Planning Commission
Government of India

PART A: News pertaining to Planning Commission

17.09.2014

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Planning Commission Library

[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. High on priority list, but no office or staff for skill ministry

Sanjib Kr Baruah, Hindustan Times , September 17, 2014

Clearly there is no walking the talk for the newly created Skill Development and Entrepreneurship Ministry. While development of skills may be a buzzword for the Narendra Modi-led NDA government's policies, very few moves have taken place on the ground to get the new ministry going.

While the duties have been allocated through a Cabinet Secretariat notification dated July 31, the skill development ministry hasn't been allocated any office or staff, neither any official infrastructure nor the vehicles and computers etc. Already figuring as a pivotal ministry in the NDA regime, it has no official address yet.

While Venkaiah Naidu's urban development ministry on August 20 has acknowledged two letters dated July 15 and August 11 for allotment of office accommodation to the skill development ministry, the matter is still "under examination".

The skill development ministry had requested for about 5,500 sq feet of office space—preferably within Shastri Bhavan—to house about 50 department employees including the secretary, who incidentally is the only appointee of the department till now.

In the absence of a room, the secretary — Sunil Arora, a 1980 batch Rajasthan cadre IAS officer who took over on September 2—is reported to be functioning from a room in the Jawaharlal Nehru National Stadium, as the minister Sarbananda Sonowal is the sports and youth affairs minister too.

Additionally the skill development ministry had also requested the Cabinet Secretariat in the first week of August for transfer of the Directorate General of Employment and Training (DGE&T) to the Skill Development and Entrepreneurship Ministry "with immediate effect so that the new department may take off effectively and duplication of work avoided." Government sources on condition of not being identified told HT no headway has been made on this issue too.

DGE&T is the apex organisation for development and coordination of programmes relating to vocational training at the national level. It is considered key to the Skill Development and Entrepreneurship Ministry's plan to produce a 500 million trained work force by 2022 which will not only cater to demands within the country but also globally.

2. It pays to coach the mid-level folks

Business Line: 17.09.2014

Vara Prasad Rongala

This is key to ensuring employee engagement, teamwork and retention

Middle-level management plays an integral role of creating the bridge between the strategy that top management conceptualises and the actionable results they expect.

They are also the people who relay the feedback from interactions with junior-level employees and shop floor workers or clients, up the ladder, to senior management. Yet, the job description of the middle manager is often described as "a rat on a wheel", where they work hard, but find it difficult to advance.

Bersin by Deloitte (a research database) lays down some of the challenges that mid-level managers face in recent times: widening span of control; increase in customer-facing activities by direct reports; less time spent on development; evolution of the job role and responsibilities due to technological innovations; execution of policies and strategies in a global environment; and managing several generations.

Expectations from middle managers are high, and yet, in many organisations, they fail to receive the training and development they require to achieve their optimal performance. According to a 2012 *Harvard Business Review* global survey of managers and leaders, 67 per cent of companies said they needed to entirely revamp their middle manager development programmes.

While 28 per cent felt that their development programmes had evolved to match the changing needs of middle managers.

Creating training and development opportunities for middle-level management offers a number of benefits for the executives as well as the organisation at large.

The right tools to improve productivity: Enterprise workforce development programmes for globally-recognised certifications equip mid-level managers with the knowledge and skills to optimise their work performance.

By delivering training across different topics that are related to core practice areas, soft skills or change management, middle managers are greatly benefited. Based on best practices in the industry, globally-adopted management methodologies enable mid-level managers to exercise better control over operations, provide solutions for business challenges and deliver positive results to the organisation.

Preparing the middle-level for the next rung: In uncertain business scenarios where change is the only constant, having a business continuity plan and leadership pipeline in place is of critical importance. With training and development for middle-level management, they will have knowledge of the latest best practices in the domain and the skills to be ready for greater responsibilities when the time comes.

Fortune magazine cites studies that peg the failure rate of people promoted into bigger jobs at 40 per cent, because the promotion was harder to adjust to than they thought it would be.

Alignment with organisational objectives: According to the 2014 PMI *Pulse of the Profession study, 60* per cent of organisations that reported successful strategic initiatives had ongoing project manager training. Around 62 per cent of these respondents also had a formal process to develop project manager competency. Globally recognised management methodologies and frameworks provide guidance on optimising customer experience, delivering cost efficiencies, managing risk, and facilitating change, among other critical business outcomes.

The performance of middle-level managers will vastly improve by training them on how to achieve these key organisational objectives. The same can be said for acquainting them with emerging technologies.

This can be done through instructor-led classroom training, live virtual training and e-learnings. Both these are key in ensuring employee engagement, satisfaction, teamwork and retention.

As organisations scale their operations and expand their footprint into new geographies, middle-level managers who are trained in management methodologies that are customisable to diverse project scenarios, will be ideally suited to be given the responsibility of turning new units into profit centres.

The writer is Founder and Managing Director of Invensis Learning

Business Line 17/9/14

EDUCATION

No Indian varsity in global top 200 list

PRESS TRUST OF INDIA

London, September 16

Massachusetts Institute of Technology has emerged as the leading varsity in the world with no Indian institution featuring in the top 200, according to a global university ranking released today.

The top-placed Indian institution, the Indian Institute of Technology, Bombay (IIT-B), is 222nd in the world, followed by IIT-Delhi at 235th, IIT-Kanpur at 300th, IIT-Madras at 322nd and IIT-Kharagpur at 324th position in the Quacquarelli Symonds (QS) World University Rankings.

The number of Indian institutions in the rankings has grown to 12 from 11.

The other Indian educational institutions that were given a rank lower than 400 on the list of over 700 top universities are: University of Delhi, IIT-Roorkee, IIT-Guwahati, University of Mumbai, University of Kolkata, Banaras Hindu University and University of Pune.

A total of 31 countries are represented in the top 200 in which the US is the dominant nation, with 51 institutions, ahead of the UK (29), Germany (13), the Netherlands (11), Canada (10), Japan (10) and Australia (8).

The QS World University Rankings, regarded as the most rigorous of its type, place Imperial and Cambridge as second equal, behind only the MIT which topped the rankings for a third year in a row. Harvard dropped from second to fourth overall. It was followed by Oxford and University College London in joint fifth place, with Stanford, Caltech, Princeton and Yale of the US filling out the rest of the top 10.

Kings College London, Edinburgh, Bristol and Manchester universities are all in the top 30, capping the best performance by British institutions in the 10 years the QS rankings have been published. Ben Sowter, head of research at QS, said the top 10 had excellent academic reputations, graduate recruitment, staff-student ratios and international reach for faculty and students.

Out of Commission

Business Today Sep 14, 2014

Fiscal federalism will get a boost with the Planning Commission being disbanded

State governments had been complaining about the overarching powers of the **Planning Commission** for a long time. Chief ministers did not like being told by bureaucrats manning the Commission how and where they should spend the Central funds they received. Among the vociferous critics of the Commission - in his earlier avatar as chief minister of Gujarat - was Narendra Modi himself. So it was not surprising when, in his first Independence Day speech as prime minister, Modi declared the Planning Commission was being abolished.

"We will replace the Planning Commission with a new institution having a new design and structure, a new body, a new soul, new thinking, new direction," he said. The new body, he added, would find "a new direction to lead the country based on creative thinking, public-private partnership, optimum utilisation of resources and youth power to promote the aspirations of state governments seeking development, to empower state governments and empower the federal structure".

Created in 1950, the Planning Commission's mandate was to set the conceptual foundation for India's economic development model and allocate scarce resources in a planned manner. Its most important contribution has been the series of five year plans it has formulated, starting 1951. But gradually, as the economy evolved and the liberalisation process began in 1991, with the private sector playing an increasingly important role - public investment has fallen from around 70 per cent in the 1950s to about 30 per cent now - the importance of the Commission declined.

The Commission was set up by an executive resolution of the government of India. The fact that it was neither a constitutional nor a statutory body and yet controlled all planned expenditure also rankled with those who were unhappy with its decisions. And even key insiders have been critical, including the former deputy chairman Montek Singh Ahluwalia who ran down the Commission's draft 12th five year plan as neither credible nor compelling. The Independent Evaluation Office, set up by the Centre in 2010, though nominally attached to the Planning Commission, has even recommended the latter's scrapping!

Growing irrelevance is bad enough, but there are also charges of bias. States led by governments friendly with the Centre have been treated more generously by the Commission. A World Bank study of Planning Commission allocations to 15 major states between 1972 and 1995 showed those run by allies of the central government received transfers that were four to 18 per cent higher than the average.

State governments also allege that the Planning Commission has been aiding the Centre's attempts to encroach upon state powers through centrally sponsored schemes in sectors such as education and health which are in the concurrent list or fall entirely within the states's purview. Often the schemes are only partially funded by the Centre and the states given no choice but to also allocate state funds and deploy their bureaucratic machinery to implement the schemes.

"The Right to Education Act pushed heavily into the domain controlled by the states," says an economist who prefers not to be named. "Centrally sponsored schemes, such as the Mahatma Gandhi National Rural Employment Guarantee scheme have fiscal implications for the states too." Since such schemes increase the states's planned expenditure, non plan expenditure - on the state judiciary, law and order, administrative services and so forth - has to be curtailed, with deleterious effects. Again, such schemes are uniformly foisted upon all states, making no allowance for different local conditions. Many feel this one-size-fits-all approach is ill suited for a country as diverse as India.

Changing with the times: Prime Minister **Narendra Modi** during his maiden Independence Day speech. Photo: Pankaj Nangia

The Commission had its uses - with its mountains of data, it gave the Centre a holistic view of the economy, and also brought together different ministries that tend to work in silos. In a country where development is highly uneven, it identified backward regions across states which could be given special attention and more money. Thus it is important that whatever body replaces the Commission does not dispense with these advantages.

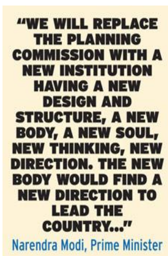
Planning Commission's most important contribution has been the series of five year plans it has formulated, starting 1951

What sort of body should take the Planning Commission's place? If it is only a think tank advising the government - as some have suggested it will be - it runs the risk of irrelevance through lack of teeth and clout. Its composition will also matter. "The new body should comprise experts who believe in the vision of the National Democratic Alliance government," says sociologist Dipankar Gupta, Distinguished Professor at Shiv Nadar University.

There is also debate over whether any move to transfer the Planning Commission's functions to other bodies would be feasible. Supporting such reallocation, Rajiv Kumar, Senior Fellow, Centre for Policy Research, says: "All financial transfers to states can be slowly shifted to the Finance Commission which is a statutory body and does not serve parties or political agendas. All centrally sponsored schemes can be handled by the concerned central ministries, transferring funds after requisite discussions with their counterparts in the states."

Economist Bibek Debroy, part of the research team at Vivek-ananda International Foundation, however, disagrees. "It is the mandate of the Finance Commission to look at non-plan expenditure," he says. "For it to look at planned expenditure, its terms of reference will have to change. Nor is it desirable for the finance ministry to look at planned expenditure, since its tendency has been to trim it to curb fiscal deficit."

The power of the states and fiscal federalism are also at the root of the disputes over the Goods and Services Tax (GST), intended to provide a uniform sales tax law across the country. Modi has spoken about his intention of bringing in GST by the end of the year. But there is a strong view that the proposed GST council which will determine tax rates will be encroaching on the powers of state finance ministers. This was most recently articulated by Tamil Nadu Chief Minister J. Jayalalithaa who wrote to Modi objecting to the sweeping powers of the GST council, the bar on states taxing tobacco - a major source of revenue - and on keeping petroleum products within the GST's purview.



Click here to Enlarge

"GST will take away power from states, but because the benefits of a uniform tax outweigh other concerns, it is a win-win," says Ajit Ranade, Chief Economist, Aditya Birla Group. "The world's largest economies, the US and China, do not have GST... the US has a very strong federalist tendency, but in India we are still somewhat far away from a strong federal concept as states were formed on a linguistic basis."

If the goal is to work towards a more comprehensive federal economy, as stated by Modi in his Independence Day address, it will require some constitutional changes, which should not and need not be carried out in a hurry.

PART B

NEWS AND VIEWS

Wednesday, 17th September 2014

Polity	: BJP suffers jolt in Up, Rajasthan & Gujrat
Economy	: Debt inflows outpace equity rally on High interest rates
Planning	: Govt likely to stick to budgeted Borrowing plan in H2 of FY15
Editorial	: Sustainable relief?

Communication, IT & Information Division
Phone # 2525

The Statesman

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BJP SUFFERS JOLT IN UP, RAJASTHAN & GUJ

SAFFRON PARTY LOSES SEATS IT HAD WON IN LS ELECTIONS THIS YEAR

STATESMAN NEWS SERVICE
New Delhi, 16 September

Barely four months after securing a spectacular triumph in the general elections, registering a landslide victory in vast swathes of the country, the BJP today suffered setbacks in assembly bypolls in major states like Uttar Pradesh, Rajasthan and Gujarat, losing altogether 13 of its 23 seats there.

The party had swept these states in the April-May Lok Sabha elections when its campaign was spearheaded by Mr Narendra Modi.

The BJP's electoral reverses in this round of by-elections in several states came close on the heels of the party's dismal performance in recent assembly bypolls in Bihar, Uttarakhand, Karnataka and Madhya Pradesh.

The fresh round of bypolls was held on 13 September in 3 Lok Sabha and 33 assembly constituencies spread across 10 states in an exercise billed as yet another test of the Prime Minister Modi's popular appeal.

Of the 32 assembly seats across 9 states for which the counting of votes was undertaken today, the BJP won 12, the Congress 7 and the Samajwadi Party 8, while the Trinamul, the CPI-M, the TDP and the AIUDF securing 1 each. An Independent candidate won a Sikkim seat. The counting in Antagarh in Chhattisgarh will take place on 20 September.

ASSEMBLY BYPOLLS

TOTAL SEATS 32 IN NINE STATES

PARTIES	SEATS WON
BJP	12
CONGRESS	7
SAMAJWADI PARTY	8
TRINAMOOL CONGRESS	1
TELUGU DESAM PARTY	1
AIUDF	1
CPI-M	1
INDEPENDENT	1

The BJP's dismal performance in UP, Rajasthan and Gujarat, Mr Modi's home state, led the Opposition parties, including the Congress, to claim that the "Modi wave is on the wane now".

They alleged that "it was the shortest honeymoon period that any regime has had after pulling off a staggering victory in the general elections". Today's outcome clearly came as a morale-booster to them.

The Congress and parties like the SP also described the bypoll results as a "defeat of communal forces", charging that the people rejected the BJP and the Modi regime's "politics of polarisation".

The BJP dismissed such allegations, asserting that not much should be read into by-election results which, the party said, were essentially about local issues. "It was not a reflection on the Prime Minister Modi's popularity or his government's 100-days performance," the saffron camp maintained.

It was however rattled in UP, losing 7 of its 10 assembly seats as well as 1 seat held by its ally Apna Dal. The Mulayam Singh-led SP wrested all these seats from them. The BJP had swept UP in the Lok Sabha polls, winning 71 of the total 80 constituencies with 2 won by its ally.

The Mayawati-led BSP's decision not to enter the bypoll arena had turned the UP fray into a virtual straight battle between the BJP and the SP, given that the Congress was barely a player there. Despite ruling the state, the SP was decimated in the general elections, but today it seemed to have bounced back, taking advatnage of consolidation of anti-BJP votes in its favour.

The BJP's detractors also pointed out that its high-pitch campaign to allegedly "polarise" people on communal lines – by making divisive issues like "love jihad" as part of its poll plank and projecting rabble-rousers like Yogi Adityanath as its star campaigner – came a cropper this time round.

The BJP suffered a blow in the party-ruled Rajasthan and Gujarat, too. The Vasundhra Raje-led BJP had stormed to power about nine months ago in Rajasthan by a landslide. In these bypolls, the party lost 3 of its 4 seats to the Congress.

The Congress also managed to win 3 of the 9 seats held by the BJP in Gujarat where Ms Anandiben Patel was picked by Mr Modi as

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BJP suffers...

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his successor chief minister after he switched to New Delhi as the PM.

All the assembly seats in UP(11), Gujarat (9) and Rajasthan (4) were held by the BJP earlier and by-elections were held because their MLAs were elected to the Lok Sabha in the general elections. The party now managed to win only 6 seats in Gujarat, 3 in UP and 1 in Rajasthan.

A silverlining for the BJP emerged from its performance in Mamata Banerjee-ruled West Bengal where its candidate Shamik Bhattacharya won the Basirhat Dakshin seat in North 24 parganas district by a margin of 1,586 votes against the ruling Trinamul candidate and former Indian soccer captain, Dipendu Biswas. The seat was earlier held by the CPM.

The Trinamul won the Chowringhee seat in Kolkata, where its candidate Nayana Bandopadhyay managed to defeat her nearest rival, the BJP nominee Ritesh Tiwari.

The BJP also wrested Silchar constituency in Assam from the Congress. The AIUDF and the ruling Congress retained Jamunamukh and Lakhipur seats respectively there.

The CPM bagged the Manu (ST) assembly seat in Tripura while the Independent candidate R N Chamling, brother of the CM Pawan Kumar Chamling, won Rangang-Yangang seat in Sikkim, defeating his nearest Sikkim Democratic Front (SDF) rival. In Andhra Pradesh, the ruling TDP retained the Nandigama seat.

The 3 Lok Sabha constituencies where by-elections were held went to parties that held them.

So, the BJP retained the Vadodara Lok Sabha seat, vacated by the PM

Modi, who chose to retain his another seat Varanasi. Ms Ranjanben Bhatt defeated the Congress candidate Mr Narendra Rawat by over 3.29 lakh votes in Vadodara which Mr Modi had won by 5.7 lakh votes.

In Mainpuri parliamentary constituency in UP, Mr Tej Pratap Singh, Mulayam's grand nephew, trounced the BJP's Prem Singh Skahkya by over 3.21 lakh votes. The SP chief had vacated this seat after he chose to retain Azamgarh.

In Medak Lok Sabha constituency in Telangana, the ruling TRS comfortably retained the seat vacated by the party president and CM, Mr K Chandrasekhar Rao.

Today's results have now set the stage for a major electoral battle in Haryana and Maharashtra on 15 October.

Last month, the BJP was trounced by the RJD-JDU-Congress alliance in Bihar assembly bypolls in 10 seats. It had also lost several seats in Uttarakhand, Karnataka and Madhya Pardesh at the hands of the Congress.

"Today's results are a good signal to the country and secular forces, they are more against the BJP and the Modi government than in favour of any party; the Modi government must be the only one whose anti-incumbency has started after completing just 100 days," said the Congress spokesman Mr Shakeel Ahmad.

Rejecting such claims, the BJP said the people had voted on local issues, although it conceded that the outcome was not up to its expectations.

"We have won in many places and at some places the results have been not up to our expectations....These by-polls have been fought over local issues and in places where the state governments have full majority," the BJP spokesman Mr Shahnawaz Hussain said.

He asserted that there was also "good news" for the BJP as "the lotus has bloomed in West Bengal".

The Indian Express

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FIIs pump in a record ₹1,12,469 cr in debt; ₹85,247 cr in equities

Debt inflows outpace equity rally on high interest rates

SANDEEP SINGH
NEW DELHI, SEPTEMBER 16

THE FII rally this year is not limited to the stock markets only. In fact, the Indian debt market has witnessed a better inflow with foreign institutional investors pumping in a record Rs 1,12,469 crore ($18.6 billion) in the debt market till date in 2014.

Improved fundamentals of the Indian economy, a decisive mandate to the BJP-led NDA and high interest rates caught global investors' attention as they have invested an aggregate of Rs 1,97,716 crore (all-time-high) in debt and equities with the debt inflow far higher than those witnessed in equities.

The FII inflow into Indian debt, most of which has gone into government securities, is the highest ever. The previous best was in 2010 when it stood at Rs 46,408 crore.

Market players, too, were taken by surprise. "Nobody expected inflows of around $18 billion in Indian debt. The RBI's move to go for a targeted inflation number and the mandate for a stable government established a lot of credibility among investors leading to the strong inflows," said Nandkumar Surti, MD & CEO of JP Morgan AMC India.

The inflow is also significantly higher than the FII inflow into equities, which till date have reached Rs 85,247 crore ($14.17 billion). Between May and August, after the new government was formed, FIIs invested a total of Rs 76,124 crore in Indian debt that reflects their comfort derived from the election result.

As most developed economies have been offering significantly lower interest rates, experts say that investors moved into Indian debt market to take advantage of the arbitrage opportunity available to them while investing in the country at a time when its fundamentals have significantly improved.

"While the borrowing cost for FIIs in developed markets stood anywhere between 2 per cent and 2.5 per cent, they could earn around 8-8.5 per cent in India. If they do not hedge, then the earning for them could go up to 5-6 per cent," said the chief investment officer with a leading mutual fund in India.

Investors have also drawn comfort from RBI Governor Raghuram Rajan's action as he has maintained focus on bringing down the inflation and also keeping the rupee stable. Also, a possibility of an upward revision of India's sovereign rating has boosted investors' confidence.

"After Rajan came in, there has been a considerable comfort that induced inflows. There is also a thought that India deserves a better rating which is reflected from the fact that large Indian companies that trade in markets enjoy better rating than other BBB(-) rated countries," said Abheek Barua of ICRIER.

He added that money has been flowing in both for the short- and long-term debt. While sizeable FII money has already come into debt, a lot will depend upon the US Federal Reserve's decision on interest rates.

"If the US decides that it will hike the interest rates then the markets will start pricing in and the arbitrage may squeeze in and that may result into outflow of funds. However there is a significant arbitrage present and the perception towards rupee has also changed," said Barua.

COMBINED FII INFLOWS

ALL FIGURES IN Rs crore

	EQUITY	DEBT	TOTAL
2004	38,966	3,083	42,049.1
2005	47,182	-5,518	41,663.5
2006	36,540	4,049	40,589.2
2007	71,486	9,429	80,914.8
2008	-52,987	11,772	-41,215.5
2009	83,424	4,563	87,987.6
2010	1,33,266	46,408	1,79,674.6
2011	-2,714	42,067	39353
2012	1,28,360	34,989	1,63,348.7
2013	1,13,133	-50,849	62,284.6
2014*	85,247	1,12,469	1,97,715.9

*Till September 15, 2014

Source: SEBI

The Financial Express

Date: 17/09/2014
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Govt likely to stick to budgeted borrowing plan in H2 of FY15

New Delhi, Sept 16: The government is likely to stick to its scheduled borrowing programme of ₹2.3 lakh crore for the second half of the fiscal. The borrowing programme for the second half of the fiscal (October-March), according to sources, will be decided at a meeting between the finance ministry and the RBI on September 26.

"Government borrowing is expected to be in line with the budget announcement. Second half borrowing is likely to be unchanged," sources said.

The government borrows from the market through issue of T-bills and dated securities to meet the fiscal deficit. The fiscal deficit for FY15 has been pegged at 4.1% of GDP.

"The fiscal deficit target is ambitious, so increasing borrowing now can put the government in a precarious position," sources said.

The borrowing programme will be decided at a meeting between the finance ministry and the central bank on September 26

The government, however, could tinker with its borrowing programme towards the close of 2014 in view of the performance of the economy.

The gross market borrowing through issue of dated securities in current fiscal has been pegged at ₹5.97 lakh crore, ₹34,000 crore higher than FY14.

In the fist half, the government has pruned the borrowing programme by ₹16,000 crore to ₹3.52 lakh crore, with the objective to provide more liquidity in the system. *PTI*

Business Standard

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After 12 years, OMC losses end on diesel retail sale

Oil firms see small profit of 35 paise a litre from Tuesday

SUDHEER PAL SINGH
New Delhi, 16 September

The fruits of phased diesel price decontrol are being reaped by the three government-controlled oil marketing companies (OMCs), with the fuel giving them a small profit of 35p a litre from Tuesday, the first time these sales have turned positive in 12 years.

The continued decline in crude oil prices has helped these companies reach a stage where a cut in the retail price is possible, the first time in seven years. The OMCs are, however, not planning any change till the end of this month.

According to the Petroleum Products Analysis Cell, the petroleum ministry's technical arm, diesel sales will enter a phase of over-recovery for the pricing fortnight beginning Tuesday. The overrecovery of 35p on sale of every litre has strengthened the case for a formal price decontrol, beside easing the government's ₹63,000 crore yearly petroleum subsidy burden.

SHIFTING TRENDS IN DIESEL

	Jan '13*	Sep '14
Diesel price (₹/litre)	47.15	58.97
Underrecovery (₹/litre)	9.6	-0.35
Indian basket of crude ($/barrel)	107.9	95.5

*The UPA govt decided on phased decontrol through small monthly increases in retail price in January 2013
Sources: PPAC, MoPNG

The earlier government had decontrolled petrol prices in June 2010. For diesel, in January 2013, it decided on a gradual rise in prices (of 50p a month) till the retail rate equalled the global benchmark price. This was done since diesel prices had a higher impact on inflation than petrol.

Gain due to gradual easing of price control and drop in global crude oil rates

Brent crude oil has fallen to $96 a barrel, the lowest in 26 months, on falling demand from the largest consumer, China, amid over-supply in global markets. The Indian basket of crude oil has fallen consistently from $115 a barrel in mid-June to $95.5 a barrel on Monday. The diesel price is determined from the refinery gate price, based on trade parity pricing, computed as a weighted average of the import parity price (with a weight of 80 per cent) and export parity price (20 per cent weight).

The retail price is currently worked out on the basis of the daily FOB quotes of Arab Gulf prices as published by Platts & Argus. The retail price has risen by a cumulative ₹11.82 a litre since January 2013, in 19 instalments since then. However, with state Assembly elections in four states round the corner, the government is yet to decide on deregulation.

Reserve Bank governor Raghuram Rajan has asked the government to take advantage of the lower international crude prices to announce diesel price deregulation. "Typically, a lower oil price means a lower current account deficit, lower oil subsidies and lower inflation. We should take this moment to eliminate diesel subsidies as soon as possible," he said on Monday.

Diesel accounted for 45 per cent of the OMCs' gross under-recovery of ₹1,39,869 crore on retail sale of subsidised products in 2013-14. This should be no more than ₹19,584 crore in 2014-15. Diesel currently costs ₹58.97 a litre in Delhi, ₹67.26 in Mumbai, ₹63.81 in Kolkata and ₹62.92 in Chennai. The price differential between diesel and petrol has fallen below ₹10 a litre, as the latter's rates have been revised downwards thrice in the past two months.

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MUMBAI–AHMEDABAD HIGH-SPEED RAIL CORRIDOR

Indian Railways to dodge land acquisition Act

ANUSHA SONI
New Delhi, 16 September

For its high-speed corridor between Mumbai and Ahmedabad, Indian Railways is planning to acquire land under the Railways Act, 1989, dodging the stringent provisions of the Land Acquisition, Rehabilitation and Resettlement Act, 2013. Senior railway officials say this way, several bottlenecks posed by the latest land acquisition legislation will be avoided.

Senior railway officials say the plan to acquire land under the Railways Act, 1989, would help avoid several bottlenecks posed by the latest land acquisition legislation PHOTO: REUTERS

In 2008, the Railways Act was amended by inserting a new chapter, IV-A, specifying a provision to acquire land for special railway projects. Land acquisition for key projects such as the eastern and western arms of the dedicated freight corridor project, too, was carried out under this special provision.

Though the land acquisition Act made an exception for land to be acquired for railway and highway projects by doing away with the 10 per cent cap on non-irrigated multi-cropped land, officials said the Railways Act was preferred, as under this, there was little possibility of litigation.

Vishwas Udgirkar, senior director, Deloitte India, said, "Under the land acquisition Act of 2013, there are stringent conditions for local consent to be secured. However, under the Railways Act, 1989, you can only challenge the quantum of the compensation, not the acquisition per se. Also, the compensation is much higher under the 2013 Act."

Senior railway officials say about 400 km of the project land is in Gujarat and passes through various tribal belts. They add the good pace of land acquisition for the dedicated freight corridor, as well as the fact that only a few cases of litigation were involved in the project, shows this process is faster and multiple levels of grievance redressal ensure locals are provided adequate compensation.

"JICA (Japan International Cooperation Agency) monitored the land acquisition process closely and those affected got compensation from the state concerned, as well as from Railways," said a senior official.

The high-speed rail corridor between Mumbai and Ahmedabad, India's first such corridor, will be 546-km long and is expected to involve a cost of about ₹100 crore a km. Currently, JICA is carrying out feasibility studies for the project and it is expected these will be completed by the end of this financial year.

The Financial Express

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Final norms for on-tap banking licence by fiscal end, says RBI

Central bank finalising guidelines for setting up of payment banks: Deputy guv Gandhi

fe Bureau
Mumbai, Sept 16

The Reserve Bank of India will issue the final guidelines on universal banking licences on tap before the end of this fiscal, said the central bank's deputy governor R Gandhi on Tuesday.

"We are working towards issuing guidelines for full-service banks on tap. I cannot give you a timeline, but it will be in this financial year," Gandhi told reporters on the sidelines of an event on Tuesday.

In August last year, a discussion paper by the RBI on banking structure had argued on making issuance of bank licences a continous process by issuing them on tap and had also introduced the concept of differentiated bank licences.

RBI governor Raghuram Rajan had indicated that the idea of on-tap licences would be explored simultaneously with the broader goal of financial inclusion in mind.

The central bank has already granted two in-principle bank licences to IDFC and Bandhan last year to set up universal banks. These were out of 25 applicants. Now it is in the process of finalising guidelines for the setting up of payment banks and small banks and these are expected in a few weeks, Gandhi said.

"Now, public comments (on small and payment banks) have been received and we are factoring them. Soon we will come out with the final guidelines on these two," Gandhi said.

A committee, formed under former ICICI Bank official Nachiket Mor to look into financial inclusion, had suggested setting up of payments and wholesale banks.

Payment banks will not be allowed to extend credit and will only be involved in remittances and deposit taking, while small banks would be set up with a clear goal of servicing small businesses, farmers and micro industries.

Auction of govt cash balance soon: Khan

Mumbai, Sept 16: The RBI may soon start auctioning cash balances that the government holds in it, said deputy governor HR Khan on Monday. "We are in dialogue with the government; it may happen soon," he told reporters at an event on Tuesday. Movement in government cash balances cannot be predicted and typically leads to large swings in the liquidity of the banking system and, therefore, in short-term interest rates. Cash balances are not disclosed either by the government or the RBI. In 2011, an internal committee of the RBI had recommended auctioning of government cash balances as another way of managing liquidity. Khan said the government and RBI are open to considering raising the investment limit of foreign institutional investors in Indian debt, but there was no proposal to do so as of now. *fe Bureau*

Business Line

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Centre open to amending laws to protect tribal rights

OUR BUREAU

New Delhi, September 16

The BJP-led Government is open to changing laws related to rights of forest dwellers under the Forest Rights Act.

Minister of State (Independent Charge) for Environment, Forests and Climate Change Prakash Javadekar told media persons that the Government is looking to "strengthen" the rights of tribals and other forest dwelling communities.

According to sources, deliberations have been on to look at ways in which the requirement of consent of gram sabhas can be changed. While denying any dilution of FRA, Javadekar said the issue is being looked into keeping in mind the experience of last five years. "If we have to amend laws, we will do it," he said.

Recently, the Environment Ministry has taken steps that are seen as dilution of the Act.

In August, the Ministry passed orders allowing existing coal mines under 16 million tonne per annum to expand up to 50 per cent, and those over 16 mtpa to expand by 5 mtpa, without conducting any public hearing.

However, Javadekar defended this move saying, "Expansion of coal mines is a different ball game... (without such moves) you are denying them (tribals) the right to prosperity." Experience, however, shows that public hearing for expansion of mines lead to protests by the local communities against such projects, the latest example of which was the Mahanadi Coalfield Ltd, where expansion plans were stalled following opposition by locals despite it getting environmental clearance.

Prakash Javadekar

Overlooking concerns on the issue of securing informed consent from locals, the Minister said, "Tribals have every right of development."

Recently, Javadekar and Minister of Transport Nitin Gadkari have also clashed with the Minister of Tribal Affairs Jual Oram over dilution of FRAs in Maharashtra. Oram's Ministry passed an order blocking the State's attempts to dilute FRA rules with some new forest management rules.

The Economic Times

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China to Dish Out $100b Appetiser, But Visa Falls Prey to Stapled Diet

India puts off proposed pact as Beijing refuses to stop stapled visas for Arunachal

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New Delhi: Chinese President Xi Jinping who arrives in India on his maiden visit on Wednesday with $100 billion investment commitments over five years across various sectors will be disappointed that the proposed visa liberalisation agreement is off the agenda. Beijing's intransigence of not following a 'one-India' policy by continuing with stapled visas for Arunachal Pradesh residents is the reason why India has put off signing the agreement.

The two sides had earlier decided to sign the visa agreement to ease travel for tourists, business travelers and professionals from either country during Xi's visit.

However, official sources pointed out that India decided to put off the proposed pact to send out a strong message. By refusing to enter into the visa pact till Beijing stops issuing stapled visas, India was asserting that Beijing's stand on Arunachal was unacceptable.

But this is not the first time that India has refused to sign the proposed visa pact. The Modi government is following the footsteps of the previous dispensation that had refused to sign the agreement during Manmohan Singh's last Beijing trip in October 2013. India was upset that the Chinese embassy in India issued stapled visas to two Arunachal Pradesh athletes days before Singh's visit.

China, however, had hoped that it could clinch the visa liberalisation agreement with a new government in Delhi that was willing to expand bilateral economic and investment links. The new visa pact would have enabled smooth travel of large number of Chinese professionals and entrepreneurs following the agreements to set up two industrial parks and announcements of $100 billion investments during Xi's trip. The visiting President will offer the amount for setting up of industrial parks, modernisation of railways, highways, ports, power generation, distribution and transmission, automobiles, manufacturing, food processing and textile industries.

Modi will host a dinner for Xi on the Sabarmati riverfront in Ahmedabad on Wednesday afternoon. Thereafter the two leaders will travel to Delhi for dialogue on Thursday on all substantive issues of interest, including the protracted border issue, transgressions along the Line of Actual Control including recent ones, Tibet issue, Beijing's maritime silk route proposal, Bangladesh-China-India-Myanmar corridor, bilateral trade issues, terrorism, global financial issues and regional situation and pressing global issues.

Modi will receive Xi when he arrives at his hotel in Ahmedabad. Xi will be accompanied by his wife Peng Liyuan, two senior members of the Communist Party of China, the state councilor and ministers of foreign affairs and commerce, besides a huge business delegation.

The two leaders will witness inking of agreements and both will spend some time at the Sabarmati ashram. On Thursday, Xi will be received by President Pranab Mukherjee at Rashtrapati Bhavan. Among others who would call on Xi would be Congress party president Sonia Gandhi and Lok Sabha Speaker Sumitra Mahajan.

Chinese Menu

$7 billion
Amount to be invested by China in industrial parks in Pune and Gandhinagar

$50 billion
Chinese investment in modernisation of Indian railways, bullet trains and hi-speed trains

$50 billion
Chinese investment in roads, ports and river-linking plan

PUNE PARK for automobiles will employ 1 lakh and manufacture 1.5 lakh speciality vehicles

GUJARAT PARK will be for manufacturing power equipment

INDUSTRIAL PARKS in TN for textiles; another in food processing sector likely

BILATERAL PACTS on climate change, energy sector, food security, culture, tourism and film industry

TWIN CITIES and province cooperation projects between Shanghai and Mumbai, Ahmedabad and Guangzhou and Gujarat and Guandong province

CHINESE PRESIDENT arrives with over 100 business heads, including those from China Harbour, China Railway Construction Group and Huawei

HEADS OF 4 Bank of China, Industrial & Commercial Bank of China, China Construction Bank and Agriculture Bank of China part of delegation

XI TO ADDRESS business gathering of over 400 Indian CEOs in Delhi

SECOND TIME

This is not the first time that India has refused to sign the proposed visa pact

SINGH TOO DID IT

Previous govt refused to sign pact during Manmohan Singh's Beijing trip in Oct 2013

The Economic Times

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Page No. 18

President Praises Modi's Policies

Modi govt created favourable atmosphere for India: Pranab Mukherjee

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Ho Chi Minh City: President Pranab Mukherjee has credited the Narendra Modi government with rolling out crucial economic policies and helping build a favourable international atmosphere.

The new government's first budget outlines some crucial policies formulated by it, the President said, speaking extempore at a reception hosted for him on Tuesday by the Indian community in Vietnam's Ho Chi Minh City. The government's policies have substantial continuity and "there is change where it has been found necessary to do it", he said.

Mukherjee, who is on a four-day visit to Vietnam, arrived in Ho Chi Minh City from the capital city of Hanoi on Tuesday afternoon.

Mukherjee, who was India's finance minister during one of the worst financial crises, said Modi's recent visit to Japan had a "very positive aspect" of raising the possibility of bringing in substantial foreign direct investment to India. "The Chinese president is also coming to India on Wednesday... Our Prime Minister is expected to have detailed interaction with the US president, Barack Obama...," he said

The President even complimented Union Petroleum Minister Dharmendra Pradhan for what he said bringing good luck on oil prices. "...now petroleum prices have come down to $93 and the prediction is that it will go further down. Unfortunately when I was the finance minister, I did not have that privilege of buying petroleum less than $112-115 dollar per barrel," Mukherjee said. Pradhan is accompanying the President on the trip.

Mukherjee said the Indian economy was doing well before the global financial crisis of 2008. "And after that we had some teething problems and also certain problems over which the domestic policies do not have complete control over ...But we improved in 2010-11 and 2011-12 – (recording growth of) 8.5% and 8.9%, respectively. But again it slipped down for two consecutive years."

India's economic growth dropped less than 5% in fiscal 2012-13 and 2013-14.

The President also spoke of "significant agreements" signed between India and Vietnam, including a credit line of $100 million dollars for defense equipment and opening of new oil exploration blocks to ONGC Videsh Ltd by Vietnam. Jet Airways will operate a direct flight between Mumbai and Ho Chi Minh from the first week of November, Mukherjee said.

A JOINT STATEMENT

India on Tuesday has clarified that its agreement in a joint statement with Vietnam on the "freedom of navigation" in South China Sea did not pertain to sovereignty issues. This comes a day before the Chinese President Xi Jinping arrives on his visit to India.

Mukherjee, who is on a four-day visit to Vietnam, arrived in Ho Chi Minh City from the capital city of Hanoi on Tuesday afternoon

A joint statement issued on Monday in Hanoi after talks between President Pranab Mukherjee and Vietnam President Truong Tan Sang said the two countries had 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 recognized principles of international law". It is believed this has not pleased the Chinese side just before their President arrives in India.

The Economic Times

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Committee to Submit Report on Gas Price This Week

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New Delhi: The committee of secretaries that is reviewing natural gas prices is expected to submit its report this week, as it seeks to meet the government's target of announcing new rates by the end of this month. The report would be reviewed by oil ministry officials and petroleum minister Dharmendra Pradhan after he returns from Vietnam on Thursday. Subsequently, the ministry would send the proposal for Cabinet's approval.

Official sources said that sharp differences in the panel of secretaries had narrowed. "Meetings of the committee is over and it is compiling the final report. In all likelihood, the committee will submit its report in about two days," a source close to development said. **ET** reported on September 11 that the panel will submit its report this week.

The government last month constituted the panel to review the gas price formula proposed by the Rangarajan committee, which was approved by the UPA government. The previous government, which had notified the new pricing mechanism in January this year, could not announce the rate after the Election Commission vetoed its move. The formula proposed to double gas price from \$4.20 per unit to about \$8.4 per unit from April 2014.

The Cabinet of the new government, which considered the pricing matter on June 25, decided to review the formula in public interest, and directed gas producers to continue selling gas at prevailing rates until September 30.

The committee, which was expected to submit its report to the oil ministry on last Wednesday, could not do so because of several differences among its members. Some of panel members wanted to link the price of gas with the cost of production, while others wanted new gas rates for new fields, sources said.

The committee comprises expenditure, fertiliser and power secretaries. The oil ministry is represented by its additional secretary, Rajive Kumar, who is also the member secretary for the panel.

"Power ministry initially wanted a drastic change in the formula, but later it has also soften its stand," the source quoted earlier said but declined to give details. "It is not proper to preempt the report because the draft may undergo changes before it is finalised," the source added.

Oil and gas experts said they do not expect the panel to recommend a high price because of its composition. "Ministries of power and fertiliser are representing consumers and the department of expenditure is expected to protect government's subsidy. In this situation, we don't have high hopes from this panel," one expert said requesting anonymity.

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Sustainable relief?

RBI's reading of inflation numbers a significant pointer

Following a generally positive news flow on the macroeconomic front, the inflation numbers emerging from the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) for August also bring a considerable amount of relief. CPI inflation has declined by almost a percentage point from July, from close to eight per cent to just above seven per cent. The August number is about 1.5 percentage points below the rate clocked one year ago. While the headline numbers bring cheer, the food-inflation situation is still somewhat worrisome. Food prices increased by 9.4 per cent year-on-year in August, significantly lower than the rate seen a year ago, but still a persistent thorn in the macroeconomic side. The picture emerging from the WPI is perhaps even more comforting. Headline inflation was 3.7 per cent, almost 1.5 percentage points below the previous month's number and the lowest recorded in almost five years. Food inflation measured by this index, which was close to 20 per cent last August, was down to 5.2 per cent this year.

Two factors are primarily responsible for this rather dramatic turn. One, crude oil prices have fallen sharply, with the benchmark Brent price coming down by around 10 per cent from recent peaks. Contrary to many forecasts, which predicted a hardening of prices resulting from the various conflicts in West Asia, prices have not only come down but seem to be settling in at these new, lower levels. One possible explanation is that the rollback of liquidity being carried out by the United States Federal Reserve is resulting in a global portfolio re-allocation, in which commodities in general and oil in particular are being divested. If this is the case, prices are more likely than not to soften over the coming months, which then leads to a relatively optimistic inflation outlook for India and other oil-importing countries. The second is that the uneven performance of the monsoon does not seem to have appreciably impacted the food-price dynamics, which takes a significant risk factor out of the equation. Of course, prices may react to more realistic assessments of the production situation as it emerges over the next few weeks, but it is quite significant that the more dire predictions of a resurgence in food inflation appear to have been proved wrong for now.

Is this very welcome moderation indeed sustainable, thereby paving the way for the Reserve Bank of India (RBI) to begin a much-awaited lowering of interest rates? The clamour for this will undoubtedly swell in the next few days as the RBI prepares for its next bi-monthly policy announcement on September 30. Perhaps as a pre-emptive move, Governor Raghuram Rajan in a widely reported speech on Monday sent a clear signal that it was yet premature to cut rates. The upside risks to inflation, in his view of things, are still very much in play, notwithstanding the sharp moderation seen in August. Since the growth numbers do not suggest any intensification of pressures from the demand side, this assessment must be based predominantly on the outlook for oil and food prices. If the recent patterns in these are indeed going to be short-lived, caution is warranted. If not, maintaining *status quo* could be a wasted opportunity.