Planning Commission
Government of India

PART A: News pertaining to Planning Commission

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Compiled by:

S. Wadhawan, ALIO and **Communication, IT & Information Division**
Mrs. Varsha Satija, SLIA
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[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.The Asia Age 16/09/2014

Centre plans fund for manufacturing

AGE CORRESPONDENT
NEW DELHI, SEPT. 15

Cabinet Committee on Economic Affairs (CCEA) under Prime Minister Narendra Modi on Monday approved a ₹930 crore scheme to bring competitiveness of domestic capital goods sector at par with global standards.

This is seen as first in the series of initiatives under Mr Modi's vision of 'Make in India'.

The scheme on Enhancement of Competitiveness in the Indian capital goods sector will be implemented in the 12th plan period and spill over to the 13th plan period.

The gross budgetary support (GBS) from the government for the scheme would be ₹581.22 crore and the balance ₹349.74 crore would be contributed by the stakeholder industries.

"This is a pilot project, going ahead we plan to expand the project across the country. The total cost to be incurred for implementation of the entire project is around ₹20,000 crore in coming years," minister of heavy industries Anant Geete said.

The sub sectors of capital goods covered under the scheme are mainly for machine tools, textile machinery, construction and mining machinery, and process plant machinery.

The proposed scheme addresses the issue of technological depth creation in the capital goods sector, besides creating common industrial facility centres.

2. Government may move Aadhar Project to IT ministry

By Yogima Sharma, ET Bureau | 16 Sep, 2014, 03.59AM IST

Sources say, the only hurdle before government in attaching UIDAI to IT ministry is co-ordination with states, which was done by Planning Commission.

ET SPECIAL:

ET Special: All you want to know about Apple iPhone 6

NEW DELHI: The government is looking for a new parent for the Unique Identification Authority of India (UIDAI) as it prepares to wind up the Planning Commission, which had so far been the administrative authority for the body that has been tasked with issuing chip-based, biometric photo ID cards, called Aadhar, to all Indians.

Senior government officials told ET that the government can move UIDAI to the information technology (IT) ministry. They said discussions are on between the Planning Commission and the IT ministry on the feasibility of moving out UIDAI from the commission. "This is necessary since the government is working on the process of closing down the commission. Besides, placing UIDAI under the IT ministry will ensure greater synergy between the authority and the Centre," one of these officials said on condition of anonymity. IT secretary RS Sharma has, however, said no such proposal was being considered by the ministry.

But some officials said the idea of putting UIDAI under the control of the IT ministry was mooted by Sharma, who was the director-general of UIDAI when it was launched in 2009. These officials also said that Sharma not only persuaded the Narendra Modi government to retain UIDAI but also convinced it to fast-track generation of Aadhar cards for 100 crore-plus Indians. According to the official quoted earlier, the only hurdle before the government in attaching UIDAI to the IT ministry is co-ordination with states, which, until now, was done by the Planning Commission.

Soon after taking over as home minister, Rajnath Singh had said that the government will merge UIDAI with the National Population Register, which is under his ministry. But days later, the Prime Minister announced that his government has decided to retain UIDAI and given it a target to issue Aadhaar cards to 100 crore citizens by the end of 2015.

3. The "New" Planning Commission

Economic and Political Weekly Vol - XLIX No. 35, August 30, 2014 |

Mihir Shah

The body that is to replace the Planning Commission must build on the strengths of the existing one even as it addresses the many existing deficiencies.

Mihir Shah (mihir.shah@nic.in) was Member, Planning Commission from 2009 to 2014.

Prime Minister Narendra Modi announced the demise of the Planning Commission from the ramparts of the Red Fort on Independence Day. As the nation debates the form and content of the institution to replace the Planning Commission, it may be useful to reflect on the immediate context that precipitated the disbanding, as also to reiterate certain functions of the Planning Commission that will need to be performed by its replacement. I will draw mainly, but not only, upon my five years as Member, Planning Commission during 2009-14.

Classifying Institutions

One way of classifying institutions is in terms of the balance between their potential positive power (PPP) and potential negative power (PNP). Potential positive power may be broadly understood to mean the capacity and power to enforce or facilitate positive change that would hasten the achievement of national goals. Potential negative power, on the other hand, refers to the capacity or power to obstruct, delay or derail positive reform, in cases where such reform threatens entrenched vested interests, status quo or business as usual.[1] The exercise of PNP is often a ruse to foster corrupt practices, but it can also be an exercise of wanton power for its own sake, reflecting a perverse sense of power-induced pleasure.

The two institutions with perhaps the highest quotient of both PPP and PNP in the government of India have, especially in recent years, been the Planning Commission and the Ministry of Finance. In my five years in the Planning Commission, I saw many instances of PNP and how this became a source of great resentment against the Planning Commission, both among state governments and central ministries. Of course, at times, the Planning Commission acted with sagacity in checking profligacy of funds and schemes. But there were many cases where in-principle approvals, investment clearances, grants-in-aid and other decisions appeared to smack of bureaucratic red tape, more than an application of mind motivated by the broader national interest and effectiveness of functioning. There were also visible vestiges of the old Stalinist command and control, inspector raj mindset.[2]

The Expenditure Finance Committee (EFC) meetings held to approve expenditure on new schemes typically saw the Planning Commission representatives play an obstructionist role, at times raising completely specious objections that revealed not merely non-application of mind but also lack of due diligence and requisite homework on their part. This led to huge delays in the passage, through the corridors of power, of many an innovative idea for reform of government. States too were displeased with their chief ministers having to go through the annual ritual of obtaining approval of their Annual Plans at Yojana Bhavan. An empty ritual it was, for neither did the Planning Commission have much to add in finances to the state's Plan, even the well-meaning advice of the Planning Commission generally tended to be ignored because of the overall context of the Annual Plan "approval" meeting in which the advice was being given. It is clear that reaction to this unrelenting exercise of negative power has finally reached a crescendo, with the institution itself suffering a demise.

To my mind, it is this negativity that is the chief cause for the Prime Minister's action, more than the oft-repeated notion that the Planning Commission had to go because it was a "socialist" vestige, an anachronism in the capitalist economy that is India today. Indeed, the role of the Planning Commission in India in recent decades has had nothing to do with keeping the commanding heights of the economy with the public sector. If anything, quite to the contrary, it has been a great proponent of the private sector and Public-Private Partnerships (PPPs). So in understanding its demise and anticipating the roles of its replacement, this ideological lens is not of much use.

Such a view, that has been expressed, not only by the right but also surprisingly by the left, in any case, overlooks the work of Yale political scientist David Cameron (1978) and Princeton economist Dani Rodrik, which decisively show that even advanced capitalist economies, virtually without exception, are characterised by massive and increasing role of government. As Rodrik (2012) suggests, developing strong markets and open economies requires more government, not less: "With very few exceptions, the more developed an economy, the greater the share of its resources that is consumed by the public sector. Governments are bigger and stronger not in the world's poorest but in its most advanced economies. The correlation between government size and per capita income is remarkable tight. Rich countries have better functioning markets and larger governments when compared to poor ones."[3] If we take today's advanced economies and track the share of government expenditure in their economies over time, Rodrik finds a steadily rising trend from 11% in 1870, 20% in1920, 28% in 1960, 40% in 1975 to around 35-60% today. And the higher shares are found in more open economies because their citizens demand that governments compensate them against the risk which international economic forces expose them to.

Our view, therefore, is that to get a more concrete idea of the what the new institution must do, it would be much more useful to focus on the many positive roles that the Planning Commission played and which, perhaps, no other institution in India is in a position to perform.

Seven Key Roles

The key arena where the new institution must play its part is in mediating centre-state relations and pushing for a more devolved economy and polity in India. Given the enormous diversity of India in social, cultural, agro-ecological and economic terms, it becomes imperative to focus on the principle of subsidiarity. Every effort needs to be made to find location-specific solutions to problems, closest to where the problems exist. States must enjoy maximum flexibility in this respect and there must be mechanisms that facilitate learning across states. Despite all the exercise of negative power that I alluded to earlier, the new institution is in a great position to draw upon the very rich experience of the Planning Commission in each of these respects.

In my years at the Planning Commission, I saw innumerable instances of the exercise of this positive power. I believe there are at least seven broad areas in which the Planning Commission played an extremely positive role: one, pioneering an inclusive planning process; two, facilitating and mainstreaming reform; three, pushing decentralized planning forward by emphasising the principle of subsidiarity in recognition of the deep diversity of India; four, rationalizing the centrally sponsored schemes and introducing greater flexibility within them; five, being the spokesperson of the states at the centre; six, co-ordinating across, if not breaking down departmental silos within the Government of India as also arbitrating disputes by taking a more long-term and holistic view of issues; and seven, providing an independent evaluation and critique of government programmes and policies. Each of these roles will need to be taken over by the new institution replacing the Planning Commission.

Inclusive Planning

The Twelfth Plan process saw a completely unprecedented architecture of plan formulation. For the first time in the history of the Planning Commission, the 12 working groups on water, rural development and panchayati raj were chaired by eminent experts from outside government and included the best minds and practitioners from across central and state governments, academia, research institutions, industry, civil society, and panchayati raj institutions. It was clearly recognised that all wisdom does not reside within government and that the best plans, programmes and policies could be made only with the active involvement of those outside government. This was not mere tokenism in the name of participation. Final decisions were made by these inclusive working groups. For me, the true indicator of the success of this process was that even though none of the players involved were fully happy with the final outcome, something truly path-breaking was achieved. This only reflected the spirit of compromise that is a hallmark of good governance, as a hard-fought consensus was thrashed out among the members and the chair and co-chair, who was in each case the senior-most official of the concerned department. Each side was compelled to give up their own pet fundamentalisms in the interests of forging a consensus. The result was a series of landmark proposals that constitute a paradigm shift in water management in India, including the first-ever National Aquifer Management Programme, a new approach to incentivise de-bureaucratisation of large irrigation projects and irrigation management transfer to increase water use efficiency, a new integrated approach to rural drinking water and sanitation, a proposal to regularly audit the industrial water footprint and a new “room-for-the-river” approach to flood management.

Facilitating and Mainstreaming Reforms by States

Almost all the innovations listed above were drawn from best practices pioneered by state governments, who have led the reform process in our country in recent years. The specific role of the Planning Commission was to enable the mainstreaming, across the length and breadth of the country, of something that was initially attempted only in one state or even a part of the state. I was fortunate to have been able to build on many such initiatives. The National Aquifer Management Programme, for example, emerged from the extraordinary effort of a million farmers in Andhra Pradesh, who showed how sustainable management of groundwater was possible once farmers understood the nature of their aquifers. Despite the fact that India is the most groundwater dependent country in the world (leaving China way behind) with around 30 million groundwater structures (wells and tubewells), we have still not mapped our aquifers at a scale that enables their sustainable management by the primary stakeholders.

It was the Planning Commission that helped the Ministry of Water Resources develop a national programme that will enable aquifers all over India to be mapped for the first time ever at a scale that will make it possible for them to be sustainably managed. Another such initiative in which I was involved is the mainstreaming of Gujarat's greatly successful Jyotigram (separation of power feeders) scheme that has already made a dramatic impact on the power situation in states like Madhya Pradesh.

Promoting Devolution

A key role played by the Planning Commission over the years has been to promote the cause of decentralized planning. In the Twelfth Plan period, this culminated in the creation of a new centrally sponsored scheme called the Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA). The RGPSA is based on the conviction that panchayati raj institutions (PRIs) in India have suffered in the absence of professional human resource support. This is perhaps the single most important change I was part of during the 12th Plan, although few among economic and political commentators seem even remotely aware of it. Building upon an offer by the Ministry of Rural Development (MoRD), the Planning Commission was able to carve out a massive increase in the allocation for the Ministry of Panchayati Raj through a mere 1% reduction in the allocation of the MoRD, which saw great merit in strengthening PRIs for improving the quality of implementation of its own programmes.

Another blow in favour of devolution and strengthening PRIs, initiated by the Planning Commission, was the exercise to restructure the Backward Regions Grant Fund (BRGF), the most important development programme providing untied funds to PRIs. The exercise was about moving the BRGF to the sub-district level because it is no longer meaningful to understand backwardness in India at the district level, with many "advanced" districts enclosing pockets of intense backwardness within them and many "backward" districts, containing very advanced sub-districts. By focusing on sub-districts we would be able to zero in on the truly backward regions of India.[4]

Greater Flexibility in Schemes

A major complaint of states over the years has been the great inflexibility of centrally sponsored schemes (CSSs) and the rigid guidelines imposed upon them by central ministries. We must begin by stating that contrary to popular belief the Planning Commission hardly plays any discretionary function as far as fund flows to states are concerned. This flow mainly takes place through CSSs but these are controlled by the central ministries. We believe a certain number of CSSs are required for the achievement of basic national goals like health, education, sanitation, nutrition and drinking water. But there is a legitimate concern about the proliferation of CSSs.

The Planning Commission has played a stellar role in rationalizing the number of CSSs, most recently through the work of the BK Chaturvedi Committee. The work of the committee involved a process of widespread consultations with the concerned ministries, States and other relevant stakeholders. This led to a drastic reduction in the number of schemes, which many still regard as inadequate but they overlook the fact that the Planning Commission has always pushed hard for their reduction. The difficulty has been that finally it had to go by the consensus possible with the ministries very keen to retain their pet projects.

Even more significant has been the contribution of the Planning Commission in introducing significant flexibility in the guidelines of CSSs. Once again the process involved extensive consultations with the States, as also with the best civil society implementers in India. This has led to changes in the MGNREGA guidelines, accepting suggestions of states for activities suited to their conditions, as also works that enable synergy with agriculture in view of the widespread (even if false, in view of the Planning Commission) complaint about the adverse impact of MGNREGA on small and marginal farmers.

The guidelines for sanitation were also modified to allow States to use location-specific designs as per their ecological conditions. The guidelines for the drinking water programme were tweaked to promote devolution on the basis of a Management Devolution Index, which summarises the extent and quality of devolution in drinking water management systems across states. Over and above all these CSS specific changes, the Planning Commission introduced the concept of a "flexi-fund" that would enable states to undertake innovative projects across CSS silos.

Spokesperson for the States

The new institution set up to replace the Planning Commission must continue to play this kind of role in support of the states in their hard negotiations with central ministries. When the Chief Minister of Madhya Pradesh went on a fast, raising a series of legitimate grievances of the state with the centre, the Prime Minister asked me, as member-in-charge of Madhya Pradesh, to work with all concerned Central ministries to hammer out an amicable solution. This was done in record time, to the satisfaction of the aggrieved chief minister. Similarly, at the request of the Chief Minister of Punjab, I chaired a high-level expert group on waterlogging in Punjab. The group, consisting of the nation's best experts on the subject, conducted a thorough investigation of the problem, in close partnership with the state government, and came out with a package of solutions, which was generously supported by the Government of India. Similar roles were played by other members in other contexts, which illustrate how the Planning Commission can be an effective mediator and problem-solver for States, rather than their tormentor.

Breaking Departmental Silos

Water is perhaps the sector that suffers the most from being broken down into departmental silos. The Twelfth Plan has described it as "hydro-schizophrenia", where the left hand of drinking water does not know what the right hand of irrigation is doing. The Plan document diagnoses the emerging crisis of drinking water and so-called "slipped-back habitations" as emerging from the fact that the same source that was providing drinking water to the habitation was also being used for irrigation, a much larger guzzler of water. Again, the fact that drinking water and sanitation were being run as separate programmes meant that often there was no water in sanitary facilities and, in other instances, the drinking water suffered bacterial pollution. All of these kinds of issues were typically tackled by the Planning Commission by modifying programme guidelines and seeking to bring greater convergence in action.

Independent Critique and Evaluation

This has been one of the most well-established roles of the Planning Commission over the years. Given its unique position of being, in a sense, both inside and outside government, the evaluations and critiques the Planning Commission proffered of government programmes and policies, has had a more than academic value and has often led to positive reforms in implementation. The Planning Commission has drawn upon the best expertise available within academia to play this role. The quality of these exercises has, however, not always been up to the desired level and the new institution being set up must do better in this regard. A crucial element that needs change is the ability to hire the best available talent and being able to network with the best institutions, which would give this exercise real credibility. This also makes it essential for there to be such expertise available in-house so that it can draw in whatever resources required, both from among academics and practitioners.

Conclusions

The new institution that replaces the Planning Commission will need to play each one of these crucial roles. However, it is also important that the negative roles of the Planning Commission, such as approving the Annual Plans of the states, should be done away with. The so-called "regulatory" role of being able to veto EFC notes must also be eliminated. Each one of the positive functions we have described earlier implies a think-tank role. But these functions cannot be performed by just any other toothless think-tank. Their effective performance demands that the institution be empowered in a way that enables it to make a difference at the cutting edge of implementation. Otherwise the "new" Planning Commission, whatever it may be named, will be reduced to a shadow of its former self.

4. Demise of the Planning Commission?

Vol - XLIX No. 31, August 02, 2014 | R Krishna Mohan

I read with interest the analysis made by Prabhat Patnaik in “End of the Planning Commission?” (EPW, 19 July 2014). Despite the striking dissimilarities bet- ween fascism and nazism of the 1930s and the current resurgent anti-democratic tendencies of fi nance capital, there is a marked similarity in how the spaces of counter-hegemony dissipate and the dominant ideology takes over a vast majority of the unsuspecting masses. With the discredit of a massive nature in the immediately preceding period, the political and bureaucratic system has suffered and the lack of a credible alter- native pushes these forces to power. There is a vacuum of an alternative opposition which can convincingly present the elec- torate with a set of policies which can work on the ground. Indian politics has seen trends of plebeianisation since the 1990s (to cite Christophe Jaffrelot) but, at the same time, the economic policies have become the “Patrician’s domain”. The rising political outfi ts which derived support from the marginalised sections did little for a new alternative economic dispensation. With the left suffering from “parliamentary cretinism” by its own admission, the space was wide open for majoritarian politics, which in its present form was seen by the corporate media as the “best possible shell in which interests of fi nance capital can survive” (to quote Lenin from a different context). These failures of the alternative for- mations need to be intensively analysed if the bull run of fi nance capital is to be put on brakes by a proactive state. The fact that the modus operandi of fascist tendencies is different is not the main issue. Why the democratic alternative repeatedly fails is more worrying. Only an answer to this query can throw some light at the end of the tunnel. This is the point which is missing in the otherwise scholarly and illuminating article. The vacuum of a left of centre democratic space in the Indian polity of today is alarming.

R Krishna Mohan

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5. End of the Planning Commission?
Vol - XLIX No. 29, July 19, 2014 | Prabhat Patnaik

The nature of contemporary political economy in third world countries like India precludes not just socialist planning, but even Nehruvian planning, social democratic planning, fascist planning, or even planning in the sense of the nation state managing or negotiating its relations with globalised capital. It precludes any role for a "Planning Commission".

Prabhat Patnaik (prabhatptnk@yahoo.co.in) is Professor Emeritus at the Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Dellhi.

The National Democratic Alliance government is reported to be considering an end to the Planning Commission. Whether or not this actually happens, we are likely to see a further enfeeblement of the Planning Commission, a process that has been going on for quite some time.

Why should there have been such a process of enfeeblement at all? Some would answer this question by asserting that a Planning Commission simply cannot have any role in a neo-liberal regime. The country has moved away from the "Nehru-Mahalanobis strategy"1 which visualised substantial public investment, and hence the need for a "plan" to effect such investment. With the public sector displaced from its leading role, any particular "public" engagement in development projects that may still be required in a neo-liberal regime (through public-private partnerships for instance) can be planned and executed by the concerned departments. There is no longer any role for an overarching body like the Planning Commission.

Counterpoint to Neo-liberalism

But this is not a compelling argument. There can still be a role for a Planning Commission even under the new dispensation, but a role different from the one it had earlier. This new role can be to provide a counterpoint to neo-liberalism. Paraphrasing Bertolt Brecht's famous line: "In the dark times will there also be singing? Yes, there will also be singing about the dark times", one can say: "Can there also be planning in the neo-liberal times? Yes, there can also be planning for coping with the neo-liberal times".

In other words, even a government that lacks the will to take the country out of the vortex of globalisation, and hence willy-nilly has to pursue a basically neo-liberal policy trajectory can still have a national planning body that provides a counterpoint to neo-liberalism. Such a Planning Commission can be concerned with working out ways of preserving what remains of the public sector, with preventing the decimation of peasants and traditional petty producers that neo-liberalism brings in its wake, and with providing amelioration, by formulating welfare schemes, against the immiserisation of the people through inflation and unemployment.

Even under a bourgeois state pursuing basically neo-liberal policies, there can in other words still be scope for "planning", though of a different kind from what dirigisme had visualised. Such a Planning Commission would not formulate "plans" in any meaningful sense of the term, since the prerequisite of "planning", namely, a "control area" of the state (in Amartya Sen's words2), disappears with the introduction of freer cross-border movements of goods and capital. But it can still play the role of negotiating between the bourgeois nation state on the one hand and globalised capital on the other (with which domestic big capital is integrated).

For this role to be meaningful, however, there has to be a non-identity between the bourgeois nation state and globalised corporate capital, i e, a non-acceptance on the part of the bourgeois nation state of the view that what is good for globalised corporate capital is ipso factogood for the economy and that what is good for the economy can only be achieved through the agency of globalised corporate capital.

Completion of a Transition

The end of the Planning Commission signifies the end of such non-acceptance. It is a matter not of whether planning in the old sense is necessary, but of political economy. It signifies a change in the nature of the bourgeois nation state, from an entity apparently standing above all classes and "looking after" the interests of all classes in varying degrees, to one which is exclusively devoted to the interests of globalised corporate capital on the grounds that what is good for it is good for all and vice versa. It signifies the completion of a transition from a "Nehruvian state", even a residual Nehruvian state that willy-nilly pursues neo-liberal policies rather than anything remotely resembling a Nehru-Mahalanobis strategy, to a full-fledged neo-liberal state.

Such a full-fledged neo-liberal state is characterised not just by a set of policies that fall under the rubric of neo-liberalism. It has a set of specific institutional features as well. These include: the "autonomy" of the central bank; the elevation of the Ministry of Finance to the status of a super ministry dominating all others; the manning of the central bank and of the finance ministry by ex-employees of the International Monetary Fund (IMF) and the World Bank, or of certain other global financial institutions (who usually go back to their parent bodies at the end of their tenures with the government); the organisation of training programmes for the bureaucracy, especially of the home-grown segment of the financial bureaucracy, by these multinational institutions or by universities in the metropolis acting on their behalf; and a general increase in the power of the bureaucracy over the elected political representatives of the people on the grounds that the latter are corrupt and cannot be trusted with key economic decision-making (which is often enough true, except that the "corruption" itself is usually a consequence of the privatisation spree unleashed by the neo-liberal regime, and tacitly acquiesced in by the very members of the global financial community manning the government, who then use it to discredit the "politicians").

The transition from a postcolonial Nehruvian state to a neo-liberal state is not easy to effect within a political framework characterised by universal adult franchise. But the problem of negotiating such a transition is typically sought to be resolved through at least two means. One is the insulation of economic decision-making from the domain of politics, so that no matter who comes to power the same policies continue to be pursued in the realm of the economy.

This insulation is achieved partly by putting in institutional arrangements of the sort I mentioned above, which shift decision-making from elected political representatives of the people to employees and ex-employees of the World Bank, IMF, and other global financial institutions. And it is achieved partly by the need to ensure that capital does not fly away from the economy in question: if the nation state confronting globalised capital pursues economic policies – such as expansionary fiscal policies – which are different from those demanded by such capital, then it runs the risk of exposing the economy to debilitating capital flight, which can erode in no time the political support base of the ruling government; this serves to prevent any bourgeois political formation from nurturing ambitions of having an economic agenda of its own which is at variance with what is demanded by globalised capital. The possibility of a relatively autonomous nation state negotiating with globalised capital via a Planning Commission under these circumstances (when the economy is not delinked from globalisation through restrictions on cross-border movements of goods and capital) is then snuffed out.

The second means of negotiating such a transition is through the nurturing of fascism, which, in our particular context, takes the form of "communal-fascism". It is not enough for a neo-liberal polity to put in place an institutional framework that prevents any threat to the pursuit of pro-corporate economic policies. Popular mass mobilisation of a kind that thwarts the possibility of any alternative mobilisation aimed against such policies, also becomes necessary.

Palmiro Togliatti who had witnessed first hand the rise of Mussolini, had talked of fascism having both a "class nature" and a "mass nature".3 To nurture the class character of the neo-liberal state, support in the form of a movement with a communal-fascist mass character becomes necessary, especially when the neo-liberal state has to confront an economic crisis.

Since such crises are endemic under neo-liberalism, the state increasingly acquires a fascist character.

But an intriguing question arises here. Fascism historically has been associated with an apotheosis of the idea of the "nation" (from whose ambit certain identified "enemies within" are excluded). The fascist state correspondingly has been a site for "national planning" (typically for helping the "nation's" militarist drive against other nations) of the sort that Albert Speer had presided over in Nazi Germany.4 True, it is not planning associated with social ownership of the means of production; it is planning that is superimposed upon a capitalist economy and operated with the concurrence of powerful private monopoly interests. But it is planning of a sort nonetheless. How then can we talk of the state acquiring an increasingly fascist character, as many including myself have seen the Indian state acquiring, and in the same breath mention the end of the Planning Commission?

Or, put differently, is not the concept of "a neo-liberal fascist state" a contradiction in terms? Can a state that pursues neo-liberal policies in the interests of globalised corporate capital, and thereby opens itself to the free flow of capital and commodities, shunning "economic nationalism", be at all called fascist?

Contemporary Fascism

The answer to this question lies in the fact that contemporary fascism, especially in third world countries, is different from classical fascism. Classical fascism had arisen in advanced capitalist countries in a period of intense inter-imperialist rivalry, when finance capital, engaged in a quest for global economic territory, was essentially nation-based, nation-state-aided, integrated with the large industrial capital of the nation itself, and pursuing a national agenda of domination. This world is far removed from today's world where we actually have international finance capital with which the corporate-financial elites of individual countries are integrated, and where the breaking up of the world into "spheres of influence" of particular countries goes against the interests of globalised capital that wants all barriers to its free flow across country borders removed.

Hence the nation state's acting in the interests of the corporate-financial elite today takes the form not of economic nationalism but its very opposite, namely, the aggressive pursuit of policies that promote globalisation. The "merger of state with corporate power", which is how Mussolini had reportedly defined fascism, demands of the state today a set of policies which are vastly different from, and indeed the opposite of, those pursued under classical fascism. This means that even Albert Speer-type planning is far removed from the agenda of contemporary fascist and quasi-fascist nation states.

It follows that the nature of contemporary political economy in third world countries like India precludes not just socialist planning, but even Nehruvian planning, social democratic planning (such as what France had for long), fascist planning, or even planning in the sense of the nation state managing or negotiating its relations with globalised capital. It precludes in short any role for a “Planning Commission”.

Instrument of Neo-liberalism

It is not surprising that the process of enfeeblement of the Planning Commission, which is apparently reaching a denouement now, began long ago, when the Planning Commission, instead of being assigned the role of providing a counterpoint to neo-liberalism, was simply made into an instrument for promoting neo-liberalism.

Over the decade of the 1990s we find a bizarre phenomenon: while the tax-gross state domestic product (GSDPN) ratio of the states was higher than that of the centre on average, and even held up well, the states were caught in a debt trap at the end of the decade, which was then used by successive Finance Commissions, at the behest of the centre, to force “neo-liberal reforms” upon them. (This was a blatantly unconstitutional course for Finance Commissions to follow, against which Amaresh Bagchi, a member of the Eleventh Finance Commission, had given a dissenting note.)

An extremely important reason why the states got into a debt-trap was the high interest rates charged by the centre on the loans it made to them, rates whose weighted average for individual states exceeded in many cases the nominal growth rate of that state’s GSDP (which was a recipe for a debt-trap). And the rates charged on central plan assistance to states, instead of breaking this high-interest-rate regime, contributed to it. The Planning Commission in short was used as an instrument for making the states fall in line behind neo-liberal policies.

When the United Progressive Alliance (UPA)-I came to power, corresponding to the duality of thinking within the ruling circle, there was a peculiar duality that developed in the realm of institutions: while the Planning Commission continued to be used for promoting the neo-liberal agenda (through its insistence, for instance, on public-private partnerships), an altogether different body was created in the form of the National Advisory Council to formulate welfare programmes. True, the Planning Commission during this period, when Left support was needed to prop up the government, did have a diversity within it, which prevented its complete collapse into neo-liberalism, and gave rise to some striking initiatives like the Rashtriya Krishi Vikas Yojana; but with UPA-II little space remained for such initiatives and the process of enfeeblement gathered momentum.

Does the argument which I have been putting forward, namely, that a process of enfeeblement of the Planning Commission is embedded within the unfolding political economy of a neo-liberal regime, imply that it is an inevitable phenomenon? This question is both pertinent and topical at this moment. There is currently a debate among progressive economists in the United States (US) on whether increasing income and wealth inequality among people is a matter of pursuing particular policies or whether it expresses an immanent tendency of capitalism.

This debate has an obvious bearing on our present discussion. Granted that the mere pursuit of neo-liberal policies does not logically entail an enfeeblement of the Planning Commission, that if the nation state could muster for itself a degree of autonomy, then it could fashion a Planning Commission that could play a certain useful role even when there is no Nehru-Mahalanobis strategy being followed, can we visualise the nation state actually doing so?

Those who answer this question in the affirmative fall into two categories. One consists of those who more or less accept a Keynesian theory of the state, according to which the social states in which we find ourselves are often suboptimal in the sense that moving away from them can make everybody better off; and that the mere intellectual demonstration of this possibility is enough to make the state act in a manner that moves us away from this suboptimal state. An economic depression, in the context of which Keynes had advocated state intervention to raise the level of activity, is a classic example of such a suboptimal state.

There would, however, be few takers of this view today. The movement from a social state that may appear at one level as making everyone better off, may also turn out at a deeper level to make some groups worse off. For example, while getting out of a depression through state intervention apparently makes everyone better off, with capitalists earning larger profits and workers having larger employment, it also undermines the social hegemony of the capitalists, which inter aliais one reason they insist on “sound finance” (and are doing so even in the midst of the current crisis). As Kalecki (1971) had said long ago: “discipline in the factories” and “political stability” are more appreciated by business leaders than profits”. Everybody becoming better off is thus not an obvious concept by any means.

The other group consists of those who see social change as a product of social struggle, and not just arising from an intellectual demonstration that it would benefit all. But they see such struggles as small-scale, piecemeal and low-intensity affairs; i e, they see the system as capable of “reforming” itself through the application of pressure from the people. The problem with this view, however, is that the magnitude of pressure that is required to “reform” the system is in reality so great that it cannot possibly stop at mere “reforms”. Joan Robinson’s remark: “any government which had both the power and the will to remedy the major defects of the capitalist system would have the will and the power to abolish it altogether, while governments which have the power to retain the system lack the will to remedy its defects”5 is relevant here, and remains true even if we substitute “defects of the capitalist system” with “defects of neo-liberalism”.

The moral of the story is that any nation state that can acquire the autonomy to make use of a Planning Commission to provide a counterpoint to neo-liberalism by negotiating with globalised capital will actually use that autonomy for effecting a systemic change where the Planning Commission no longer provides a mere counterpoint to neo-liberalism; while a nation state that cannot acquire that autonomy will witness an enfeeblement of the Planning Commission. The “inevitability” of its enfeeblement must be understood in this manner.

PART B

NEWS AND VIEWS

Tuesday, 16th September 2014

Polity	: Uddhav rejects BJP's demand for 135 seats
Economy	: Wholesale Inflation Ebbs to 5-Yr Low
Planning	: Road min reviewing proposal to ease Exit policy
Editorial	: Disinvestment takes off

Communication, IT & Information Division
Phone # 2525

The Asian Age

Date: 16/09/2014
Page No. 01

Sena chief 'positive', says 'don't strain ties'

Uddhav rejects BJP's demand for 135 seats

AGE CORRESPONDENT
MUMBAI, SEPT. 15

Taking a tough stand on a seat-sharing pact ahead of the Maharashtra Assembly elections, Shiv Sena chief Uddhav Thackeray on Monday openly refused to give his BJP ally the 135 seats that it had sought. However, he also clearly said that was still positive about the alliance. Mr Thackeray said the Shiv Sena aimed to secure 150-plus seats in the polls, that would give it a clear majority in the House. The Sena chief's stand has put pressure on the BJP to rethink its demand.

"I have cleared my stand on their (BJP) demand of 135 seats. It is not possible, and I have rejected the demand. But our discussions are still on and I am hopeful about it," Uddhav told reporters here, while unveiling a vision document in suburban Goregaon. Uddhav rejected the demand put forward by the BJP last week after a series of meetings between him and state BJP leaders.

The Sena chief even advised BJP not to strain relations further. "There is a limit to everything.

Turn to Page 2

Amit Shah will not meet Uddhav during Maha visit

FAISAL MALIK
MUMBAI, SEPT. 15

BJP chief Amit Shah, who is scheduled to visit Maharashtra for three days starting September 17, will not be meeting Shiv Sena president Uddhav Thackeray. Senior BJP leaders confirmed that as of Monday night there was no such plan.

Ties between the Shiv Sena and BJP are strained to breaking point at present over sharing of seats and competing claims for the chief ministers post in the event of a victory for the saffron parties.

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The Asian Age

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Uddhav rejects BJP's demand for 135 seats

■ Continued from Page 1

There is no point in stretching things unnecessarily. The alliance is 25 years old and has never been broken. But there is an alternative to everything, and I have conveyed this to the BJP. I can't be pushed beyond a point," said Uddhav, who indicated last week that he was not averse to becoming CM of Maharashtra.

Replying to a query about going it alone in the polls, the Sena chief said he was "very positive" about the alliance. "I have never done anything to break the alliance. The Sena and BJP are together in the Hindutva ideology. This is a favourable situation for us, then why should we create tension? We should come together and do justice to the people who are fed up of the Congress and the NCP," he said.

However, Uddhav did not forget to rebuke BJP leaders who are spreading rumours about the alliance. His remark came after BJP spokesman Madhav Bhandari said the BJP might contemplate going it alone. "I will not comment on what Mr Bhandari has said. But discussions are on, and I am expecting a decision in two-three days. It is surprising that those who are not involved in the talks are saying discussions are not happening. I am only talking with Devendra Fadnvis and O.P. Mathur," the Sena chief added.

Promoting the Shiv Sena's Mission 150-plus, Uddhav said he had supported a similar mission by Prime Minister Narendra Modi ahead of the Lok Sabha polls. "We had contested 169 seats in the last Assembly polls. This time we have kept a target of winning 150 seats, and what is wrong in that? Narendra Modi also had a mission in the Lok Sabha polls, we supported it wholeheartedly," he said.

BJP spokesman Madhav Bhandari said the state party leadership will take a call on "continuing alliance talks" with the Shiv Sena. Mr Bhandari, who had said Sunday that talks had come to a standstill because of Sena chief Uddhav Thackeray's comments against Prime Minister Narendra Modi, came under flak from Uddhav earlier on Monday.

Shah has no time for Uddhav

FAISAL MALIK
MUMBAI, SEPT. 15

Bharatiya Janata Party (BJP) president Amit Shah, who is scheduled to visit Maharashtra for three days starting September 17, will not be meeting Shiv Sena president Uddhav Thackeray. Senior BJP leaders confirmed that as of Monday night there was no such plan.

Amit Shah

Ties between the Shiv Sena and BJP are strained to breaking point at present over sharing of seats and competing claims for the chief ministers post in the event of a victory for the saffron parties. Mr Thackeray has unilaterally declared that the next CM will be from the Shiv Sena if the alliance wins a majority. He has also turned down demands from the BJP that both parties contest 135 seats each out of the state's 288, leaving the rest to their smaller allies.

"Mr Shah will be on a state tour from September 17 to 19. He will start his tour from Mumbai by attending a function at a five-star hotel in the evening where he is going to be felicitated by a social welfare organisation. He will not be visiting Matoshree," disclosed a senior BJP leader who did not wish to be named.

On September 18, the BJP president will visit Kolhapur to meet his in-laws, and later conclude the Sangharsh Yatra at Ahmadnagar undertaken by Pankaja Munde, party MLA and daughter of late leader Gopinath Munde. On the last day of his tour, Mr Shah is scheduled to kickstart the BJP's election campaign from Vidarbha by addressing two rallies at Amravati and Gondia respectively, informed the senior leader.

The Economics Times

Date 16/09/2014

Page No. 13

THIRD MONTH LUCKY Slipping crude and commodity prices have helped slow down the momentum of WPI-based inflation, clocking 3.74% in August. This has given rise to hopes that the trend will spread and rein in the stubborn consumer inflation too

Wholesale Inflation Ebbs to 5-Yr Low

Our Bureau

New Delhi: Wholesale inflation slowed the most in about five years as commodity and crude prices continued to decline, raising hopes that sticky consumer inflation may start moderating as well, giving the central bank room to cut interest rates to help support economic recovery, with governor Raghuram Rajan saying there's some way to go before that happens.

Inflation based on the wholesale price index (WPI) came in at 3.74% in August, a sharp drop from 5.19% in July, and lowest since October 2009, according to data released by the commerce & industry ministry on Monday. "Emerging trends in global commodity prices led by crude oil and restrained increase in food prices so far... suggest that WPI inflation could ease further to 3.00-3.25% in September," said Shubhada Rao, chief economist, Yes Bank.

This is the third successive month in which the wholesale inflation rate has dropped. Retail inflation, the key policy determinant, has been declining less quickly, registering at 7.8% in August versus nearly 8% in July. The two are not strictly comparable with differing weights ascribed to commodities in WPI and inclusion of services in the consumer price index (CPI).

While part of the decline is also statistical— the high base effect of last year—slowing WPI should have a moderating influence on retail inflation with a lag. Crude prices fell to a two-year low on Monday but RBI governor Rajan this could be a "temporary phenomenon", urging the government to end fuel subsidies.

The improved monsoon has also reduced pressure on food prices.

"Unless trade margins go up substantially, we should expect CPI-based inflation to also decline by the next month or so," said Pronab Sen, chairman, National Statistical Commission. "Inflation will be on a downward trajectory in the next few months due to the base effect, and will climb up after that. We expect an 8% average inflation for the current fiscal," said DK Joshi, chief economist, Crisil.

Food inflation stood close to 20% and overall inflation well over 7% between September-December last year.

The central bank is unlikely to ease its current stance at the September 30 policy announcement. "Notwithstanding drop in global commodity prices as well as moderation in core-CPI and core-WPI in August, we expect RBI to maintain a cautious stance and keep repo rate unchanged in the upcoming policy review," said Aditi Nayar, senior economist, ICRA.

The BSE Sensex closed 0.9% lower at 26,816.56 points and the rupee weakened further by 45 paise to 61.1/dollar.

Decline in wholesale inflation was largely because of negative inflation in vegetables and overall food category. Inflation in food articles was down to 5.15% in August (8.43% in July). August wholesale vegetables prices were 4.88% lower from a year ago.

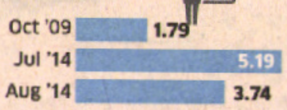
Fuel inflation also slowed sharply to 4.54% in August from 7.4% in July because of the fall in global crude prices that has allowed a cut in petrol prices and other decontrolled products. Petrol prices were down 0.15% in August from a year ago. Global crude prices fell below $100 per barrel last week, which is expected to result in a cut in fuel prices. Inflation could fall further if diesel prices are cut, as expected.

Core inflation, which excludes volatile food and fuel, eased to a seven-month low in August, though only marginally to 3.45% from 3.58% in July. This measure is watched closely by central banks for the level of demand.

Industry was hopeful about a rate cut though. "With strong actions coming in, we are hopeful of a sustained moderation in inflation. Coming shortly before the monetary policy, this should also provide the necessary maneuvering space to the RBI," said Chandrajit Banerjee, director general, Confederation of Indian Industry.

Why No One is Excited

Wholesale inflation at lowest since October 2009



All round decline

% annual rate	July	August
Vegetables	-1.27	-4.88
Fuel	7.4	4.54
Mfg goods	3.67	3.45

1 But there is little cheer because.... RBI has made it clear it will go by retail inflation

8% CPI inflation target by March 2015

2 Moderation in wholesale inflation has not showed up in retail inflation yet

3 The biggest worry: Food inflation has low weight in WPI

Weights in %

CPI	
Food	49.7
Fuel & light	9.5
Clothing, Bedding & footwear	4.7
Housing	9.8
Misc	26.3

WPI	
Food	14.34
Fuel & power	14.91
Mfg goods	64.97

4 CPI is more relevant as it has services as well

The Financial Express

Date: 16/09/2014
Page No: 03

Road min reviewing proposal to ease exit policy

fe Bureau
New Delhi, Sept 15

ROAD transport and highways minister Nitin Gadkari on Monday said his ministry was reviewing a proposal to further ease the exit policy for the sector, as demanded by the highway builders' association and supported strongly by the National Highways Authority of India. "(NHAI) has requested us to review the exit policy... talks are going on and soon, we will take it up for cabinet consideration," Gadkari said at a press conference.

The move comes after NHAI chairman RP Singh wrote to Vijay Chhibber, secretary at the ministry of road transport and highways, a week ago, expressing his concern on the lingering uncertainty over a proposal to allow developers to fully exit completed projects. NHAI had asked that the developers be allowed to exit completely from the projects which were awarded before 2009 and if the policy is implemented at the earliest, then stuck equity in a clutch of deals that private equity funds, corporates and foreign pension funds have either already clinched or are negotiating with incumbent developers could be freed up for future projects.

Currently, it is mandatory for developers to hold a minimum of 26% equity in the projects awarded before 2009.

Gadkari said the Centre wants to sign deals with states to ensure that pending road projects in various states are brought under fast-track implementation. "There are projects stalled in Tamil Nadu and West Bengal. I shall meet the CMs of these states to discuss issues relating to the projects and see that bottlenecks are removed. Without states' cooperation, the Centre cannot implement highway, roads and port projects. We want to sign support agreements to ensure clarity on the areas of cooperation between the Centre and the states in matters of implementing projects."

DECISIONS ANNOUNCED

- **On Roads and Highways:** The road ministry will aim to add 2 percentage points to GDP growth. Projects of ₹50,000 crore ready for award and ₹1.5 lakh crore-worth projects cleared. Also on the anvil is formation of NHAI-International to bid and construct roads overseas
- **On Chabahar Port:** The shipping ministry is reviving an old agreement with Iran for modernisation of Chabahar Port for faster import of natural gas, urea and fertiliser, and a cabinet note in this regard will be floated in 10-15 days
- **On Shipyards:** Shipyards in India will make two more LNG ships. As part of this, state-owned Cochin Shipyard will invest ₹1,200 crore to set up dry dock facility. The vessels for transporting LNG will be built at a cost of ₹1,500 crore each. Cochin Shipyard will partner with a French company to build the ship
- **On NREGS:** Government may restrict the rural job scheme NREGS to tribal and backward districts. The government reckons that NREGS guaranteeing up to 100 days of unskilled work in a year to every rural household is not required in areas with higher growth

ROAD SECTOR PERFORMANCE (in km)

	Target for award	Achievement	Construction target	Actual construction
2014-15*	8500	1860	6300	1000
2013-14	9638	3169	6330	4260
2012-13	12449	1916	6187	5733
2011-12	11805	9794	5824	5013

Source: MoRTH, *till date

Apart from this, Gadkari who holds the charge of rural development, said the government has sought "consensus" to bring changes in the Land Acquisition Act to make it more investor-friendly but said it was not happening due to "contradictory views" within political parties which are wanting changes in the legislation.

"There is no question of doing any injustice to the poor. Our government is committed to work for the poor," he said. Gadkari added that there is "no question of reducing the compensation package" for farmers whose land is acquired for projects. "We are trying to increase it. There is no compromise on the issue of rehabilitation of the poor affected by the projects. We will try to strengthen it," he said.

However, the minister did not specify the provisions the government intends to change.

Besides, Gadkari also said the "microscopic minority" of opposition leaders are stalling the government's efforts to build consensus on bringing changes in the key farmer-friendly Act passed during UPA rule. "The issue is the microscopic minority leaders sitting in Delhi. Their practical CMs are saying something. They are giving in writing (the need for bringing changes in the Act). These people (microscopic minority leaders) are saying something else. I am confused," Gadkari said, reacting to questions on the status of the government's efforts to bring changes in the Land Acquisition Act.

"Leaders from every political party are telling me in writing to bring changes in the Act... I wish to make it clear that whenever there will be a consensus on the matter, the government will take a decision. There is no general consensus on the issue right now," the minister said. "Leaders of the parties which have presence in Parliament are saying that you do something to bring changes in Land Acquisition Act. These are people from the CPI (M), Congress, NCP and BJP," Gadkari said.

The Economics Times

Date 16/09/2014

Page No. 17

Diesel Deregulation may Follow Price Cut

Impending assembly polls have left the govt in two minds over decontrolling the fuel

Many a Slip

- **Diesel is** set to get cheaper as global crude prices plummet
- **Deregulation &** other major reform in fuel pricing on cards

40paise per litre price cut expected in India by month-end

Oil **Conundrum**

- **State oil** firms are now making a profit on diesel
- **But it** may hurt govt if prices spike after deregulation
- **Elections are** due in crucial states of Maharashtra, Haryana

Rajeev.Jayaswal
@timesgroup.com

New Delhi: The government will consider decontrolling diesel and cut the fuel's price by 40 paise per litre this month as the sharp fall in global crude oil prices has paved the way for a major reform in fuel pricing, government and industry sources said.

The fall in global prices has helped state oil firms make a profit on diesel, which has been a source of heavy subsidy burden for about a decade. The government is weighing the political impact of fuel pricing as elections in crucial states of Maharashtra and Haryana are due in weeks.

Officials said that the government has to take a call on whether or not it should announce price deregulation simultaneously with the cut in diesel prices.

"Oil minister Dharmendra Pradhan is expected to consult senior cabinet ministers on diesel price issue after he returns from Vietnam this week," one source said. Finance Minister Arun Jaitley and RBI Governor Raghuram Rajan have already expressed their keenness on fuel price reforms. Before the unexpected fall in global oil prices, Jaitley had told Parliament that the government would be able to decontrol diesel fully in a year if there are no international shocks in the oil sector.

Diesel price deregulation will be a major policy reform of the Narendra Modi government but, it is concerned about sudden spike in international oil prices in the near future that would adversely affect ruling BJP's polls prospects in Maharashtra and Haryana, sources said. Assembly elections in the two states are scheduled on October 15. **ET** first reported about an impending cut in diesel rates on September 9.

State oil marketing companies are currently gaining about 40 paise per litre revenue on diesel compared to its assumed market price. Companies have gained from fall in global prices and the gradual increase in retail price of diesel.

But, petrol consumers will not gain from the sharp fall in global crude oil prices as its prices are likely to remain steady, sources said.

Crude oil prices tumbled below $98 last week, falling to the lowest in two years, but India's fuel pricing system links petrol and diesel rates to their respective international benchmarks, which don't always move in step with crude. Exchange rate also influences local prices.

Petrol prices may not be hiked this time, one of them said. The government has directed oil companies not to raise diesel prices by 50 paise by end of this month if over-recovery continues in rest of the month, an industry source said.

In fact, a diesel price cut is expected by the end of this month after the cabinet reviews the fuel price scenario, the source said. But, the Election Commission may not allow a price cut ahead of assembly elections, the source added.

Government officials say that the oil ministry may have to take permission of the Election Commission to reduce diesel prices before assembly elections because of the model code of conduct.

Business Line

Date 16/09/2014
Page No. 06

In a first, bilateral pacts to be signed outside Delhi

OUR BUREAU

New Delhi, September 15

In a first for bilateral ties between India and China, the visiting Chinese President Xi Jinping and Prime Minister Narendra Modi will witness the signing of agreements in Ahmedabad on September 17.

"This is a first in terms of the Prime Minister and the Chinese President witnessing signing of agreements outside Delhi. Usually agreements are signed in Delhi which the two leaders witness," a spokesman of the Ministry of External Affairs said on Monday. He, however, did not get into the specifics of the agreements.

Interestingly, earlier this year, during the visit of Vice-President Hamid Ansari to China, the two countries had signed a memorandum of understanding where they agreed to facilitate the setting up of industrial parks in India. Gujarat is one of the States where China is keen to set up an industrial park.

Narendra Modi

"The Prime Minister is keen to move on that decision at a rapid pace. We are working to actualise the MoU with concrete outcomes during this visit," the spokesman said.

After restricted and delegation level talks between the two leaders here in Delhi "it is hoped that both the leaders will witness signing of several agreements if these are the outcome of discussions," the next day, the spokesman added.

In response to whether the issue of smart cities and high speed trains will come up during talks between the two leaders, the spokesman said, "Both these issues are of importance to the Prime Minister. You will not be incorrect in thinking that these elements are likely to figure in any discussions."

President Xi Jinping will be the third Chinese President to visit India. During the three-day visit, Jinping is to meet President Pranab Mukherjee, External Affairs Minister Sushma Swaraj Lok Sabha Speaker Sumitra Mahajan and Congress President Sonia Gandhi.

Business Standard

Date 16/09/2014
Page No. 07

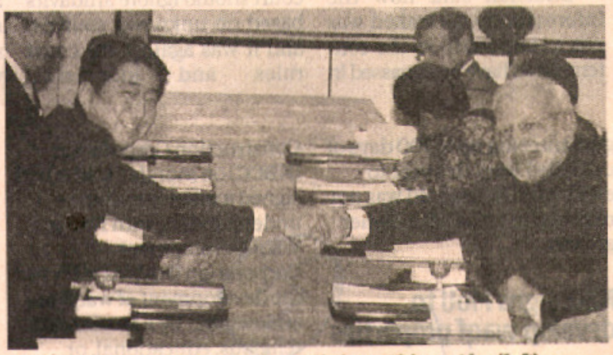
Abe's $35-bn promise to Modi has riders

Money to come only after Delhi improves biz environment & fast-tracks work

NAYANIMA BASU
New Delhi, 15 September

The Japanese government's promise of investing $35 billion (3.5 trillion yen) into infrastructure projects in India comes with conditions.

The promise was made by Japan's prime minister, Shinzo Abe, to his Indian counterpart Narendra Modi during the latter's recent visit. However, the money will come only after Japanese investors find a better business environment, with projects coming up.



A file photo of Japanese Prime Minister Shinzo Abe (*left*) greeting his Indian counterpart Narendra Modi BS PHOTO

The announcement of $35-billion investment into India's infrastructure over five years was the only substantial outcome of Modi's visit to Japan on August 30-September 2.

The disbursement will be based on projects thrown up by the Indian government. It will be a mix of public and private money from Japan. The investment will be channelised through their agencies such as Japan Bank for International Cooperation, Japan International Cooperation Agency and Japan External Trade Organization.

Sources said the government had to abide by what was promised in terms of the creation of a special mechanism, a Japan Fast Track Channel, exclusively for Japanese investors.

"The money will be disbursed only when Japanese investors are assured that their money will be properly channelised and utilised. If the promises made by PM Modi are not kept, not a portion of the $35 billion can be expected to enter India," an official, who did not want to be identified, told *Business Standard*.

The broad contours of the fast-track mechanism are being worked out by both governments. According to a declaration issued by both sides: "Prime Minister Modi underlined his determination to further improve the business environment in India, including through tax, administrative and financial regulations, in order to boost investment. The two prime ministers decided to further deepen bilateral economic and financial cooperation."

The money can be also put in some of the ongoing projects such as the Delhi-Mumbai Industrial Corridor and the Chennai Bangalore Industrial Corridor. Apart from public and private investments, this amount would include Japanese Overseas Development Assistance at a concessional rate, sources said.

The Japanese government, it seems, has identified some infrastructure projects where it intends to put some portion of the money in the next couple of years. Still, this money will be released only when it gets an assurance from India regarding work on the commitments made by the Modi government to improve the country's business and investment environment.

Business Standard

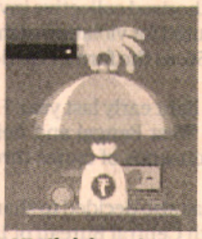
Date 16/09/2014
Page No.07

Govt mulls reforms push in FY16 Budget

Finance secretary to hold fortnightly meetings to formulate a common view on issues on which departments differ

VRISHTI BENIWAL
New Delhi, 15 September

After the Narendra Modi government took flak from several quarters for the absence of 'big-bang' reforms even after completing 100 days in office, the government plans to announce some measures in the next Budget that could change this perception.



All divisions have been asked to identify major issues that could be seen as structural reforms

The finance ministry has already started preparations for Budget 2015-16. Finance Secretary Arvind Mayaram has asked all divisions to identify three or four major issues that could be seen as structural reforms and announced in the next Budget. "It could be in any other ministry or department, too. We have to give our suggestions by October 15," said a ministry official who did not wish to be identified.

Structural reforms are being used in a wider sense here, to describe steps such as trade liberalisation, financial prudence, cutting subsidies, improving governance and encouraging more foreign investment.

Experts said the government had taken some "far-reaching" decisions in the direction of judicial reforms, reincarnation of the Planning Commission, revamp of the Food Corporation of India, and setting up of an Expenditure Reforms Commission. However, more is needed to propel growth.

"There can be short-term, medium-term and long-term reforms. Inflation is high priority in the short term. We have one of the highest inflation rates in the world. In the medium-to-long term, the government should look at higher saving and investment rates, higher tax collections and a lower fiscal deficit," said Ajit Ranade, chief economist, Aditya Birla Group. Also, a national goods & services tax after a consensus with states and tackling the problem of deteriorating asset quality of banks would be other areas of attention, he said.

The finance secretary is to hold fortnightly meetings with other secretaries of the ministry to formulate a common view on issues on which departments differ. For instance, on several occasions, the Department of Economic affairs has been at loggerheads with the Department of Revenue over issues relating to tax clarity or incentives on various financial instruments.

"The prime minister doesn't like it when differences between government departments come out in open. (Only) One voice should go outside," said a senior official, requesting anonymity.

The Indian Express

Date: 16/09/2014
Page No. 03

On Modi website, a piece on Gujarat's Buddhist link

AVINASH NAIR
AHMEDABAD, SEPTEMBER 15

AHEAD of Chinese president Xi Jinping's visit to Gujarat, an article was posted on Prime Minister Narendra Modi website in English and Mandarin Monday, talking at length about the 'Buddhist heritage in Gujarat'. The piece, posted on *www.narendramodi.in,* appears on a red backdrop — the colour typically identified with Communist China.

The feature talks about the connections Gujarat — especially Modi's hometown Vadnagar — has with famous Chinese explorer and Buddhist priest Hiuen Tsang, who is believed to have visited Gujarat in 641 AD. It also has snippets about other Buddhist heritage sites in Gujarat such as Junagadh, Kutch and Bharuch.

On Monday, Modi posted a series of tweets with related pictures on "Buddhist influences" in Gujarat. "Buddhism is a very strong bond between China & India. Infact, Gujarat too has a very rich Buddhist heritage," he tweeted.

Modi added that he was looking forward to welcoming Xi in Ahmedabad. "I am sure his visit will strengthen India-China ties," he said.

In 2011, when Modi, the then CM of Gujarat, went to China with a delegation, the videos and presentations made by the Indian side were in Mandarin, a post in the website archives says.

"Even the business cards handed out by the government team (including Mr Narendra Modi) were in red, and in Mandarin," it adds.

On *www.narendramodi.in*

PM ALSO TWEETS

"The place where I was born, Vadnagar too has a rich Buddhist influence including a Monastery"

The photo-heavy feature starts with a mention of the Vadnagar excavation site in Mehsana district — the site from where more than 7,000 pieces of archaeological importance have been found. "Vadnagar is one of the most ancient towns of Gujarat known as Anandapura during Hiuen Tsang's visit in the mid-seventh century AD," reads the article, which also carries pictures and descriptions of the ancient Buddhist Monastery, Bodhisattva idol as well as Buddhist objects and pendants discovered in Vadnagar.

It carries a picture of Hiuen Tsang and a map of the route he took in 641 AD while travelling to Gujarat from Ujjain in Madhya Pradesh. "On his visit to Gujarat, Tsang noted the presence of 200 monasteries housing 10,000 monks, located at Bharukaccha, Atali, Kheta, Valabhi, Anandapura and Saurashtra," it adds.

The feature also carries a map of Gujarat listing the various Buddhist sites in the state, including Siyot, Vadnagar, Taranga Hill, Bharuch, Khambhalida, Junagadh, Sana and Talaja.

There is also a mention of Dev Ni Mori in northeast Gujarat which, according to the piece, "has yielded the sacred relics of Buddha".

The rock-cut caves of Khambhalida in Saurashtra and the caves of Siyot in Kutch also find a mention in the article. "It must have been one of the 80 monastic sites that the 7th century Chinese travellers reported at the mouth of Indus River," says the piece, which ends with the mention of the Ashokan edict in Junagadh.

"Hiuen Tsang has mentioned, in his writings, visits to places like Vadnagar and Valabi. During those times, Valabi used to be a seat of learning on a par with Nalanda," says Jitendra Nath, deputy superintending archaeologist, Archaeological Survey of India (Vadodara circle).

The Gujarat government has been planning to create a 'Buddhist circuit' in the state to woo tourist from southeast Asia. Modi had also discussed this during his visit to China in 2011.

During his recent visit to Japan, Modi visited two ancient Buddhist temples in Kyoto with his Japanese counterpart Shinzo Abe.

"With PM Modi, I visited Toji temple this morning. Looking at statutes of Buddha, we were reminded of the deep historical ties between Japan and India," Abe had tweeted later.

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Govt. plays down China's 'incursions'

New Delhi keen on avoiding incident ahead of Xi Jinping's visit

National Bureau

NEW DELHI: Keen to avoid a diplomatic incident two days ahead of Chinese President Xi Jinping's arrival in India, the government played down allegations of incursions by Chinese soldiers and civilians in Jammu and Kashmir's Chumar and Demchok sectors of Ladakh.

Refusing to confirm the reports, External Affairs Ministry spokesperson Syed Akbaruddin said, "All I will say is our brave sentinels at the border will address any issues there are." He also denied reports that the Defence Ministry had asked the External Affairs Ministry to take up the alleged incursions diplomatically.

Earlier in the day, an official in Leh complained that Chinese civilians had entered India and opposed work on a bund under the MGNREGS. On earlier occasions, Chinese soldiers had opposed projects along the Line of Actual Control, but this time, Divisional Commissioner S. Singh told news agency ANI, that "Chinese civilians have also come to oppose work and are showing banners."

Last month, similar reports of incursions were denied by Army Chief General Dalbir Singh. The government is preparing for what it calls a "once-in-a-decade" event when the Chinese President lands in Ahmedabad on Wednesday. This is only the third visit by a Chinese President after Jiang Zemin in 1996 and Hu Jintao in 2006.

During the visit, sources told *The Hindu*, India and China will sign MoUs in more than 20 fields and agreements that would total more than \$100 billion, with \$50 billion and \$20 billion being committed by China for the industrial parks near Pune and Gandhinagar alone.

Both sides will discuss the possibility of a civil nuclear agreement, which would enable China to sell reactors to India during the visit. "Given the challenges of both countries in terms of their enormous appetite for energy, it is normal if nuclear issues would be part of their possible discussions," the official spokesperson said.

The Hindu

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Omar in control of situation: Centre

We expect the government to explain if adequate steps were taken: SC

National Bureau

AFTERMATH OF THE DELUGE

JAMMU & KASHMIR'S **WORST FLOODS IN 60 YEARS** HAVE WROUGHT DEATH AND DESTRUCTION

over 200 DEATH TOLL | 2.26 lakh RESCUED | 1.5 lakh STRANDED | Rs. 5,000 crore LOSS TO STATE ECONOMY

ROAD CONNECTIVITY

5,700 Border Roads Organisation personnel engaged

80% Roads opened to traffic

People build rafts to cross the Srinagar-Baramulla Highway.

RELIEF AND RESCUE

- 2,451 | sorties by Air Force aircraft, helicopters
- 3,435 | tonnes of relief material airdropped
- 80 | transport aircraft involved in rescue
- 30,000 | troops deployed by Army
- 280 | Armed Forces Medical Services teams
- 53,082 | patients treated

Source: NDRF, PIB

PHOTO: NISSAR AHMED

NEW DELHI: Under fire from victims of the floods in Jammu and Kashmir for its perceived inability to tackle the calamity, the beleaguered Omar Abdullah government, however, received an endorsement from the Narendra Modi government, which informed the Supreme Court on Monday that the Chief Minister had "taken control of the situation" in the ravaged State.

In a written submission, Attorney-General Mukul Rohatgi said the Chief Minister and the State machinery were functioning from Hari Niwas near Raj Bhawan since the State secretariat was inundated.

Mr. Rohatgi said the 15 Corps headquarters of the Army was coordinating with the State administration. The Army Chief was supervising and coordinating rescue-and-relief operations and visited the area twice.

The submission came even as reports from the Kashmir Valley spoke about the "missing" local administration and the anger among flood-affected people.

Expressing its concern over the slow pace of relief, the Supreme Court observed that top priority for the State government was to bring drinking water and medicines to the flood victims. The observation by a three-judge Bench of the apex court, led by Chief Justice of India R. M. Lodha, came after Mr. Rohatgi's submission. The court also wanted the State government to make ex-gratia payments to victims for immediate life support. Mr. Rohatgi told the court that the Central government was "standing with the State government shoulder-to-shoulder and the Chief Minister is in control." Mr. Rohatgi said rain had washed away forward border posts. "This is the time of maximum infiltration. Forces have to be diverted there and these are sensitive parts."

The Bench pointed out that petitioners' have contended that people were rescued and dumped without basic life support. There were only a few health camps and banks have also stopped functioning.

Macro economic indicators improving, says Rajan

Special Correspondent

MUMBAI: The Reserve Bank of India (RBI) Governor Raghuram Rajan, on Monday, said that the macro-economic indicators were improving and inflation had been coming down in line with the central bank's expectation.

"We are in the process of picking up growth, even if the journey is likely to be bumpy at times. Inflation is coming down, consistent with our forecasts," said Dr. Rajan while addressing the FICCI-IBA annual banking conference here.

However, he said, "inflation is high, and the best solution for the country is to bring it down. I have no desire to keep interest rates higher than they should be. I want to bring down interest rates when feasible." The RBI Governor said there was no point in cutting interest rates to see inflation pick up again.

The RBI remains committed to the dis-inflationary path of taking retail inflation to 8 per cent by January, and further to 6 per cent by January 2016.

Dr. Rajan said that the banking sector was facing a lot of challenges. According to him, public sector banks must have the independence to take commercial decisions. However, he told bankers to ensure quality and effectiveness of bank boards. "Bank boards have to be more empowered to hold the bank management accountable," he said. The recent scandals called for better internal evaluation of lending process, he added.

Credit culture

He also emphasised on a more healthy credit culture in the country. "We have PSL norms which channel credit to certain sectors. Why should some sectors get more easy credit? For example, we subsidise student loans for study abroad. Should a student loan for study abroad come under priority sector?" he said.

The RBI Governor also justified the move by the apex bank RBI to restrict the number of free transactions at ATMs.According to him, people doing fewer transactions at any bank's ATMs ended up cross-subsidising those doing five free transactions.

Inflation dips to 5-year low in August

NEW DELHI: Softening prices of food items, including vegetables, pulled down the Wholesale Price Index-based (WPI) inflation to five-year low of 3.74 per cent in August, but it may not bring relief to the industry as the Reserve Bank of India (RBI) is insisting that "there is no point in cutting interest rates" to see prices go up again.

The August inflation, measured by Wholesale Price Index (WPI), declined from 5.19 per cent in July, while the same was 6.99 per cent in the same month last year.

The August WPI inflation is the lowest since October, 2009, when it stood at 1.8 per cent.

According to official data released on Monday, inflation in the food segment saw a significant decline to 5.15 per cent in August from 8.43 per cent in July.

Vegetable prices contracted 4.88 per cent, registering the third continuous month of decline. Onion prices were down by 44.7 per cent.

LOWEST SINCE OCTOBER 2009

SIGNIFICANT DECLINE IN PRICES OF FOOD ARTICLES BRINGS DOWN INFLATION

	Aug. 2013	Aug. 2014
All commodities	6.99	3.74
Primary articles	13.57	3.89
Food articles	19.17	5.15
Onion	272.54	-44.70
Non-food articles	1.21	4.19
Fuel & power	12.66	4.54
Manufactured products	2.31	3.45

Rate of inflation (in %) *Base: 2004-05=100*

Potato prices, however, were on the rise as inflation in the kitchen essential jumped to 61.61 per cent in August from 46.41 per cent in July.

With WPI inflation coming down to five-year low level, India Inc has raised the pitch for lowering of interest rate to boost industrial output that slipped to four month low of 0.5 per cent in July.

The retail inflation, measured on Consumer Price Index, (CPI) had also eased to 7.8 per cent in August from 7.96 per cent in July.

"With strong actions coming in from the Government, we are hopeful of a sustained moderation in inflation. Coming shortly before the Monetary Policy, this should also provide the necessary manoeuvring space to the RBI," said CII Director General Chandrajit Banerjee.

FICCI President Sidharth Birla opined that it was imperative to continue working on the structural bottlenecks.

"Some announcements have already been made by the government on this front and we hope that the implementation part will get greater traction now," he said.

The price rise in manufactured goods, like sugar and edible oils, too eased to 3.45 per cent in August, while it was 3.67 per cent in July.

Inflation in the fuel and power segment, which include LPG, petrol and diesel, declined to 4.54 per cent as compared to price rise of 7.40 per cent seen in July.

Meanwhile, wholesale inflation based on final index for June has been revised upwards to 5.66 per cent from the provisional estimate of 5.43 per cent.

The August WPI data is also provisional, the government said. – PTI

The Statesman

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INDIA, VIETNAM INK 7 PACTS

CALL FOR 'FREEDOM' OF NAVIGATION IN THE DISPUTED WATERS OF SOUTHERN CHINA SEA

PRESS TRUST OF INDIA
Hanoi,15 September

India and Vietnam today inked seven pacts, including one to enhance cooperation in the strategic oil sector, as they called for "freedom" of navigation in the South China Sea, a remark that could irk China which has been claiming territorial sovereignty over the high seas.

The agreements were signed during the second day of the four-day state visit of President Pranab Mukherjee who held talks with his Vietnamese counterpart Truong Tan Sang here.

Both the countries decided to "strengthen and deepen bilateral cooperation on the basis of the strategic partnership with focus on political, defence and security cooperation, economic cooperation, science and technology, culture and people-to-people links, technical cooperation and multilateral and regional cooperation."

In a subtle message to China, the two countries, which established strategic ties in 2007, asserted that the freedom of navigation in the disputed waters of the South China Sea should not be "impeded" and called all the parties "concerned" to exercise restraint in this context.

"The leaders reiterated their desire and determination to work together to

maintain peace, stability, growth and prosperity in Asia.

They agreed that freedom of navigation in the East Sea/South China Sea should not be impeded and called the parties concerned to exercise restraint, avoid threat or use of force and resolve disputes through peaceful means in accordance with universally recognised principles of international law, including the UNCLOS-1982," said a joint communique issued after the meeting.

China has been exerting its influence in these waters which is not taken well by Vietnam and other bordering countries like the Philippines.

The two sides urged for "collective commitment of the concerned parties to abide by and implement the 2002 Declaration on the Conduct of Parties in the South China Sea and to work towards the adoption of a Code of Conduct in the South China Sea on the basis of consensus.

"They called for cooperation in ensuring security of sea-lanes, maritime security, combating piracy and conducting search and rescue operations," it said.

"Both the nations also agreed to continue closer interaction under the institutional architecture of the strategic partnership, particularly the Joint Commission meeting, the Foreign Office consultations and strategic dialogue, security dialogue and other dialogue mechanisms between the two countries," the communique said.

Hindu (Editorial)

Disinvestment takes off

The disinvestment programme for 2014-15 seems to have kicked off in right earnest with the Union Cabinet clearing the sale of government stake in three major public sector companies — Oil and Natural Gas Corporation (ONGC), Coal India (CIL) and National Hydroelectric Power Corporation (NHPC). The sale of 5 per cent stake in ONGC, 10 per cent in CIL and 11.36 per cent in NHPC will generate over Rs.45,000 crore at the current market prices of these shares. The government had budgeted Rs.43,425 crore for the current fiscal from disinvestment and an additional Rs.15,000 crore from the sale of residual stake in already privatised companies such as Bharat Aluminium and Hindustan Zinc. A successful execution of the stake sale plan now approved will go a long way in helping Finance Minister Arun Jaitley to meet his promise of keeping the fiscal deficit at 4.1 per cent for the current year. What augurs well for the government is that the markets are now buoyant, with the S&P BSE Sensex ruling at historic highs and foreign institutional investors actively buying stocks. With a proposal to increase retail quota in the offer for sale to 20 per cent from 10 per cent currently, there is scope for greater retail participation, especially if the government offers concessions to retail investors in the offer price.

The disinvestment programme, since it began in the early 1990s, has managed to meet the budgeted targets only thrice, and the best year was 2012-13 when the government raised Rs.23,957 crore from stake sales. This will, therefore, be the best-ever year for disinvestment revenues, but there could be a couple of hurdles for the government to cross along the way. The employees' unions at CIL are up in arms, resisting what they call the "privatisation" of the company in which the government now holds 89.65 per cent. There could be tricky days ahead in getting the unions, which have threatened a strike, on board. Such an eventuality could bring down the valuation of CIL and consequently the proceeds from stake sale. The choice of NHPC is also intriguing given that it has not been performing very well. Plagued by dues from some state utilities and delays in project execution, the company is heading for a loss this fiscal year, according to its own communication to the government. The price that the share will fetch may therefore not be optimal for the government. As for ONGC, clarity on the gas pricing policy of the government will help investors to value the company better. The downtrend in global oil prices will reduce the subsidy burden and increase ONGC's profitability. Having got Cabinet clearance, the disinvestment department should move quickly to complete the sale process and capitalise on the current positive atmosphere.