export outstanding amount of more than Rs 100 crore, a data till now shared only by the banking reg-

ulator with investigative and enforcement agencies like the Department of Revenue Intelligence and Customs.

Sources said the SIT found that a number of such instances are being reported and hence it has asked RBI to begin providing the ED dossiers on such defaults as it is the lead agency to check forex contraventions and the hawala route of illegal payments.

The ED investigates forex related crimes under the Foreign Exchange Management Act. PTI

"RBI had taken up the issue with the state governments and also advised stringent action against the erring UCBs," it said, but did not disclose the names of the banks.

On the issue of risk categorisation and compilation or updating of profiles of all their existing customers, the apex bank said their regional officers have been advised to seek compliance from UCBs and submit an update which would be reviewed and any necessary action initiated.

RBI has been directed by the chairman, EIC, to block accounts of non-complying customers while keeping the credit option open.

The customers would be able to credit money into their accounts but the withdrawal facility would be activated only when the mandated information is furnished.

The action comes after it was noticed that the UCBs, which hold deposits of over Rs 2 lakh crore, were being misused for money laundering.

It was observed that the problem of irregularities in the UCBs is of "grave nature" given their wide reach and penetration across the country with 8,100-plus branches which have huge deposits to the tune of Rs 2.09 lakh crore and advances worth Rs 1.35 lakh crore.

Modi's bonding with Japan will spur Chinese interest in India

Key investments to be announced during President Xi Jinping visit this week

KR SRIVATS

New Delhi, September 14

By warming up to Japan to meet India's infrastructure needs, Prime Minister Narendra Modi may have put several Western politicians — who shunned him post 2002 Gujarat riots — on notice.

However, Modi's strong engagement with the Japanese Prime Minister Shinzo Abe earlier this month is expected to propel the Chinese to further expand its economic ties with India.

The emergence of Asian axis could impact the US influence on moulding the balance of power within Asia, say economy watchers.

China now sees the Indo-Japanese industrial collaboration as more "strategic".

Modi's coziness with Japanese leader Abe has clearly led to some eye-catching deals this month — assurance of \$35 billion Japanese foreign direct investment into India over next five years, more Japanese soft

loans besides collaboration in defence industry and rare earth exploration.

Japan will also play a strong role in the development of industrial corridors and may nudge its automakers and electronics companies to expand their Indian operations.

Japan, formerly a big donor for China, now counts India as its largest aid recipient.

Modi's visit to Japan has certainly put India on a strong diplomatic wicket, raising its bargaining power with China (during the forthcoming visit of President Xi Jinping to India) and also the US (when Modi embarks on an official visit this month-end).

China is now clearly looking to match the investments promised by Japan into India.

After dilly-dallying for a long time, China has suddenly started walking the talk on its intention of pumping money into India. A team of Chinese officials has already identified two locations — one in Gujarat and the



Walking the talk Prime Minister Narendra Modi with Chinese President Xi Jinping at the BRICS Summit in July (file photo) PTI

other in Maharashtra — to set up industrial parks with Chinese investments.

The country is also set to

pledge its investments into railway infrastructure. Related MoUs will be signed during the Chinese President's visit this

week. China is already a large lender when it came to commercial loans, especially for the power sector.

India's power sector has had the largest share of Chinese loans.

Look beyond Japan: UK

The United Kingdom, which is seeing the changing dynamics amongst the Asian biggies, does not seem all that happy with the growing India-Japanese collaboration on the industrial front.

UK Deputy Prime Minister Nick Clegg, in a meeting with representatives of think tanks and the Indian industry, during his recent India visit, indicated that India needed to think beyond Japan when inviting foreign investments.

"Since all countries are not able to invest by giving soft loans like Japan, the UK wants India to keep in mind the terms and conditions under which other countries can invest," said a person who attended the meeting.

With inputs from Amiti Sen and Debabrata Das

UNCOVERING SWISS STASH

India May Rope in G-20 to Endorse its Black Money Drive

Govt will put forward provision when group fin ministers meet to back info sharing

Deepshikha.Sikarwar
@timesgroup.com

New Delhi: India will try and rally the G-20 in its drive to unearth black money salted away by its citizens in Switzerland and other tax havens by pushing for the inclusion of a provision related to this on retrospective sharing of information. The latter, aimed at tackling tax avoidance and evasion, will be based on the new global information sharing format prepared by the Organisation for Economic Co-operation and Development or OECD.

Finance ministers of G-20 will meet later this week in Australia where they will endorse the information-sharing proposal.

India's attempts to seek information from Switzerland, which has strict secrecy laws,

Apart from refusing to share info prior to 2011, Switzerland has cited domestic laws to stonewall queries

and it will not provide any information about accounts before that date. India will be represented by minister of state for finance Nirmala Sitharaman at the G-20.

"We have made huge progress with regard to information sharing... We want this to become more meaningful and for that it's important that countries share data on bank accounts with retrospective basis," said a finance ministry official, adding India will try and rally the G-20 on the issue.

Illegal Indian money said to be in Swiss banks has long been a political issue and the new government does not want to ease up on efforts to chase the funds down, particularly with the courts also taking an interest.

India entered into a new treaty with Switzerland that came into effect in November 2011, pro-

Leveraging Some Help

G-20 FMs will meet later this week in Australia

They will
discuss
global info
sharing
based on
OECD format

New Delhi
hopes to
leverage
support
for black
money issue

Struggle for Info

Switzerland's strict
secrecy laws have
thwarted India often

Previous
UPA govt
blacklisted
Cyprus
for not
cooperating

Illegal
Indian
money in
Swiss banks
is a political
hot potato



₹14,100 cr
Deposit of Indians at 2013-
end, says Swiss National Bank

viding for sharing of information on bank accounts.

The Swiss National Bank has reported on its website that the total deposit of Indians increased to about ₹14,100 crore at the end of 2013 from about ₹8,547 crore a year ago.

Apart from refusing to share information prior to 2011, it has cited domestic laws to stonewall queries from India on bank account holders.

Frustrated by this, India had raised the issue of information sharing on tax offenders at the G-20 earlier as well, arguing that countries and tax havens were citing these provisions as an excuse.

"You need information on bank accounts prior to the agreement becoming effective... Sometimes tax offenders close one account and shift to another jurisdiction," said the official cited above. "For effective and meaningful exchange of information this is important." The official said a global agreement would be more effective in making countries reluctant to share information come on board.

POWERING AHEAD Despite official-level dialogues being called off, export pricing for natural gas from India has been finalised even as a pipeline is likely to be operational within a year

Indo-Pak Gas Pricing Settled as Trade Talks Gain Ground

Dilasha Seth
@timesgroup.com

New Delhi: Islamabad has agreed to a pricing formula for import of natural gas from India, a silver lining in an otherwise fractious relationship between the nuclear-armed neighbours.

The agreement follows discussions last month between GAIL India and the Inter State Gas Systems (ISGS) of Pakistan.

In 2012, India had offered to export up to 5 million cubic metres of gas per day to Pakistan for an initial period of five years. The two nations, however, had failed to fix a price. "Gas pricing was the biggest hurdle, but it is finally settled. This will provide gas at an economical price to our neighbour once the pipeline operationalises", said an Indian official.

India will import liquefied natural gas (LNG) and send it to energy deficient Pakistan via a pipeline between Jalandhar and Wagah. The pipeline, in which GAIL is investing about ₹500 crore, is likely to be operational in a year. LNG will be imported from Qatar through terminals in Maharashtra or Gujarat and then moved through GAIL's existing pipeline network to Jalandhar. Under the agreement, LNG will be gasified by the Indian side as Pakistan does not have an LNG import facility.

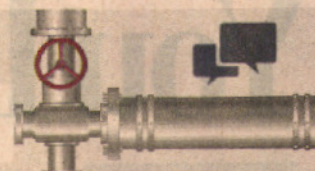
In this year's budget, Finance Minister Arun Jaitley has granted basic customs duty exemption of 5% on re-gasified LNG for sup-

Energising Bilateral Biz

Gas pricing formula, considered a hurdle, has been finalised

It comes after GAIL-Inter State Gas Systems (Pakistan) talks

In 2012, India offered to export up to 5 mcm of gas per day



CURRENT SITUATION

India will import LNG from Qatar through Maharashtra, Gujarat

These terminals will then send it via Jalandhar-Wagah pipeline

LNG will be gasified here as Pak does not have LNG import facility

NUMBERS IN PLAY

₹500 crore GAIL investment in inter-country pipeline

5% basic customs duty exempt on re-gasified LNG for Pak

500-1,000 mw electricity grid corridor to Pak in the offing

MEN WHO MATTER

Proposal to allow Indian, Pakistani businessmen to meet at Wagah

Trade can be discussed in neutral territory without travel visas

May be considered once official-level bilateral talks resume



The India-Pakistan gas pipeline will give confidence to get into an agreement with Pakistan for the Turkmenistan-Afghanistan-Pakistan-India pipeline, which will bring Turkmen gas to India.

Indian official

ply to Pakistan. "Pakistan will be offered the LNG without charging the marketing premium", the official said. The development gives a fillip to bilateral energy talks after India last month called off foreign secretary-level talks with Pakistan in protest against Pakistan envoy's meeting with Kashmir separatists.

Later this month, Prime Minister Narendra Modi is likely to meet his Pakistani counterpart Nawaz Sharif on the sidelines of UN General Assembly in the US.

India is also in talks to supply electricity to Pakistan through a grid corridor that can carry 500-1,000 mw electricity.

"A small part of Pakistani grid will connect with the Indian grid system. The mechanism is being

worked out," the same official said. According to a Pakistani newspaper, the country's is able to meet only 65% of its energy needs through its own resources.

India is also in talks to supply electricity to Pakistan through a grid corridor that can carry 500-1,000 mw

automatically follow," said Nisha Taneja, professor at research organisation ICRIER. "Instead of forcing trade, we are giving a lifeline to their economy. The government is not announcing it, but these signals are far

stronger. It is a paradigm shift again."

The official quoted earlier said, "The India-Pakistan gas pipeline will give confidence to get into an agreement with Pakistan for the Turkmenistan-Afghanistan-Pakistan-India pipeline, which will bring Turkmen gas to India."

India is also considering a proposal to allow Indian and Pakistani businessmen to meet at the Wagah border so proposals can be discussed in neutral territory without travel visas. "This will provide opportunity to businessmen to discuss proposals and exchange samples without having to go through the hassles of a visa," said another official. However, this will go through once official-level talks resume.

High-level committee on FCI restructuring meets today

fe Bureau

New Delhi, Sept 14: The second meeting of the high-level committee (HLC) set up to recommend ways to restructure Food Corporation of India (FCI) will be held on Monday.

Held a week ago, the first meeting of the committee, chaired by former food minister Shanta Kumar, had decided to invite suggestions from the public and stakeholders on restructuring FCI's key functions to further strengthen and integrate the supply chain of foodgrain.

It was also decided to invite private sector firms to make a presentation on 'International Best Practices in Storage and Handling of Foodgrain' before the high-level committee.

The FCI officials, in their presentation before the



The panel will suggest ways to reorient FCI's role and functions in MSP operations and storage and distribution of foodgrain

HLC, had said that the total funds allocated under the food subsidy budget were only 2%, which is the administrative cost, while the rest were expenses towards minimum support price (MSP), storage and transportation of foodgrain.

The terms of reference of the HLC are to study various models of restructuring for unbundling of the FCI and suggest the best-suited model to improve its operational efficiency and financial management.

The panel will give sugges-

tions to reorient FCI's role and functions in MSP operations, storage and distribution of foodgrain and food security systems during the next three months.

HCL's members include FCI chairman and managing director C Viswanath; electronics & IT secretary Ram Sewak Sharma; former CACP chairman Ashok Gulati; IIM-A Dean G Raghuram; Dean, School of Economics, University of Hyderabad, Gunmadi Nancharai; and Punjab food secretary DS Grewal.

PM visit to boost Indo-US defence ties

Huma Siddiqui

New Delhi, Sept 14: Indo-US defence cooperation is expected to take a major leap during Prime Minister Narendra Modi's visit to Washington later this month, with the world's two largest democracies likely to renew their security collaboration framework, apart from discussing the possibility of India as a non-NATO ally of the US.

As part of Track II diplomacy, at a discussion held in New Delhi last week organised by US-based Covington & Burling LLP and Tatva Legal, Captain Todd Squire USN, chief, Office of Defense Cooperation, American Embassy, suggested that during the PM's forthcoming visit the two countries could renew defence cooperation for the next decade, strengthening its scope with preferential treatment to US-based companies to set up shop in India under the government's 'Make in India' policy.



NARENDRA MODI

Infact, when US defence secretary Chuck Hagel was in New Delhi in August, in his meeting with defence minister Arun Jaitley, the two sides had decided to take steps for extension of the ten-year defence framework agreement with the US before it expires in July 2015. And it was also agreed upon that the Defence Technology and Trade Initiative (DTTI) programme under, which they will co-produce and co-develop military equipment, will be taken forward.

Two years back, the US had offered as

many as 10 technologies under the Defence Trade and Technology Initiative (DTTI), but not much has happened since then. And, this year again, the US has offered seven more technologies to India.

The key persons in charge of the efforts under DTTI will be secretary, department of defence production, India and under secretary for acquisition, technology and licensing at the Pentagon, the US. With a total of 17 technologies offered to India, nothing has moved forward not due to red tape, but due to lack of clarity.

Ahead of the visit, decks were cleared for contracts worth \$2.5 bn — 22 Apache attack & 15 Chinook heavy-lift choppers for IAF. In August, the Defence Procurement Board (DPB), headed by the defence secretary, had cleared offset proposals for the two contracts estimated at \$2.5 billion. This paved the way for the deals to be placed before the DAC, before final approval is sought from the Cabinet Committee on Security.

The Financial Express

Editorial

Modi SEZ right thing

Tax, other sops likely to be restored

Given their large potential to create both jobs and stimulate investments, the government has done well to decide to reconsider the tax sops for SEZs. At her 100-day press conference, commerce minister Nirmala Sitharaman indicated the government was re-examining the removal of tax sops for both units in SEZs as well as for the developers of SEZs. The minister also said the government was examining the possibility of exempting such units from the cumbersome land acquisition Act. Given that, between February 2006 and now, investments in SEZs have risen from ₹4,000 crore to ₹3 lakh crore and employment from 1.4 lakh persons to 12.8 lakh, the potential of SEZs is obviously large, and far greater than the notional tax loss of around ₹23,000 crore assumed in the budget document, more so in the context of the ₹3.76 lakh crore of total tax giveaways to all sectors in FY14. It also needs to be pointed out that, since the sops were part of the original SEZ Act, withdrawing them was tantamount to a retrospective amendment. Indeed, if it wasn't bad enough that both DDT and MAT were being imposed on such units, in July the taxman came up with yet another amendment to the section under which SEZs get their tax exemptions, this one adding more riders if units wanted a tax exemption.

Worse, there is also a proposal to ensure that all units in SEZs do at least 51% physical exports. Right now, not all units make physical exports, their exports are what are called 'deemed exports'—the only condition in the SEZ Act is that, taken together, all the units are together export-positive. Take the case of Unit A in an SEZ which imports \$100 of goods, does \$10 of value addition and then sells \$110 worth of goods to Unit B in the SEZ which, in turn, does value addition and sells it to Unit C for \$120 and that, in turn, exports it for \$130. The SEZ as a composite whole is clearly forex positive by \$30, but Unit A and B are not. Under the new proposal, Unit A will have to physically export \$55 worth of goods and Unit B \$60. Unit B and C, in turn, will have to import goods since their suppliers, A and B respectively, will no longer be able to meet their needs fully. As in the case of the tax sops, this is something Sitharaman needs to examine. SEZs, and their much larger cousins NIMZs, are an integral part of the manufacturing revival story, and the government needs to remove all hurdles in their path.