Planning Commission
Government of India

PART A: News pertaining to Planning Commission

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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. Reorienting the Plan Process and Revitalising the Planning Commission

EPW, Vol - XLIX No. 37, September 13, 2014 | Rajeeva Ratna Shah

After the Planning Commission Special Issues

What needs to be done to give the plan process a new content and direction, and make the proposed National Development and Reform Commission an effective body?

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After playing a historic role in nation-building the Planning Commission has come to the end of the road. It had become evident to all that if the Planning Commission did not reinvent itself it was bound to fall into desuetude. The National Development and Reform Commission or NDRC is the suggested name for the institution succeeding the Planning Commission.

However, in the debate for reforming the Planning Commission, the fundamental underlying flaw in the current plan process has gone unnoticed. Most of the failures attributed to the Planning Commission spring from a totally flawed "top down" or inverted plan process being administered by it. The process involves allocation and scattering of resources without sufficient correlation with local needs, with no tie-up of intended benefits with the targeted recipient, and with practically no feedback on actual delivery. The result is widespread dissatisfaction on leakages and misapplication of funds. All this, then, is portrayed as "implementation failure or delivery deficit" and the commission has had to bear the cross.

The starting point for repurposing the Planning Commission has to be the reorientation of the plan process itself. This article suggests the steps required to transit to a new plan process which would interweave a top-down process of enunciation of national plan objectives and parameters with a "grass root-up location-specific" planning process based on extensive deployment of technology.

Reorienting the Plan Process

The prevalent top-down plan process involves transfer of central resources to states on the basis of vague and outmoded formulae, in the vain hope that the resources so scattered or broadcast will reach the villages and target beneficiaries. This needs to be given up and replaced by grass root-up planning, treating the 6,00,000 plus villages of India as knowledge centres and the basic unit of development, and treating each household as the target beneficiary. The needs of each village need to be consolidated into a "village development charter" and these have to be aggregated at the district level as the "district plan".

Thus the new plan process needs to first create 6,00,000 plus village development charters on the basis of norms to be laid down and targets for outcomes to be set by the National Development Council (NDC). And these charters have to be aggregated at the district level into 640 district plans and these plans need to be further aggregated into 29 state plans and seven union territory plans. The new national Planning Commission and State Planning Boards must oversee and handhold the formulation of these village charters, and district plans. Thereafter, the Planning Commission needs to carry out an exercise with each state identifying the required resources for each outcome, taking into account panchayat-level resources, state-level resources and plan funding through central government assistance and centrally-sponsored schemes (CSSs). These negotiations can then be formalised in a memorandum of understanding if necessary.

The plethora of CSSs (66 at the last reckoning), which are in the central sector plan, though largely implemented by state governments, would need to be clubbed together and reclassified into 12 categories:

(a) Social Equity-Oriented Schemes: (i) Beneficiary-oriented anti-poverty schemes for job and asset creation, (ii) Social inclusion schemes-SC/ST/Backward/EWS/handicapped, (iii) Schemes for regional inclusion: minimising interstate disparities, (iv) Schemes for village connectivity, i e, with the nearest market and the block headquarters), telecom connectivity, grid power, and banking infrastructure. (v) Schemes for exceeding Millennium Development Goals in respect of maternal and child health, nutrition, and life expectancy.

(b) Growth-Oriented Schemes:

(vi) Human Resource Development Schemes for harnessing the demographic dividend and for creating India into a global hub for sourcing skilled human power, (vii) Schemes for increased agricultural production/productivity, (viii) Schemes providing budgetary support for infrastructure programmes, requiring viability gap funding for public-private partnership (PPP) schemes, and for nucleating long-term infrastructure debt funds, (ix) Energy sector investments and programmes, (x) Water sector investments and programmes, (xi) Schemes for planned development to meet the pressures of rural-urban migration: Schemes for “nucleating” 100 new cities, and accelerating urban renewal programmes for existing cities, (xii) Programmes for environmental protection and amelioration of the impact of climate change.

Category A schemes (i-v above) by their nature are equity-oriented schemes, aimed at achieving certain minimum standards of well-being of individuals and village communities, uniformly across the country within a given time frame. These have to be targeted at individual beneficiaries using Unique Identification (UID) or Aadhaar, and targeted to villages using a VUID. Fund allocation would be made through the Direct Benefit Transfer Scheme (DBTS). In this, the states should have little room for diversion from one scheme to another. The allocations should be made on the basis of distance to be traversed by the respective states to attain the national norm set by the NDC.

In Category B schemes (vi-xii above), which are largely growth oriented there will be less rigidity, with flexibility available to states to transfer resources from one scheme to another, within the sub-category. In two years time these CSSs will lose their identity and their resources will be transferred as seven different block grants, and even inter-block transfers will be allowed in respect of these block grants, giving space and flexibility to states in fixing their development priorities. In these schemes there will be greater scope of resource supplementation from the market, through bonds and debentures, PPPs and private investments. The state sector plan transfers, namely, the Normal Central Assistance (NCA) and Special Central Assistance (SCA) should then deal with the residual funds and could be transferred to states as untied aid, based on formulae to be revisited for rewarding performance and delivery.

Plan/Non-Plan Classification

Is there a need to continue the plan/non-plan budget dichotomy? The short answer is "Yes". The dichotomy needs to continue since plan/non-plan largely correspond to developmental and non-developmental expenditures. Plan and non-plan is indeed a budgetary fiction, since both expenditures are flowing from the Consolidated Fund of India. Plan funds go beyond the central budget or the gross budgetary support and get augmented by internal and extra-budgetary resources (IEBR) and states' own resources, and thus act as a nucleus for much larger governmental intervention in priority areas. If any change is at all required, it may be achieved by changing the nomenclature to development and non-development funds/budgets. Furthermore, if this dichotomy is obliterated there will be a danger of developmental resources getting progressively squeezed by non-developmental demands, like loan waivers and pre-election largesse.

Mammoth organisations like government departments have a propensity to self-perpetuate and become an imperium-in-imperio (an empire within an empire). They start living for themselves. The present budgetary classification of funds as plan/non-plan or their proposed reclassification as development/non-development funds will also help in controlling and curbing this propensity. Accordingly, I believe we should continue to live with the existing plan/non-plan duality, and merely change the nomenclature to development and non-development budgets, if at all.

Should the restructured Planning Commission – the NDRC – be involved in the plan fund allocation process? Why cannot the Ministry of Finance also allocate plan funds? Theoretically, it is quite possible for the Ministry of Finance to handle plan as well as non-plan funds, but this would again be fraught with the danger of non-plan expenditure squeezing out plan expenditure, since the latter is often aimed at long gestation programmes with deferred outcomes, whereas non-plan allows harnessing of low hanging fruits and immediate outcomes. The danger therefore is that the urgent and the immediate will put the important on the back-burner. This is more relevant to states, where the temptations for distribution of political largesse and for incurring expenditure on unproductive and populist schemes are even greater. The plan/non-plan dichotomy acts as a bulwark against wasteful non-developmental expenditure. The advantage of two different authorities handling allocation of plan and non-plan funds is that it generates a creative tension between the demands for plan and non-plan funds.

When there are conflicting claims on scarce resources, it will be useful to create an interface and generate a dialogue on plan size between the Ministry of Finance and the NDRC. This will enable the prime minister to intervene and optimise the trade-off between essential regulatory expenditure and aspirational developmental expenditure.

National Development and Reform Commission

Configuring the charter of the new NDRC must begin by examining what was wrong with the Planning Commission in the first place. Besides having to administer a flawed plan process, there is a lot that has gone wrong with the Planning Commission. The Planning Commission, originally conceived as a knowledge bank and think tank, was supposed to act as a repository of domain knowledge and specialised skills in different subject domains, not available to other government departments and states. It was supposed to acquire a persuasive culture through superior knowledge and intellectual ascendancy. Instead the culture has degenerated into one of exercising domain control over others. The focus has shifted from cerebral functions, viz, perspective planning, development policy analysis, project and programme implementation monitoring and ex post facto programme evaluation, to three power-centric functions, namely:

(a) In principle approval of new schemes;

(b) Project/programme appraisal and financial approvals;

(c) Resource (plan outlay) allocation to

(1) central government departments for subjects listed earlier, and (2) states for CSSs and for NCA and ACA.

This reflects a chronic malaise afflicting the Planning Commission. It had selectively acquired a power-centric focus. This must change. The NDRC necessarily needs to be disengaged from project approval related functions. Financial approval should be a bilateral process between the subject ministry and the Ministry of Finance. The intermediation of the Planning Commission used to only add one more cumbersome and redundant layer in the approval process. The only rationale for involving the Planning Commission was the valuable contribution made by Project Appraisal and Management Division (PAMD) and the opinions provided by knowledge domain experts. This can still be achieved by integrating the PAMD with the Ministry of Finance.

The mandate of the NDRC, therefore, needs to be written on the above lines, redefining its dual role: (i) To act as a back office for the PMO – handling inter-sectoral and interstate developmental issues and providing cross-sector development insights. (ii) To act as the permanent secretariat of the NDC, helping states formulate their village development charters and their district and state plans. To act as an aggregator of all these and to identify and allocate resources, within the ceiling of plan size indicated by the Ministry of Finance.

Making the NDRC Function

To enable the NDRC to play an effective and decisive role in extracting outcomes from the implementation machinery both at the centre and the states several decisions will be necessary:

(a) Energise the NDC: The NDC, to be chaired by the prime minister, consisting of all chief ministers and all union ministers of all development departments should meet once every two months. It should be more actively involved in goal and target setting for expected outcomes in a five to 10-year time frame. The NDC should also be involved in selecting the parameters for measurement of the outcomes and in fixation of the priorities. There will be some outcomes where targets will have to be uniformly standardised as the minimum acceptable levels of outcomes across the country. In addition, some states may want better outcomes and set improved targets. Keeping in view the state diversities the states may also like to frame programmes specific to their states and seek central assistance for the same.

(b) Make the NDRC the permanent secretariat of the NDC. The NDRC should handhold the State Planning Boards all through in the bottom-up process of formulation of village development plans.

(c) The NDRC should provide technology support for switching over to grass root-up planning for targeted delivery. Today, technology enables us to create a geographical information system (GIS)-based database of knowledge and information to quickly put together a village development charter. Today we have 23 layers of information on GIS maps. They can give the exact geolocation and boundaries of each of the 600,000 plus villages, their rail and road connectivity status, their demographic profile, existing amenities data (i e, minimum distance from school/dispensary/post office/bank/block headquarters, etc), soil data, underground water data, river-basin/watershed/micro-watershed data, village contours and inundation data, crop data, etc. This data would need to be supplemented by local household-level data, poverty-line data, local lanes data, and some special features specific to the village. This would then need to be digitised. Using all this it will be possible to put together a plan for every village based on approximate quantitative resource estimates for achieving the goals set by the NDC in the given time frame. Focus on every target beneficiary as the recipient of the direct benefit transfer and use the UID infrastructure to deliver all benefits in cash or kind directly to the beneficiary through technologically-enabled secured conduits or processes. This will ensure targeted delivery and elimination of leakages.

(d) Hold the NDRC squarely responsible for project/programme and service delivery. This will involve disbanding the Department of Programme Implementation and amalgamating it with a recreated Project Execution Monitoring Division in the NDRC.

(e) For targeted programme delivery of all anti-poverty programmes and programmes relating to social inclusion, the NDRC should allocate resources only on the basis of (i) the UID, to be delivered to the target beneficiary by direct benefit transfer into his bank account or (ii) to the VUID or village UID (which can be quickly created by giving every village a unique alpha-numeric ID and a bank account). This will prevent wasteful allocations based on the broadcast method and will result in direct fund flow to the targeted beneficiary (individuals) and to the targeted villages, without any pilferage en route.

(f) For delivery of services, all services delivered by the government to citizens (G2C)/residents should move to over the counter or at the door delivery by private service providers running points of presence (PoPs) or by community service centres (CSCs), eliminating direct interface between government employees and the citizens and reducing discretion, in the first phase. Eventually all service delivery in the G2C domain should be internet-based, on line, real time transactions on 24×7×365, on anytime anywhere basis. In the government to business (G2B) domain, processes should be reconfigured for online/real-time delivery of services. Face to face interaction between government functionaries and businesses should be restricted to the minimum and be only at the higher levels.

(g) Since the responsibilities for project execution monitoring, improved programme implementation and improved service delivery will require complete process re-engineering and extensive deployment of technology and e-governance by the NDRC, the following structural changes may be effected: (1) The National Informatics Centre or NIC and the applications side of the e-governance division should be transferred from the Department of Information Technology (DIT) to the NDRC, leaving the task of creating IT infrastructure, hard for e-governance and cyber security with the DIT, (2) The NISG or National Institute for Smart Governance should also be handed over by the Department of Administrative Reforms to the NDRC for bringing about process-re-engineering in development departments and for developing e-governance applications for better programme and service delivery. The Unique Identification Authority of India (UIDAI) should become a formal subset of the NDRC.

(h) Other consequential changes will involve amalgamation of the Department of Programme Implementation with the NDRC, since it does not have the wherewithal and the infrastructure that the NDRC will have for carrying out a systems reform which requires outreach to all departments and all states. Nor does it have a delivery platform like UID which the NDRC will have.

(i) The NDRC should surrender the PAMD to the department of expenditure, Ministry of Finance, and will exit from its involvement in the financial approvals process. It will only be involved in giving in principle approvals to new projects, since they will eventually need a plan allocation.

(j) The reconstituted commission (the NDRC) should have people of eminence in their respective knowledge domains. We would suggest four renowned experts and four practitioners/development administrators with a proven track record of delivery of outcomes to be made members of the NDRC.

(k) Since the Planning Commission has been progressively losing in-depth expertise, we need to contract from the open market at least two to four functionaries to act as subject matter specialists or advisers to assist each of the eight members of the NDRC.

Moving Away from Resource Allocation

Thus the focus of the NDRC must shift from resource allocation to (a) project execution, (b) programme delivery, and (c) service delivery. For this to happen it will be necessary to create systems and an apparatus to extract time-bound compliance of quantitative and qualitative targets for execution that have been set by the NDC. Since most of the implementation lies in the domain of the states it will have to be mandated by the chief ministers acting in concert through an NDC resolution. This NDC resolution should make the NDRC squarely responsible for achievement of outcomes, giving it unrestricted access to state-level implementation machinery. The same resolution should mandate the creation of State Planning Boards, which will act in close cooperation with the NDRC.

The NDRC should undertake to report all the implementation flaws, slippages and failures to the chief ministers, before bringing them to the NDC. When slippages and qualitative failures become persistent or repetitive they must be brought to the notice of the prime minister, so that they can be flagged for incorporation in the agenda for bilateral discussions between the prime minister and chief minister or to place them before the NDC.

With these changes in the plan processes the basic role of the NDRC will change from focusing on appraising and approving projects and programmes, and subjectively allocating resources, to overseeing the formulation of village development charters and aggregation of these demands into district plans, aggregating district plans into state plans, and generating the national plan based on available resources, and then taking resource allocation decisions on the basis of norms set by NDC. This will substantially circumscribe the element of subjectivity and discretion in the resource allocation function and will enable the NDRC to take better and more informed decisions based on ground realities. The plan resource allocation process will get grounded in realities and the NDRC's feet will be on terra firma. In the process we will also be solving the problem of delays in implementation and slippages

2. The Reformed ‘Planning Commission’

The Way Forward

EPW Vol - XLIX No. 37, September 13, 2014 | Santosh Mehrotra

After the Planning Commission (Special Issues)

The government must recognise that one source of China’s strategic economic growth is an institution with strategic planning capacities, the National Development and Reform Commission. The success of China with the NDRC tells us that fiscal decentralisation, accountability mechanisms, experimentation, learning, and openness to expertise form the core of any institution that seeks to provide vision and strategic economic planning. Further, strategic planning institutions in Asian economies, like India’s Planning Commission, have helped deal with various regional and global economic crises; a lesson we must keep in mind.

The National Democratic Alliance (NDA)-led government has decided to abolish the Planning Commission, and create a new institution in its place. This requires a redefinition of the functions of the old organisation. The following functions could be considered, in the light of concerns expressed by the government. First, it should function as the foremost government think tank. Second, it will need to continue to prepare five-year plans, or even perhaps slightly longer term perspective plans. Third, it needs to give a more effective voice to state governments. The erstwhile function of pre-appraising all projects from all ministries should be retired, except in areas where it has special expertise (as discussed later).

Think Tank Function

There is one role that the current Planning Commission has barely managed to perform – systematically collecting best practices in policy or programme design from states, and then replicating successful models across the country. India is a veritable laboratory for good practices within states in every sector. But so removed is the culture of learning from our administrative system that since independence we have not managed to institutionalise any method of learning across states. If learning across states is to be systematised, then the Planning Commission would be the appropriate body for this purpose. But that requires that it plays a much greater strategic role than it has played so far. Since a strategic role with actual power is what the National Development and Reform Commission (NDRC) has achieved in China, the Chinese experience is salutary for India.

One thing that the Chinese experience teaches us is that after the economic reforms began in 1979, the Chinese government, after the name of the State Planning Commission was changed to the NDRC (in 2003), the institution became more powerful than it was during the pre-reform era. It is possible in China to create a strategic, powerful role for NDRC as it has a strong planning function in several key areas (natural resources, guiding Chinese embassies on economic matters and promoting economic diplomacy).

It is essential to place the transition to the NDRC in context. First, the strategic planning function for the economy as a whole remained with the NDRC. Second, five-year plans continued to be prepared after 2003 just as they had been prepared before 1979. In other words, they did not move to a mere long-term perspective plan alone. The problem with a long-term perspective plan is that it has rather little practical value other than laying out a vision. It is not a usable document. Of course, the current five-year plans may also be criticised for not having practical value. However, that can be changed if the NDA government so decides, by making an annual strategic evaluation of programmes and projects a regular phenomenon to check if line ministries achieved targets. It would then become an important tool in the hands of the prime minister, as chair of the new Planning Commission, to monitor progress (well beyond the mere collection of data that is put on the Delivery Monitoring Unit created by the previous Prime Minister's Office (PMO) in 2009) towards targets. This monitoring role cannot be left to the line ministry, since the line ministry is an interested party, and its leadership is bound to defend its performance. Since the prime minister (and consequently the PMO) can instruct the line ministry to either redesign the programmes that are not delivering or scrap it, this role for the new Planning Commission is consistent with the transfer of the financial allocation function away from the current Planning Commission to the Ministry of Finance.

Some make the argument that if the new Planning Commission does not have financial allocation powers, then its powers of persuasion will be accordingly restricted. This argument is considerably weakened as the new Planning Commission's chairperson will still remain the prime minister, who could hold the line ministries to account. In any case, the powers of persuasion have not worked very well so far even with the current Planning Commission's financial allocation powers (and the new government is not persuaded that the new Planning Commission should retain that power).

Fiscal Decentralisation

There is another lesson for India from the Chinese system. One of the most important differences between the Chinese and Indian fiscal arrangements between the centre and states is that China has become, since the 1979 economic reforms, considerably more decentralised fiscally (both in relation to its past and vis-à-vis India), and its economic growth is caused by this phenomenon. China is highly decentralised fiscally, despite having a fully unitary constitution, as well as a one-party government. However, India remains one of the most fiscally centralised federal systems in the world. The reason perhaps for this situation is that the Indian state inherited in 1947 over 600 principalities from British rule, which needed to be woven together into an Indian Union, and the founding fathers of the Constitution created a highly centralised state, at least fiscally. In fact, it has been normal to describe the Indian Constitution as being federal, but with strong unitary features.

Under the circumstances, the Planning Commission's role reinforces fiscal centralisation in India, with its centrally-sponsored schemes (CSSs) (which even after the rationalisation following the B K Chaturvedi Committee report still number 67, and account for the main mechanism of transfer of programmatic resources to the states of India). The one-size-fits-all design of the CSSs, which has long been the source of much resentment for state governments, has only recently begun to be loosened up with the share of "untied funds" rising to 20% of total plan funds under each CSS. In fact, most of the allocations by the Planning Commission so far have been made under the CSSs. It is the CSSs that have been the source of the newly-elected central government's problems with the Planning Commission, and intensified the demand for disbanding the Planning Commission. However, that would amount to throwing the baby out with the bathwater.

In China, the high level of fiscal decentralisation with retention of revenues generated by provinces and also township and county governments (the latter being the equivalent to India's panchayati raj institutions/urban local bodies), combines effectively with the strategic planning role of the NDRC. Unfortunately, we have had the worst of all worlds, with a fiscally centralised centre on the one hand, and a Planning Commission that has historically promoted one-size-fits-all CSSs.

Experimentation and Learning

There is another big difference between China and India. What is notable is the tradition that the Chinese state established as part of planning strategic reform: the tradition of carrying out nationwide reforms only after experiments to pilot the reforms in different states. Thus, farmland had been collectivised in the late 1950s and individual plots were abolished. Economic reforms in China began in 1979 with agrarian reforms. Collective farms were experimentally broken up and leased to individual households for a 30-year period, but this programme never went to scale until it had been piloted in a number of communities in a few provinces. This model of experimentation was repeatedly followed for other reforms.

In India, on the other hand, experimentation of this kind is an exception, not the rule. The real problem is that our ability to judge whether a proposed programme design will actually deliver the expected results remains low. Ministries typically prepare programmes without explicitly exploring alternative programme designs to achieve the same results. Programmes are devised with "top down" designs, where the centre provides funds and the states implement. Decades of experience demonstrates that this method of planning or programme design does not work.

The implication is that the new, reformed Indian Planning Commission must be responsible for conducting programmes on a pilot basis using alternate design elements before they are rolled out on a national level.

A second function that the reformed Planning Commission must perform is to institutionalise the learning from different states about good policy and programme design. For example, the extension system in most of the country collapsed over the last quarter of a century, except in a minority of states. However, Gujarat managed to sustain the extension-worker model with impressive results. The Planning Commission was supposed to perform this learning function, but it is rare for state governments to repeatedly follow successful models that have been shown to work. The previous Planning Commission had recognised these problems, but was unable to implement reform. The new government can change things if the prime minister wishes to take this role seriously by imposing such solutions on the line ministries, and following up with incentive funds for the purpose.

It is highly likely that the Expenditure Reforms Commission will rationalise expenditures further, beyond the reduction in the number of CSSs that was done by the previous Planning Commission. It is also likely that the scope of cash transfers may well increase significantly, while the scope of project-based subsidies might decline correspondingly. The new Planning Commission should be responsible for conducting pilots of the new cash transfer schemes that will be conceived.

Giving States a Greater Voice

The existing Planning Commission had long played a role in an interaction with states. State governments have come every year to the Planning Commission in the last quarter of the financial year to discuss both their economic and social performance as well as annual plan allocations. However, this role of the Planning Commission has been a source of resentment between the centre and the states.

The National Development Council has been an appropriate forum for the voice of states, but has not met frequently enough – this is one problem. The second problem with regard to interactions between the Planning Commission and the states is that there is no systematic discussion forum for policy reform, in specific sectors, in consultation with the states. These discussions are often conducted by central line ministries, but only with regard to the CSSs that are implemented by the states. There is need for a central forum, institutionalised in the reformed Planning Commission, where the states discuss the new areas of concentration.

What could be the areas of sectoral expertise that the new Planning Commission should develop?

(i) The Twelfth Five-Year Plan has emphasised quite explicitly for the first time since the economic reforms began the need for an industrial policy. The new government has also emphasised the need for foreign direct investment to promote manufacturing, especially for export markets. One of the roles of the new Planning Commission should be to bring together relevant stakeholders for the 17 sectors identified in the manufacturing chapter of the Twelfth Plan on a systematic and regular basis so that industrial policy does not remain the preserve of the Department for Industrial Policy and Planning alone. This would be similar to the role NDRC plays in China.

(ii) The other areas should be: Education and skill development; health; nutrition (none of which are NDRC priorities in China); agriculture and rural development; water; energy policy; transport and logistics. Sectoral Expertise

One of the long-standing criticisms of the Planning Commission has been that it has lost its professional expertise because it is staffed by generalist Indian Administrative Service (IAS) and Indian Economic Service (IES) officers mostly at senior levels. Its ability to persuade states about good practices or become a knowledge hub based on research and professional experience is quite limited. Staff move in and out of the Planning Commission like in any other ministry. Therefore, it has always remained a question as to what its value added is over and above a sectoral ministry. By contrast, in China the staff of the NDRC spend their entire careers in it within a given division, and in this manner develop professional expertise.

Generalist officers must be responsive to outside expert opinion on the design of policies and programmes, which happens rarely in the Planning Commission (except in the run-up to plan preparation through working groups, but their opinions can get buried in the final plan draft). The real question remains – how will the new Planning Commission be staffed, so that specialised expertise dominates in the priority sector areas outlined? To start with, expertise could be sourced from within the government. However, lateral entrants must be encouraged on a greater scale than has been possible. So a widespread programme of lateral entry at different levels would have to be encouraged. However, the implication is that the remuneration and overall package to such lateral entries must match what they might be able to command in the market.

One last word. Latin American and African economies that used to have planning commissions or equivalents until the late 1970s and abolished them in the 1980s, have begun regretting their decisions. In contrast, most Asian economies still retain the equivalent of our Planning Commission. An important reason why Asian economies have emerged rapidly from the regional/global economic crises in 1997 and 2008 is because they retained their strategic planning capacity, and institutions that embody that capacity. The Government of India should note that bitter lesson, so that we do not live to regret the mistakes committed by most Latin American economies.

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3. Yojana Bhawan: Obiter Dictum

Vol - XLIX No. 37, September 13, 2014 | Dilip M Nachane

After the Planning Commission Special Issues

Now that the government has decided to abolish the Planning Commission and create a new body in its place, the question is what form and shape should the replacement take? Three articles discuss different aspects of the old and the likely new body. The first article here offers a detailed review of the history of planning dating from the Soviet era and outlines the different strands of thought that fed into the Indian experience with planning and argues that what was needed was a restructuring of the commission and not its abolition..

This is a revised version of a paper presented at a seminar organised by the Dr Ambedkar Institute for Social and Economic Change on "Is the Abolition of Planning Commission Justifiable?" in the University of Mumbai on 21 August 2014. The author is grateful to B L Mungekar, Mahendra Dev, Ajit Ranade, Ritu Dewan and other participants at the seminar for valuable comments. Responsibility for errors, views and prejudices lie solely with the author.

1 Introduction

While the death knell has been sounded for the 64-year-old Planning Commission, well before the resounding electoral victory of the National Democratic Alliance government, the administration of extreme unction had to await the prime minister's Independence Day address to the nation from the ramparts of the Red Fort. In the wake of the historic announcement, the jubilant cries of triumph of corporate India reminded one of the Biblical blasts of Joshua's trumpets at the crashing Walls of Jericho.

In the popular imagination, national planning is strongly associated with the names of Jawaharlal Nehru, and P C Mahalanobis, with a strong connotation of Soviet-style centralisation. However from a historical perspective, the idea of planning (in India) has strong indigenous elements and seems to go back to the 19th century writings of nationalists like Dadabhai Naoroji, R C Dutt and Mahadeo Govind Ranade, with their emphasis on the importance of state-led industrialisation for the removal of national poverty. They strongly felt that private initiative would not suffice to provide a stimulus of the required magnitude and stressed the promotional role of the state not only in the mobilisation of savings and finance, but also in the development of banking and in promoting higher education. Socialist ideas started creeping into Congress Party circles in the wake of the Russian Revolution.

At the 1931 Karachi session of the Indian National Congress, a "socialist pattern of development" was set as the goal for India. The young Congress leadership of Nehru and Netaji Bose were deeply committed to this idea. After being elected the President of the Indian National

Congress at its Haripura session in 1938, Netaji constituted the Planning Committee on 17 December 1938 and invited Jawaharlal Nehru to chair this committee.1

As leader of independent India, with a clean slate to chart out its economic future and with the vision of making India prosperous, internally stable and externally (militarily) secure, to Nehru the Soviet high growth phase of 1928-522 seemed a far more attractive alternative than the much slower (and deeper) industrial revolution of western Europe. Thus undeniably, the inception of planning in India in the 1950s was inspired and influenced by the Soviet central planning experiment. But while this was the major influence, it was not the only one.

Any attempt to systematise the various influences that shaped Indian planning in the early phases can be a daunting task, since with the liberal and free thinking prime minister always keeping the doors of his mind open, these influences differed widely in their sources and seemed to span the whole ideological spectrum. First, as already indicated, there was the influence of the Soviet planning experiment (beginning formally with the Soviet First Five-Year Plan 1928-33). But the 1950s was also the decade which saw the rise of the new discipline of "development economics" in the West, focused on the specific problems of the Third World. Most of these writings emphasised the dimensions of increasing returns, lumpy fixed investments, surplus labour, externalities and many other market imperfections (all of which traditional classical economists were of course aware of, but which they tended to neglect).3 These ideas too left an imprint on Nehru's thinking. But it was not only foreign ideas of which Nehru was enamoured (in this he marks an important and very refreshing contrast with his party thinking as it stands today), he had a reverential admiration for the Mahatma (whom many to this day consider a great economist in his own right)4 and even though he strongly disagreed with a great deal of what the sage said, on the general issue of national welfare they had far more in common than is usually thought.

Thus four major influences on Nehruvian thinking may be discerned, viz, (i) the Soviet planning experiment, (ii) the writings of a prominent group of western development economists, (iii) a few select elements of Gandhian thought, and (iv) the writings of other Indian economists. A detailed account of each of these influences would make a fascinating story but is not attempted here, but in all fairness a summary description is definitely called for.

2 Soviet Planning Experiment

It is a cliché among the newly sprung-up generation of Nehruvian critics (or more accurately detractors) to see a close parallel between the Planning Commission of the Nehru years and the overarching influence of Gosplan in the Stalinist era of Soviet planning. The most accurate description of the latter occurs in the typically brusque and direct style of Stalin in his address to the 15th Congress of the Communist Party of the Soviet Union (December 1927)

The plans are not forecast plans, conjuncture plans, but directive plans which are binding upon the managing organs and determine the direction of economic development in the future and on an all-Union scale.

As Bettelheim (1959: ix) in his classic work has noted, centralised planning implied strict government control over (i) the total investment in the national economy as well as its sectoral allocation, (ii) production techniques to be deployed, (iii) the quantum of employment and its industrywise distribution, (iv) the aggregate price level and the relative price structure, and (v) the living standard and real wages for different skill grades and types of labour. I now leave it to our ; Indian critics to judge whether even in its heydays, Indian planning ever remotely approached such a description.

Actually, the influence of Soviet planning on its Indian counterpart was quite indirect and was reflected in the three planning controversies that strongly exercised Soviet economists of the 1920s (with often tragic personal consequences for the individual protagonists)5 viz: (1) Genetic vs teleological mode of planning. (2) The disproportionality thesis. (3) Role of material balances.

All these controversies had very strong political connotations reflecting the complex post-Lenin triangularisation of the Soviet leadership as between the Trotskyites, the neo-Narodniks and the triumvirate of Stalin, Zinoviev and Kamenev.6 But we will try to present the main economic arguments in their bare outline, shorn of the political rhetoric as well as the dialectical overhang. The first of these controversies was really about the intergenerational distribution of the costs of development with the genetic viewpoint (associated primarily with Rykov and Kamenev) arguing for a moderate pace of investment and growth, whereas the teleological point of view (Pyatakov, Kuybyshev, Strumilin, etc) strongly urged higher current accumulation rates for accelerated growth, to put the Soviet economy on a self-sustaining higher growth strategy.

The disproportionality thesis was essentially associated with Preobrazhensky, the brilliant Trotskyite economist who argued for artificially turning the terms of trade against the agricultural sector to extract what was termed as “primitive socialist surplus” for investing in the modern industrial sector. The neo-Narodniks led by Bukharin strongly opposed this position and instead wanted to see a more balanced development of agriculture vis-à-vis industry.

The final controversy related to the “material balances tables” developed by Groman and Bazarov around the early 1920s. These tables became the rallying point for those who believed that growth should occur within the overall constraints set by material balances, while equally ferociously the tables were attacked by those (most prominently Strumilin and Narkomzem) who regarded them as straitjacketing the growth impulse and who believed that planning should strain at the leash of the available resources (Carr 1978).

3 Western Development Economics

As mentioned earlier, the 1950s saw the emergence of the new discipline of development economics in the West. Three ideas in particular seemed to have engaged this group of economists, viz, (i) the “take-off stage of growth” (Rostow 1960), (ii) the existence of surplus labour in the primary sector of a less developed country and its absorption in the modern industrial sector (Lewis 1954; Nurkse 1953), and (iii) the trinity comprising the theses of critical minimum effort (Leibenstein 1957), unbalanced growth (Hirschman 1958) and growth centres/poles (Kuklinski 1958). In retrospect what is astonishing is that these western ideas, developed independently of the Soviet planning debates of three decades earlier, nevertheless suggested a planning strategy (based on high savings, steep taxation, and a strong bias in favour of heavy industry vis-à-vis agriculture) which was precisely the one strongly insisted upon by the more radical factions in the Soviet debates, viz, those favouring a teleological approach and the disproportionality thesis.

4 Gandhian Economic Thought

As Myrdal (1968: 1215) has pointed out, two distinct strands of Gandhian economics seem to have emerged in the immediate post-independence decades – a rigid version maintaining Gandhi’s original opposition to modern forms of industry and a more moderate version (Gandhi 1941, 1952). The rigid version is best exemplified in the writings of Kumarappa (1984) who characterised a money-based capitalist economy as a “parasitic” economy and wanted the principle of “service (to others)” as the basis for a non-violent economy. The moderate view, by contrast, was not opposed to industrialisation per se as long as it did not interfere adversely with the village economy (Narayan 1970; Pani 2002, etc). Nehru’s economic ideas had always been in sharp conflict with those of Gandhi, and as early as 1945, we find him writing to Gandhi “I do not think it possible for India to be really independent, unless she is a technically advanced country” (Tendulkar 1962, Vol 7, pp 15-16). Nehru sought to assuage Gandhi’s reservations about industrialisation by emphasising that many of its alleged evils (such as concentration of economic power and conspicuous consumption of the wealthy) would be kept in check by the principle of democratic socialism, which he (Nehru) proposed as the central guiding political philosophy in independent India.7

However different the outlooks of Gandhi and Nehru on the issue of industrialisation, the latter had too much respect for his mentor’s views to ignore them altogether. An acceptance of the basic tenets of the moderate Gandhian strand of thought (see above) seemed to provide an ideal compromise – a rapid industrialisation programme but one which protected the village handicrafts, especially khadi. This compromise also had an economic rationale – modernisation with its emphasis on capital-intensive heavy industry just could not provide the increases in employment needed to absorb the rapidly growing labour force; the role of a reservoir for the unemployed could be played by the village industries. This rationale is succinctly expressed by Mahalanobis (1955), the architect of India’s Second Plan as follows:

in view of the meagreness of capital resources there is no possibility in the short run for creating much employment through the factory industries. Now consider the household or cottage industries. They require very little capital. About six or seven hundred rupees would get an artisan family started. With any given investment, employment possibilities would be ten or fifteen or even twenty times greater in comparison with corresponding factory industries.

Thus, by paying a measure of respect to Gandhian concepts, the Indian planning process simultaneously became politically palatable to a wide spectrum of contemporary influential opinion as well as to the masses at large. The Gandhian influence is most evident in the government's attitude to small-scale industry. In this connection, it is interesting to observe that Gandhi's original concerns for the village crafts were conveniently broadened by Indian planners to include not only urban crafts but also small-scale units as a whole.

There were other features of the Gandhian system which found expression in the economic policies of the early plan period. The Gandhian emphasis on austerity was reflected in the import restrictions on several items of luxury consumption (which continued well into the 1980s), the curbs on production of goods in the so-called U-sector (upper sector) and high marginal rates of personal income taxation. The heavy corporate taxation (especially over the first three decades of planning) was also partly an operationalisation of Gandhiji's trusteeship concept. The 1970s witnessed India under Indira Gandhi espousing three of Gandhiji's cherished ideals, viz, poverty alleviation, redistribution and Swadeshi (though arguably largely driven by her political ambitions).

5 Other Indian Economic Thinking

Apart from Gandhian thinking, several other indigenous influences were strongly at work in the formative two decades of Indian planning. While these influences were multifarious, we will confine our discussion to the three major ones. Firstly, a strong streak of egalitarianism had always been an essential feature of Indian writings on political economy. This was most visible naturally, in the writings of Marxist economists like Ashok Mitra (1977), Gyan Chand (1965) and K Panikkar (1963) but is also a frequent theme among liberal economists, most notably V K R V Rao (1964), Tarlok Singh (1974), C N Vakil (1974), P R Brahmananda (Vakil and Brahmananda 1956 and D R Gadgil 1961). Closely allied to the issue of inequality is the issue of poverty alleviation. It was, of course, a complicating feature of the sociopolitical history of the country that poverty was not only endemic but also that its incidence was unevenly distributed across regions, communities and castes. Awareness of the caste dimension of poverty was brought to the national consciousness by Gandhi and many other nationalist leaders (once again across a wide political spectrum) and B R Ambedkar through his ceaseless struggles succeeded in insisting on the eradication of caste-based discrimination and overall poverty as an explicit component of the planning strategy. Other underprivileged groups (such as landless labourers, marginal farmers, minorities, etc) were also successively sought to be included within the ambit of official targeted poverty eradication programmes.8

Another major influence on Indian planning in the early years was the cooperative movement, which had its beginning in the introduction of the Cooperative Credit Societies Act of 1904. Cooperative societies grew gradually in British India but the cooperation movement received a fillip in the First Five-Year Plan, which saw it as an indispensable instrument of planning. As a matter of fact, Nehru (1959: 8) emphasised the role of the cooperatives as filling the gap "between small units and modern technology". This emphasis on cooperation seems to have continued well into the 1970s when it seems to have been realised that the movement had been largely subverted to political interests and money power. Other important influences in the 1950s and 1960s were the doctrines of Ram Manohar Lohia's Gandhian socialism and Vinoba Bhave's Sarvodaya and Bhoodan. However these influences, at the best of times, were limited in impact and proved transitory, but served to focus official and public attention on wealth inequality, land reforms and rural credit infrastructure.

6 The Halcyon Decades (1950-90)

It is a testimony to the genius of Nehru's vision and the operational flexibility of the early planning strategists that out of the above various disparate (and often contrarian) streams of thought, a coherent and consistent planning framework could emerge which stood the test of time for well-nigh six decades. However such a consociational approach (to use Arend Lijphart's fashionable term) inevitably implied a persistent shifting of emphasis in the planning strategy (as one or the other trend became dominant in the ruling party's agenda). Thus (at a slightly rough reckoning) we have witnessed a strong shift in favour of heavy industrialisation in the Second Five-Year Plan, an attempt to redress the balance in favour of agriculture in the second half of the 1960s with the Green Revolution thrust, a strong shift in favour of centralisation, industrial control, import substitution, egalitarianism and poverty alleviation in the Indira Gandhi regime (1969-77), a move towards more operational flexibility and regional decentralisation in the brief Janata interlude, a retreat from industrial licensing and import controls in the latter half of the 1980s, and finally the massive swing from state intervention to market autonomy on the one hand and from a closed economy to an open one beginning 1991.

The objectives of the Indian Planning Commission were clearly enunciated in the 1950s government resolution of its (Commission's) establishment. Apart from the original seven functions, there was also a growing list of "evolving functions". Broadly speaking over the four decades 1950-90, the Planning Commission engaged in the following five main functions:

(i) Drawing out a road map for the long-term vision of the economy (perspective planning).

(ii) Ensuring the maintenance of inter-sectoral balances via the use of input-output tables (in many respects an intellectual descendant of the Soviet "material balances" of the 1920s constructed by Groman and Bozarov). As discussed below there was a marked retreat from the idea of balances beginning the Eleventh Five-Year Plan. In the manner of its actual operation, in contrast to the Gosplan approach of striving for "material balance" at the most detailed micro level, the Indian Planning Commission confined itself to a broad macro-balance sheet of sources and uses of physical capital and intermediate goods. There was also a (most rudimentary) exercise to match the demand and supply of financial capital.

(iii) Determining (in consultation with the states through the forum of the National Development Council) and overseeing the interstate disbursal of public investment with a view to reconciling conflicting demands naturally arising in a federation.

(iv) Acting as an informal forum for inter-ministerial coordination over contentious issues (especially in the defence, environment and external sectors).

(v) Informally, the Planning Commission has also acted as a consultancy wing for various government ministries.

A detailed evaluation of the success (or otherwise) of the planning experiment during these four decades cannot be attempted here. Broadly speaking the major areas of failure were (i) a national growth rate much lower than achieved in the South East region generally and China in particular, (ii) a failure to make a significant dent on poverty, (iii) growing inequalities (interpersonal, interstate and even inter-community) in spite of a serious commitment to socialist ideals, (iv) an overprotected and uncompetitive industrial sector, (v) a burgeoning parallel economy, and (vi) successive episodes of balance of payments difficulties.

While these negative aspects are all too well known, the positive aspects should not altogether be lost sight of, viz, (i) self-sufficiency in the agriculture (especially food) sector, (ii) the building up of a successful and diversified industrial structure, (iii) the absorption of considerable modern technology, (iv) the build-up of one of the best pools of scientific skills in the region, and (v) the erection of a strong defence edifice which could successfully withstand at least three major military confrontations. Above all, it should not be forgotten that the planning strategy helped preserve the basic democratic and secular framework of the nation in contrast to several of our neighbours in south Asia and south-east Asia.

7 Planning in a Liberalised Environment

Things changed dramatically in the 1990s. The most noteworthy changes were a virtual abandonment of the first two of the above functions. Inter-sectoral balances in the new philosophy of globalisation were perceived as non-binding constraints as any imbalances, could always be restored via imports. This is fallacious reasoning, for imbalances can involve non-tradables such as land, infrastructure or skilled services. Besides, if Indian manufacturing is to participate in global supply chains then special sectors or clusters (involving select commodities) have to be developed, for which an assured broad base of domestic auxiliaries is vital. The second dimension to be sacrificed was the long-term perspective. The intellectual common denominator for this neglect of long-run issues may be located in the post-liberalisation policy mood of an overzealous and universal faith in the dynamic efficiency of markets in the intertemporal allocation of resources (a faith totally unfounded in economic theory).9 On the issue of interstate disbursal of public investments, the commission has increasingly proceeded on a purely ad hoc and opaque basis with no clearly laid down guiding principles (in contrast to the finance commissions where the funds are laid out in terms of well-defined criteria) (Rajaraman 2014). In recent years, the Planning Commission has often tended to tread on the toes of several ministries by trespassing on what they have traditionally regarded as their turf.

However neither the fact that the Planning Commission is not a constitutional body nor that its functioning in the last 10 years has been extremely ad hoc and in many respects unsatisfactory, constitutes a valid case for its abandonment. The public debate on the future of the body has been dominated by three alternative viewpoints.

(1) Some (for example, Pronab Sen 2014) feel that the institution could continue in its present form since the situation remains basically the same as in the 1950s.

(2) A section of opinion feels that the Planning Commission should retain its present structure but adapt itself in line with the changed business environment and policy context. In other words, it should mark an effective transition from a mixed economy to a market economy (e g, Ahluwalia 2008; Nachane 2014).

(3) Finally, there is the view most visible in the daily press that the Planning Commission should be laid to eternal rest. And of course it is common knowledge that this view derives some kind of force of official sanctity from its originating in the Chibber report of the Independent Evaluation Office (IEO).10 Some thought has also been given to what sort of alternative arrangement should replace the Planning Commission. Perhaps the most systematic exposition of this view comes from Rangarajan (2014). In his view, the commission had been engaged in three major tasks: (i) formulating ideas regarding the future economic profile of the economy (this could now be replaced by a think-tank on the lines of NBER, etc). His preferred nomenclature for such an organisation would be a National Development Commission or Growth Commission, (ii) the interstate allocation of funds could go to the Finance Commission (which should be given an added mandate of allocating funds for development needs of the states), and (iii) the task of project evaluation could be entrusted to the respective ministries. The National Development Council, would continue to play its current role in the envisaged scenario.

8 Three Alternatives

The first of the above views is not exactly as arcane as some of the more vocal critics of the planning concept are likely to make out. Even in the kind of market economy that we seem to be hurtling towards, the role of the state would continue to be important and perhaps increasingly so.

(1) First, as pointed out by Groenewegen (1994), government intervention in markets can promote innovation, market competition, cooperation and contestability (the theory of "doubly organised markets").

(2) Second, industrialisation implies a growing importance of public goods and (even more important) public services (Lewbel 2006). In view of the pronounced externalities associated with such goods, their distribution cannot be left to market forces but has to be taken over by the state (irrespective of whether such goods and services are actually produced in the public or private sphere).

(3) The increasing importance of projects spanning multiple states (such as power grids or national waterways) necessitates a mechanism for interstate operational coordination of investments. Since such projects also involve inter-ministerial issues, they cannot be left to individual ministries. Nor is it feasible to burden the Finance Commission with this task, unless its current structure is made much more elaborate (in which case it would simply be the old Planning Commission under a new appellation).

(4) Finally, issues like poverty alleviation, income inequality, welfare of deprived sections, positive discrimination and general social welfare cannot be left to purely private initiatives or civil society organisations (CSOs).

(5) Finally, it may surprise many to find out that general government expenditure as a percentage of GDP (average for the five years 2006-11) is far higher in many developed countries (France 52%, Sweden 55%, UK 45%, Germany 47%, US 37%, Japan 36%, etc) as compared to India (26%).11

If public expenditure is to continue to be significant for social welfare (even if our economy continues its march towards free markets), then we need an efficient institution for the disbursal of public funds and the Planning Commission is much better suited in this role than either the Finance Commission or the separate ministries.

However the fact remains that we are now in a market-dominated economy (whether such an economy is inherently superior to a state-guided one is still an undecided open question and one that I do not enter into here) and whatever be the role that the Planning Commission is assigned, it cannot function in the dirigiste fashion of the earlier years. In my opinion the fivefold mandate I have outlined in Section 6 above could still serve as a useful guideline for a revamped Planning Commission.

As mentioned above, intersectoral balances continue to be as important in a market-dominated economy as in a semi-planned one, but the attainment of these balances in the latter has to proceed in a totally different manner. Specifically, the attainment of macro growth targets (as well as detailed sectoral targets) has to be via successive rounds of detailed iterative dialogues with industry, labour representatives, consumer organisations and macroeconomists, whereby imbalances and bottlenecks associated with various growth trajectories can be worked out in the manner of the French indicative plans (1954-78).12 But going beyond indicative planning, I feel that such dialogues would be far more productive if they were informed with detailed input-output and social accounting matrices.

Another issue where a reformulated Planning Commission can play a vital role is in devising a long-term perspective on sustainable development, with special emphasis on a national natural resources usage policy and schemata for internalising various environmental externalities. A research division in the Planning Commission would be necessary to bring out very detailed and authentic forecasts of important macroeconomic parameters for various forecast horizons, with a view to providing guidelines for public and private investment. It is of the essence that this research arm should involve a broad pluralistic approach, with affiliating scholars selected on the basis of their expertise rather than their loyalty to the ruling party or on sectarian considerations.

The Chibber proposal espoused by the current government to transform the Planning Commission into a think tank on the contrary is defeatist in spirit. Such a think tank is likely to fall an easy prey to the predatory instincts of the corporate sector as a whole or even worse, to a group of multinational industrial giants. Equally it is likely to be staffed with the blue-eyed boys (and increasingly now, girls) of the International Monetary Fund and other multilateral bodies. Or it would simply become a basis for awarding patronage to those advisers who will supply the government exactly with the arguments that it needs to buttress whatever policies it has already made up its mind on, or to dispense the advice that it wants to hear.

Thus overall, the government seems to have betrayed an unpardonable haste in putting to sleep an institution which had contributed substantially to the build-up of the nation and which had the potential to still play a useful role and to function effectively (with a certain amount of restructuring and reorientation in the manner outlined here).

Notes

1 The 1955 Avadi Resolution of the Indian National Congress, adopted a socialistic pattern of development as the goal of the party which was adopted a year later by Parliament as official policy. The word socialist was added to the Preamble of the Indian Constitution by the 42nd Amendment Act of 1976, during the Emergency.

2 According to Bergson (1956), based on official estimates, the USSR industrial output rose by 650% over this 25-year period. Even allowing for exaggeration, in the Soviet statistics, there seems to be no doubt that industrial output has grown at rates exceeding 15%.

3 Among the main members of this group may be counted W A Lewis (1954), P Rosenstein-Rodan (1943), R Nurkse (1953), W Rostow (1960), A Hirschman (1958), H Leibenstein (1957), C Bettelheim (1959), G Myrdal (1968), etc. Some of the ideas stemming from this group sometimes showed a paradoxical similarity with the Soviet ideas (see below).

4 “Gandhi enunciated his economic position in the language of the people, rather than that of academic economists. And so the economists never noticed that he was, in fact, a very great economist in his own right…” Schumacher (1978).

5 The controversies occurred through the various issues of the official journal Planovoe Khozyaistovo over the years 1921-27. Unfortunately these rich controversies have not been translated into English or French and are not easily accessible even in the original Russian. Most of what is known to western scholars about these controversies is second-hand though from extremely authentic sources such as Carr (1978), Jasny (1972) and some of the writings of Dobb (1960), Sweezy (1960) and Joan Robinson (1942).

6 The triumvirate was short-lived (May 1924 to November 1925) and by 1926 Stalin had clearly emerged as the longest side of the political triangle.

7 Interestingly, even though Gandhi was opposed to a highly centralised system of economic planning led by heavy industry, he was never an opponent of the capitalist order. He, as a matter of fact, favoured capitalist ownership and operations but not an exclusive concern with profits.

8 A full bibliography of all the writings mentioned in this section would fill several pages. I would therefore confine myself to the following excellent references which discuss the various viewpoints in greater detail: Mason (1958), Myrdal (1968, especially Chapter 18), Ambirajan (1959), Datta (1989), Bettelheim (1959).

9 The intellectual basis for this supposition is located in mainstream neoclassical economics or more precisely in an unjustified and illegitimate extrapolation of one of its central propositions. The central proposition in question refers to the Arrow-Debreu theorem, which is a mathematical demonstration that free and competitive markets lead to an optimal static allocation of resources. As shown in the formal demonstrations by Debreu (1974), Sonnenschein (1972) and Mantel (1974) (the so-called DSM theorem), a dynamic generalisation of the Arrow-Debreu result is ruled out even for competitive markets. Given the kind of market imperfections that actually prevail in LDCs, the much vaunted theoretical link between unregulated markets and dynamic efficiency is extremely tenuous – a result which neoclassical development economists have fought shy of confronting.

10 Chibber’s views are clear-cut “...the Planning Commission in its current form and function is a hindrance and not a help to India’s development. In my experience it is not easy to reform such a large ossified body and it would be better to replace it with a new body that is needed to assist states in ideas, to provide long-term thinking and to help cross-cutting reforms” (The Economic Times, 2 September 2014, p 19).

11 Figures for the OECD countries is from OECD (2011) while the figure for India is from IMF (2011). Even allowing for the slight non-comparability arising from different data sources, the difference is significant.

12 Ahluwalia (2008) defines indicative planning as “By indicative planning I mean defining broad objectives and presenting an internally consistent picture of the evolution of the economy in a manner which achieves these national objectives over a defined time horizon”. This definition of indicative planning misses out the heart of the matter, viz, the consultation with the important stakeholders in the economy. There is a very detailed literature on indicative planning – its mechanics, its shortcomings and achievements (see e g, Black 1968; Hansen 1969; Lutz 1965, etc) while Monnet (2013) provides a contemporary perspective.

4. Can India's government be fixed?

- **The Financial Express:23.09.2014**
- **NIRVIKAR SINGH**

Political leadership has to believe it can glean greater rewards from structural change

My last two columns have been motivated by the impending demise of the Planning Commission. I suggested that this event gives an opportunity to think beyond the narrow question of what might replace that institution, to exploring the structures and functioning of government in India. That analysis included emphasising the limitations of the "think tank" idea, and the inappropriateness of China's National Development and Reform Commission as a role model for what India can or should do.

Here I want to explore the feasibility of government reform. At a recent conference on the Indian economy, I remember some speakers were very pessimistic about there being the political will for achieving an improvement in government functioning. Why? Think back to the milieu that gave birth to the Planning Commission. The approach to governing India after independence was a sort of enlightened paternalism, fitting well with the country's history of social hierarchies, limited expertise and concerns for political stability while achieving rapid economic change. Along the way, this paternalism (and sometimes maternalism) has tended to get perverted. Government decision-makers often want to keep enjoying the perks of power, which include money as well as nonmonetary benefits.

Despite economic reform, and complaints about the withdrawal of the Indian state in favour of the private sector, much of the problem of Indian governance is that the state still exercises a great deal of paternalism, in the for m of discretion. Discretion is appealing to those who think their expertise and judgment will lead to socially better decisions—ultimately, some discretion is necessary, for exactly this reason. But discretion also allows for decisions that favour the decision-maker rather than citizens. This emerges very clearly from the stories told by the former Comptroller and Auditor General (CAG) in his new book, Not Just an Accountant. In these cases, the discretion sought by politicians or political appointees also came with lack of transparency.

Discretion allowed politicians to make decisions that did not clearly maximise some agreed-upon social objective (for example, maximising government revenue from spectrum allocations, or maximising wireless access, or minimising costs of procuring aircraft, or choosing an aircraft purchasing policy that was optimal for the government airline, and so on). In many of these cases, auditing after the fact is a much less efficient way of operation than having better, firmer and more transparent rules up front. Ideally, the CAG's office should have to do much less work than has been required of it.

The CAG's office deals with fraud and waste, but there are cases where, despite the best efforts of decision-makers and implementers, the results are not what were hoped for. This should not be an issue with buying aircraft or selling spectrum, but has been a persistent problem with large-scale spending programmes. Those programmes, even if there is no fraud or waste, might just not be well-designed, or may be implemented poorly for various reasons. These problems are not within the scope of the CAG's office, but require some kind of autonomous evaluation office to review outcomes.

Again, just as well-designed rules for procurement and allocation reduce the work of the CAG by reducing corruption and waste, good procedures for programme design reduce ineffectiveness and improve outcomes, reducing the work of an evaluation office. The Indian situation is the following: government procedures in India are well short of commonly understood best practices. In some cases, bureaucrats do not have the requisite expertise in-house, but government processes do not seek this expertise from outside as and when needed. In other cases, the bureaucrats have the expertise but are not allowed to exercise it to the fullest extent. In the second case, politicians are the obstacle. In the first case, the roadblock may be politicians, bureaucrats, or both.

In sum, those who currently exercise power and discretion may choose to protect their domains, rather than allow structural improvements in governance. This is a larger and more pervasive problem than the ineffectiveness of the Planning Commission and what kind of institution might replace it. Having a good decision-maker at the top is preferable to not having one, but it is not enough to solve India's problems of gover nance. Better coordination across decision-makers, better decision-making at each level, bringing in more expertise at each such level, and better processes and rules are all needed. These are structural as well as procedural improvements, but do not necessarily require organisational leaps: much can be achieved through incremental change.

The problem is that there is a reluctance among many in gover nment to consider such possibilities for change. In the bigger scheme of things, bureaucrats are perhaps less culpable than politicians for the impasse. They have expertise and are used to following processes, especially since sticking to rules helps to shield them from blame if things go wrong. It is the political leadership that has to believe that it can glean greater rewards from structural change throughout gover nment than from preserving the status quo. It is not clear yet if this is the belief of the new leadership. The author is professor of Economics, University of California, Santa Cruz

5. A foreign economic policy

The Indian Express: 23.09.2014


Americans believe that India can achieve rapid economic growth through innovation if it opens up its economy to foreign technologies.

Written by Husain Haqqani | Posted: September 23, 2014 12:32 am

For decades, pundits have described India and China as rivals for leadership in Asia. Chinese President Xi Jinping's recent visit to India suggests that economic cooperation, rather than strategic competition, could be the main driver for the two Asian giants. If Prime Minister Narendra Modi's forthcoming meeting with US President Barack Obama also gives due weight to economic considerations, India could be on the verge of significantly redefining its global role.

It is good that Modi pays attention to economics, unlike the entrenched establishment in Pakistan, which clings to military strategies even when the cost is the country's impoverishment. India and the United States could still emerge as strategic partners, but with shared economic interests rather than just shared concerns about the balance of power. And Sino-Indian rivalry could be postponed to a day when both countries have modernised their economies.

India has yet to realise its full potential as a leading global economy. The rapid economic growth that India has witnessed since the mid-1990s was ushered in by much-needed reforms. After being criticised by economists for its low rate of growth, India finally earned a place among the world's leading emerging markets. Further reform could lead it to greater success among the BRICS, that is, Brazil, Russia, India, China and South Africa, and beyond.

Americans believe that India can achieve rapid economic growth through innovation if it opens up its economy to foreign technologies. As Modi and Obama meet, Indian policymakers must recognise that economic factors are as important to Washington as they are to Beijing. For American FDI, India must strengthen its intellectual property right regulations and protect foreign investors who are exporting new technologies to India. Greater protection for foreign technologies will not only encourage growth and innovation, but also bring in vital FDI.

New Delhi cannot afford to persist with its dated modes of thought on pharmaceuticals or the defence industry either. Spending on healthcare is only about 1 per cent of the GDP in India, making the country one of the lowest spenders in the world. A number of issues plague India's healthcare sector, ranging from a lack of infrastructure and financing to a dearth of health workers across the country. Hatred of Western pharmaceutical corporations cannot be the core of India's healthcare strategy.

While India has emerged as a hub for IT outsourcing, it has lagged behind in exporting value-added manufactured goods. It has been unable to increase its share of technology-intensive products. With wages rising and productivity falling in China, India has a great opportunity to attract American FDI in its manufacturing sector. Such investment could go a long way in kickstarting India's economy.

The country will require over $500 billion just for funding its infrastructure needs in the next five years. This fact makes capital market reforms a critical component of the agenda. Lack of liquidity and transparency as well as an excessive government footprint in capital markets are a few of the problems plaguing this sector. Any positive commitment from Modi in this area would be music to American ears and might help attract dollars for infrastructure.

With India seeking to modernise its armed forces and diversify its arms acquisitions, opportunities for stronger US-India defence ties will arise. The speed with which the two countries collaborate will largely depend on how reforms are introduced in India's defence sector. Both sides speak of the opportunities for defence cooperation. But success in this arena will require streamlining the licensing processes as well as improving foreign and private participation.

As the economy grows, India's energy needs continue to expand as well. The energy sector has been dominated by monopolies and the state, resulting in a lack of market-based mechanisms in the sector. This has led to governance issues, inefficiencies and a lack of strong competition from private companies. Americans would like to see market-based reforms in the energy sector.

The first set of reforms, implemented in the early 1990s, marked India’s arrival on the global economic map and made the country a key destination for international investors and companies. It has made significant progress in the last two decades and is now counted among the world’s leading emerging markets.

Economic growth led to a rise in India’s global standing and has radically improved the country’s socio-economic indicators. It has also raised the expectations of people within and outside the Indian economy. The burgeoning middle classes expect more growth from the economy and are keen to see even more improvement in the country. So do the major powers courting India.

The success of Modi’s initiatives with both China and the US depend on his ability to put economics at the centre of India’s new foreign policy. India has a remarkable knack for exploring new ideas and then settling for old ones. For peace and stability in Asia, and in order to create a model for its neighbours, one can only hope that India under Modi will have the economic emphasis that the prime minister’s predecessor failed to sustain.

6. The Pioneer (Hindi): 22.09.2014

पायनियर - 22.9.2014

योजना आयोग के स्थान पर नई संस्था अभी विचाराधीन स्तर पर

एजेंसी। नई दिल्ली

योजना आयोग की जगह प्रधानमंत्री नरेंद्र मोदी ने जो नई संस्था बनाने की घोषणा की थी उस पर सरकार अभी भी विचार कर रही है। सूचना के अधिकार के तहत मांगी गई जानकारी के जवाब में योजना आयोग ने कहा कि इसके संबंध में जब भी अंतिम फैसला किया जाएगा जो उसे सार्वजनिक किया जायेगा। आवेदन में योजना आयोग और प्रधानमंत्री कार्यालय के अधिकारियों के बीच इस संबंध में हुई बैठक, ऐसे बैठकों के ब्योरे, नाम, ढांचे, पते और प्रस्तावित संस्था के अधिकारों के बारे में जानकारी मुहैया कराने के बारे में कहा गया था। योजना आयोग ने प्रेट्र द्वारा सूचना के अधिकार के तहत दायर आवेदन के जवाब में कहा कि भारत सरकार प्रस्ताव (योजना आयोग की जगह नई संस्था बनाने संबंधी) पर विचार कर रही और जब सरकार अंतिम फैसला लेगी तो उसे सार्वजनिक किया जाएगा। प्रधानमंत्री योजना आयोग के अध्यक्ष हैं। आयोग फिलहाल राष्ट्रीय विकास परिषद के दिशानिर्देश के तहत काम करता है। उपाध्यक्ष और आयोग के पूर्णकालिक सदस्य मिलकर पंचवर्षीय योजना व सालाना योजना एवं राज्यों की योजना के निर्माण और योजना कार्यक्रमों की निगरानी आदि के लिए परामर्श और दिशानिर्देश प्रदान करते हैं। इस साल स्वतंत्रता दिवस पर राष्ट्र को संबोधित करते हुए प्रधानमंत्री ने लाल किले की प्राचीर से योजना आयोग की जगह नई सोच वाली नई संस्था स्थापित करने की घोषणा की थी। प्रधानमंत्री मोदी ने कहा था कि नई संस्था देश को रचनात्मक सोच, सार्वजनिक निजी भागीदारी, संसाधनों के अधिकतम उपयोग, देश की युवा शक्ति के उपएग, राज्य सरकारों की विकास की आकांक्षा को प्रोत्साहित करने, राज्य सरकारों को सशक्त करने और संघीय ढांचे को मजबूत बनाने का काम करेगी। कांग्रेस ने सरकार की योजना आयोग की जगह नई संस्था बनाने की पहल का विरोध किया है और इसे बगैर सोचा-समझा अधूरा फैसला करार देते हुए आयोग को खत्म करने के बजाय इसके पुनर्गठन की वकालत की है। बाद में प्रधानमंत्री ने ट्विटर पर जारी संदेश में योजना आयोग की जगह नई प्रस्तावित संस्था के लिए आम जनता से सुझाव देने के लिए कहा था।

एसबीआई के सहयोगी बैंक अगले पांच साल में 33,000 करोड़ जुटाएंगे

नई दिल्ली। भारतीय स्टेट बैंक (एसबीआई) के पांच सहयोगी बैंक अगले पांच साल में वैश्विक जोखिम मानदंड - बासेल 3 - की अनिवार्यता पूरी करने के लिए 33,000 रूपए की पूंजी जुटाएंगे। अनुमान है कि 2014-15 से 2018-19 के बीच एसबीआई के सभी सहयोगी बैंकों के लिए बासेल-3 पूंजी पर्याप्तता ढांचे के तहत कुल 32,831 करोड़ रूपए की पूंजी की जरूरत होगी।

7. Punjab Kesari: 22.09.2014

पंजाब केसरी - 22.9.2014

योजना आयोग के विकल्प पर मंथन जारी

नई दिल्ली, (भाषा): योजना आयोग की जगह प्रधानमंत्री नरेंद्र मोदी ने जो नई संस्था बनाने की घोषणा की थी उस पर सरकार अभी भी विचार कर रही है। सूचना के अधिकार के तहत मांगी गई जानकारी के जवाब में योजना आयोग ने कहा कि इसके संबंध में जब भी अंतिम फैसला किया जाएगा उसे सार्वजनिक किया जाएगा।

आवेदन में योजना आयोग और प्रधानमंत्री कार्यालय के अधिकारियों के बीच इस संबंध में हुई बैठक, ऐसे बैठकों के ब्योरे, नाम, ढांचे, पते और प्रस्तावित संस्था के अधिकारों के बारे में जानकारी मुहैया कराने के बारे में कहा गया था।

योजना आयोग ने सूचना के अधिकार के तहत दायर आवेदन के जवाब में कहा कि भारत सरकार प्रस्ताव योजना आयोग की जगह नयी संस्था बनाने संबंधी पर विचार कर रही है और जब सरकार अंतिम फैसला लेगी तो उसे सार्वजनिक किया जाएगा। प्रधानमंत्री योजना आयोग के अध्यक्ष हैं। आयोग फिलहाल राष्ट्रीय विकास परिषद के दिशा-निर्देश के

फिलहाल आयोग राष्ट्रीय विकास परिषद के तहत करेगा कार्य

तहत काम करता है। उपाध्यक्ष और आयोग के पूर्णकालिक सदस्य मिलकर पंचवर्षीय योजना व सालाना योजना एवं राज्यों की योजना के निर्माण और योजना कार्यक्रमों की निगरानी आदि के लिए परामर्श और दिशा-निर्देश प्रदान करते हैं। इस साल स्वतंत्रता दिवस पर राष्ट्र को संबोधित करते हुए प्रधानमंत्री ने लाल किले की प्राचीर से योजना आयोग की जगह नई सोच वाली नई संस्था स्थापित करने की घोषणा की थी। प्रधानमंत्री मोदी ने कहा था कि नयी संस्था देश को रचनात्मक सोच, सार्वजनिक निजी भागीदारी, संसाधनों के अधिकतम उपयोग, देश की युवा शक्ति के उपयेाग, राज्य सरकारों की विकास की आकांक्षा को प्रोत्साहित करने, राज्य सरकारों को सशक्त करने और संघीय ढांचे को मजबूत बनाने का काम करेगी। कांग्रेस ने सरकार की योजना आयोग की जगह नई संस्था बनाने की पहल का विरोध किया है और इसे बगैर सोचा-समझा अधूरा फैसला करार देते हुए आयोग को खत्म करने के बजाय इसके पुनर्गठन की वकालत की है। बाद में प्रधानमंत्री ने ट्विटर पर जारी संदेश में योजना आयोग की जगह नई प्रस्तावित संस्था के लिए आम जनता से सुझाव देने के लिए कहा था।

PART B

NEWS AND VIEWS

Tuesday, 23rd September 2014

Polity	: Govt Schemes: Old Wine with New Labels
Economy	: For first time in 7 years, fiscal deficit Could fall under 4%
Planning	: CIL planning Rs 7,000-cr solar projects
Editorial	: New life for Aadhaar

Communication, IT & Information Division
Phone # 2525

The Economic Times

Date: 23/09/2014
Page No. 13

Govt Schemes: Old Wine with New Labels

Rural development ministry invites suggestions to rename three central programmes

Yogima.Sharma
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New Delhi: The department of land resources under the ministry of rural development has invited suggestions for new logo, unique names and catchy taglines for three of its important programmes as the Narendra Modi-led government has kick-started the exercise to rebrand and rename central programmes to popularise them and help people identify with them.

The exercise, being carried out on the lines of Gujarat, includes the Integrated Watershed Management Programme (IWMP), the National Land Records Modernisation Programme (NRLMP) and the World Bank-assisted National Watershed Management Project Neeranchal.

The ministry has decided to award the winning entries with a cash price of ₹50,000 for IWMP and ₹40,000 each for NRLMP and Neeranchal. Besides this, the five shortlisted entries for each of three programmes will also get ₹10,000 each.

The ministry wants to rebrand the programmes with logo, name and taglines that are unique, dynamic, progressive and scalable, communicate the essence of the programme and its objectives and represent the cultural ethos of the country, the ministry said in a notice.

The issue was raised by the prime minister at the first secretary-level meeting in July

The issue was raised by the prime minister at the first secretary-level meeting in July. According to the officials present at the meeting, Modi had suggested that ministries rebrand the programmes with short and crisp names, which could even be abbreviations but ensure top-of-mind recall for the target group, citing the example of the GIFT-City in Gujarat.

ET had earlier reported that several key ministries involved with social sector programmes are looking at renaming their important flagship programmes so that people can relate to them faster.

As chief minister of Gujarat for about 13 years, Narendra Modi had renamed most of its flagship schemes such as UMEED, Mission Mangalam and Nirmal Gujarat.

The Gujarat International Finance Tec-City or GIFT-City is a global financial hub while UMEED is a market-driven, aptitude based skill upgradation programme.

Naming Game

WANTED
New logo, unique names and catchy taglines

SCHEMES: Integrated Watershed Management Programmes, National Land Records Modernisation Programme and World Bank-assisted National Watershed Management Project Neeranchal

₹50,000 cash price for renaming IWMP

₹40,000 each for NRLMP, Neeranchal

₹10,000 each for five shortlisted entries

Prime minister had suggested ministries rebrand programmes with names appealing to people

The Indian Express

Date: 23/09/2014
Page No. 17

Lower crude prices, delay in rollout of Food Security Act likely to help

For first time in 7 years, fiscal deficit could fall under 4%

SURABHI
NEW DELHI, SEPTEMBER 22

FOR the first time in seven years, the fiscal deficit could fall below 4 per cent of GDP, as buoyant tax receipts and disinvestment proceeds, along with lower spending on food and fuel subsidies, improve the balance sheet.

"It's early days still, but if the current trends on both the expenditure and revenue sides continue, the fiscal deficit could lie between 3.9 per cent and 4 per cent in 2014-15," a senior government official said.

Optimism stems from lower crude oil prices and delay in the rollout of the Food Security Act — which are likely to together help cut the total expenditure bill of Rs 17.94 lakh crore by about Rs 30,000 crore.

A spurt in economic activities is already translating into higher than estimated tax collections. And the continued bull run is expected to ensure that disinvestment proceeds meet, if not exceed, the target of Rs 58,425 crore.

The last time fiscal deficit was under 4 per cent of GDP was in 2007-08 (2.7 per cent), after which it soared to 6 per cent in the wake of the global financial crisis. Fiscal deficit in 2013-14 was 4.5 per cent of GDP. A lowered fiscal deficit will be a significant achievement for the Centre, which has been trying to convince rating agencies of its commitment to fiscal consolidation. A higher sovereign rating would translate into more investments.

Former finance minister P Chidambaram had estimated a fiscal deficit of 4.1 per cent in the Interim Budget in February. Finance minister Arun Jaitley retained the target in his Budget in July, but described it as "daunting". "Lower global crude prices could translate into savings of Rs 10,000 crore this fiscal, but only if this trend persists," said the official. Crude was trading at $97.79 a barrel in international markets on Monday, much below the finance ministry's estimate of $110 per barrel, on the basis of which it has allocated Rs 63,426.95 crore as fuel subsidy for 2014-15. Deregulating the price of diesel could bolster the fisc further. Again, while the Budget had pegged food subsidy at Rs 1,15,000 crore for the current fiscal, officials said back of the envelope calculations show the delay in implementing the law could result in savings of about Rs 20,000 crore.

"Half the financial year is over, and some states are not keen to implement the National Food Security Act. There will definitely be savings on this account," another official, who is involved in the exercise, said. The finance ministry is also confident that improved market sentiments will translate into success for its big ticket disinvestments in Coal India, ONGC and Steel Authority of India Ltd, scheduled around September 26.

The ministry is also hopeful of healthy tax collections on the back of a modest recovery in the economy. For 2014-15, tax receipts are estimated at Rs 9.77 lakh crore. On the non-tax revenue front, the Reserve Bank of India had transferred a bonanza surplus of Rs 56,000 crore to the government.

"There are favourable features, but if the government wants to meet the fiscal deficit target without compressing expenditure, assumptions on GDP growth and tax elasticity will have to be realised," said Pronab Sen, chairman, National Statistical Commission.

The Budget had pegged nominal GDP growth at 13.5 per cent, and estimated a 19 per cent rise in tax collections. Sen pointed out that real GDP growth this fiscal is likely to be between 5.5 per cent and 6 per cent. DK Joshi, chief economist, Crisil, said, "The fiscal deficit target is difficult. Achieving it will require movement on disinvestment. Lower oil prices will definitely benefit the deficit."

THE MATH...

10,000 CR SAVING FROM LOWER CRUDE PRICES

20,000 CR SAVING FROM FOOD SECURITY DELAY

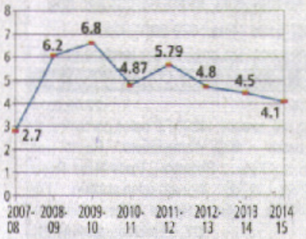
58,000 CR (OR MORE) FROM PSU DISINVESTMENTS

9.77 LAKH CR (OR MORE) FROM TAX REVENUES

56,000 CR SURPLUS TRANSFER TO CENTRE FROM RBI

(All figures in Rupees)

...& HISTORY



*Budget estimate All figures in per cent
(Source: CGA Accounts at a Glance)

Business Standard

Date: 23/09/2014
Page No.: 04

CIL planning ₹7,000-cr solar projects

■ In talks with govt for 1,000 MW ■ Move comes after power minister calls it 'massive polluter'

New Delhi, Sept 22

COAL INDIA is considering building ₹7,000 crore ($1.2 billion) of solar projects to compensate for carbon pollution, said people familiar with the plan.

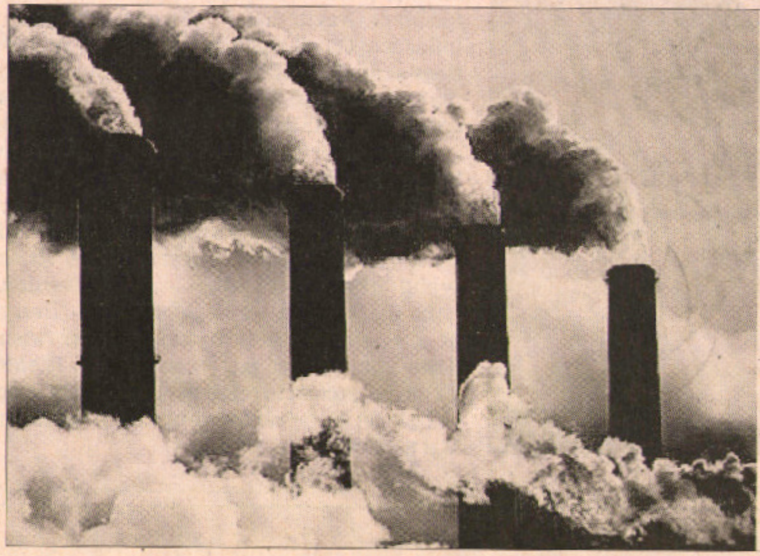
The company is in talks with the ministry of new and renewable energy for a combined capacity of 1,000 MW, said the people, who asked not to be identified before an announcement. Earlier this month, coal and power minister Piyush Goyal had described Coal India and power producer NTPC as "massive polluters" and said they "must give back to the society."

The solar initiative is part of Prime Minister Narendra Modi's plan to provide round-the-clock electricity to homes and factories, crucial to accelerating economic growth. Modi expects more than $100-billion investment in renewable energy, including wind farms and solar parks, as coal shortages lead to blackouts and thermal power plants hurt the environment.

"Investing in such projects will help Coal India fulfil its corporate social responsibility obligations ahead of a share sale program," said Bharat Bhushan Agrawal, a New Delhi-based analyst at Bloomberg New Energy Finance. "The company has the resources, such as land and money, and can inspire other large state companies to take similar initiatives."

The government plans to sell 10% in Kolkata-based Coal India to trim its budget deficit. The company had cash reserves of ₹52,700 crore as of March 31, according to data compiled by Bloomberg.

Coal secretary SK Srivastava declined to comment when reached on his mobile phone. Renewable energy secretary Upendra Tripathy and Coal India chairman AK Dubey could not be reached on their office phones.



CLEANING UP THE MESS

- While the plans are at an initial stage, Coal India may spread the project over different locations. It may use the free land it already has available, to get around the challenges of acquiring new land, sources said
- The company will need about 5,000 acres of land for setting up the 1,000 MW project
- The solar initiative is part of Prime Minister Narendra Modi's plan to provide round-the-clock electricity to homes and factories. Modi expects more than $100-billion investment in renewable energy, including wind farms and solar parks

Coal protests

In parts of the world, students and activist investors are currently rallying around an effort by 350.org to persuade foundations, corporations and universities to divest from the 200 companies with the largest share of coal and oil resources, including Coal India and Exxon Mobil Corp. The group led a protest on the streets of New York yesterday, ahead of a climate summit tomorrow being organised by the United Nations.

Coal, which fires 60% of India's electricity capacity, is often in short supply because of transport bottlenecks and bureaucratic hurdles in opening new mines. This causes blackouts, prompting homes and factories to produce their own power that costs three times as much to produce.

"I want to see a diesel generator and inverter-free India within the term of our government," Goyal said at the September 11 conference. India plans to increase solar power capacity to 10,000 MW by March 31, 2017 from 2,800 megawatts now.

While the plans are at an initial stage, Coal India may spread the project over different locations. It may use the free land it already has available, to get around the challenges of acquiring new land, the people said.

The company will need about 5,000 acres of land for setting up the 1,000 MW project. NTPC, India's biggest generator, said last week it had signed an accord with southern state of Andhra Pradesh for setting up 1,000 megawatt solar projects. *Bloomberg*

The Economic Times

Date: 23/04/2014
Page No. 01

Modi Govt gets into Act, to Hand Out More Grain under Food Law

Food minister Paswan says plans afoot to raise monthly entitlement of foodgrain per person to 7 kg

Madhvi Sally & Himangshu Watts

New Delhi: The Modi government promises a 40% increase in the supply of heavily subsidised grain as it seeks to expand coverage under the food security law, a move that can inflate the subsidy bill and disappoint critics who thought the new regime would abandon UPA's entitlement-based approach.

Food Minister Ram Vilas Paswan said monthly entitlement of 5 kg foodgrain per person under food security law was meagre. "The focus of the government will be on providing food security to all. With huge stocks of grain in the country we want to increase monthly entitlement to 7 kg," he told **ET** in an interview. He said the food law passed by the previous government was inadequate.

Playing the Subsidy Card

What the National Food Security Act Says

Coverage of up to 75% of rural population & up to 50% of urban population

Persons entitled to receive 5 kg of foodgrain per person per month

Over 61 mt of grains targeted to be given to more than 81 cr people

Subsidised Prices: ₹3/kg for rice, ₹2/ kg for wheat & ₹1/kg for coarse grains

Budgeted figure for food subsidy for FY15 is ₹1.15 lakh crore, including ₹59,000 crore for national food security

What Paswan Says

He wants per-person entitlement raised to 7 kg of foodgrain per month

Analysts say govt will have to spend 15% more per annum to buy 1.62 million tonnes extra with average economic cost of grains taken at ₹25,000 per tonne

Panagariya on Panel to Recast Railway Board

PM Narendra Modi has nominated a committee for restructuring the Railway Board, which manages the Indian Railways. Its members will include economist Arvind Panagariya, former cabinet secretary KM Chandrasekhar and retired railway finance commissioner Rajendra Kashyap, reports **Bhavna Vij-Aurora**.

The Economic Times

Date: 23/09/2014
Page No. 13

Green Min Mulls Blanket Approval for Port Projects

While considerably reducing delays, this option would also make conditions more stringent

Ruchika.Chitravanshi
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New Delhi: The environment ministry is likely to give a blanket approval to the master plans of major ports instead of clearing individual projects, a step that would help avoid delays that expansion works in the sector often face.

The proposal was made at a recent meeting held by the Prime Minister's Office to review status of infrastructure targets in sectors such as roads, highways and shipping.

"This also means that this one-time clearance would be very stringent and might take longer to get. But once a port gets it, implementing projects would gain speed," a senior government official said.

The nation's 12 government-owned major ports would have to provide detailed plans indicating future expansion, additional construction and dredging operations that the they would undertake along with their 'time-phasing' to the environment ministry. Any change to this master plan would not require further environment clearance provided an accredited third-party guarantees that there is no additional pollution load.

Ministry is also expected to issue guidelines to make it clear permissions under coastal regulation zone rules of 1991 will be valid

"We have already commissioned an environmental impact assessment for our projects and contacted the environment ministry as well to see how we can go ahead with getting this clearance. This step will save us a lot of time," said Paul Antony, chairman of the Cochin Port Trust. The port is awaiting environmental clearance for around four projects, including a coal terminal as well as a warehousing zone and ship repair yard.

The step is not entirely new as far as the Jawaharlal Nehru Port Trust, the country's largest container port, is concerned. The port, when it started operations, had received a clearance for its master plan. It has to get the clearance renewed every five years.

This time, the shipping ministry has told all the major ports to keep their master plans and clearances updated all the time.

Open Seas

Environment ministry to approve the master plans of ports

Individual port projects would not need separate environment clearance

Addition or change will not need new nod if no extra pollution

Third party guarantee necessary for any change to the master plan

No fresh permission for those complying with CRZ rules of 1991

This also means that this one-time clearance would be very stringent and might take longer to get. But once a port gets it, implementing projects would gain speed.
Senior government official

The environment ministry is also expected to issue guidelines that would make it clear that permissions taken under the coastal regulation zone rules of 1991 will be valid with respect to the latest regulations introduced in 2011.

The shipping ministry has lined up 26 projects worth ₹22,000 crore with a total capacity of 150 million tonne to be awarded this year. Besides, there is also a plan to develop an outer harbour project at the Tuticorin port at a cost of ₹11,650 crore.

"Several projects have to wait for a year and sometimes even more to get the environment clearance which causes a lot of delay. Getting the master plan approved is a step in the right direction," a top port trust official said.

According to Road Transport and Shipping Minister Nitin Gadkari, projects have run into huge cost overruns after being held up for environment clearance.

The Financial Express

Date: 23/09/2014
Page No. 01, 02

No special route, govt tells China to bid for highways

Timsy Jaipuria
New Delhi, Sept 22

CHINA wants to invest in Indian infrastructure on an unprecedented scale, but would like to get the projects on a platter rather than through the competitive route.

My way, no highway

- Centre rejected China's highway proposal as the projects fell in the EPC category
- Projects under the EPC category are funded only by the government via NHAI
- China had specifically asked for award of 9 projects worth over ₹9,000 crore
- Sources said China also proposed to take up the projects on a turnkey basis
- New Delhi asks Beijing to participate in the tenders to be floated for PPP projects under the BOT mode

Despite the hopes created about FDI inflows from China growing exponentially from the very low levels right now, following China's president Xi Jinping's recent visit to the country, the government has rejected China's proposal to build and fund a host of highway projects.

The reason: The projects that Beijing asked for are in the engineering, construction and procurement (EPC) category, which are funded by the government through the National Highways Authority of India (NHAI) and where the role of the private sector is restricted to that of job contractors.

China had specifically asked for award of nine projects — with a combined contract value of over ₹9,000 crore — in Punjab, Haryana, Odisha and Andhra Pradesh.

According to a senior government official privy to the development, "The investment proposals by China under the model suggested by them would not be feasible. We have told the China government that they can participate in the tenders to be floated for PPP projects being awarded on the build–operate–transfer (BOT) mode."

China proposed to take up construction of 890 kms of highways (nine stretches) worth ₹9,125 crore that the government was planning to award on the EPC basis during Chinese president's visit to the country. It proposed that Chinese firms would pick up these projects, finance them completely and also bring their own contractors for construction. China also wants to take up the projects on a turnkey basis. "The Chinese proposal was to bring Chinese labour, plant and machinery to construct the highway," said the source, adding that India was concerned about this.

"It is practically impossible for the government to agree with such a proposal from China. Award of road projects in the country follow a process and everyone has to adhere to it," said M Murali, director-general, National Highway Builders' Federation.

Sources said that the detailed proposal made by China had many "gaps".

Continued on Page 2

Govt tells...

While rejecting the Chinese model for award of these (EPC) projects, the road transport and highways ministry has written to the Chinese government, seeking more details of their plans for PPP projects to be awarded through the BOT mode. In recent months, the award of new PPP projects in the highway sector has seen a big decline and the government is banking on the EPC projects for the time being to regain some momentum in the road construction, although its medium-term objective is to re-kindle investor interest in the PPP projects.

Business Line

Date 23/09/2014
Page No. 01

DoT to PMO: Spectrum scarcity slowing broadband speeds

DoT for favourable M&A policies; blames major content providers locating servers abroad

OUR BUREAU

New Delhi, September 22

The Department of Telecom (DoT) has told the Prime Minister's Office that lack of adequate spectrum was the primary reason for slow broadband speeds in the country.

The DoT said that while mobile operators in other countries have 20-30 MHz spectrum on average, in India, telecom companies are operating with 5-10 MHz.

"The demand for new subscriptions is increasing day by day. With the advent of new bandwidth-hungry applications, sale of smartphones, the scarcity of spectrum has become all the more glaring," DoT said in a report prepared for the PMO.

The PMO had asked the DoT to spell out the reasons for low broadband speeds. While countries such as Japan and the US have Internet connections offering as much as 100 mbps, Indian users get an average of 512 kbps.

The DoT has said that policy should be designed to make available adequate spectrum for mobile operators. This includes favourable mergers and acquisition norms that encourage consolidation.

Spectrum trading and sharing are the other means to ensure that operators have access to spectrum. However, the report does not talk about getting agencies like armed forces to vacate spectrum. For example, the armed forces have 15 MHz in the 3G band which is lying idle. If this is vacated, operators will get access to more bandwidth.

There are 251 million Internet users in the country, of whom 99 per cent access the Web on mobile devices. Only 14 million users access the Internet using the wire-line medium.

Web hosting

The DoT has also said that location of servers outside the country by major content providers could be another reason for slow Internet speeds. It said that policies that incentivise Web hosting locally should be put in place.

Industry experts said the DoT findings come as no surprise. "We have been saying that operators need more spectrum to meet the broadband objectives. Hopefully, the realisation which has now dawned on the DoT leads to policies that's conducive for consolidation of spectrum," said an industry representative.

Business Line

Date 23|09|2014
Page No. 04

PM to launch mega PPP food park in Karnataka tomorrow; 17 more in pipeline

Food Processing Ministry commissions study on food wastage

OUR BUREAU

New Delhi, September 22

In an effort to implement the 'farm-to-fork' model through modern retail, Prime Minister Narendra Modi will inaugurate a mega food park in Tumkur, Karnataka, on Wednesday. The park is being promoted under public-private partnership by Future Retail in association with Capital Foods and Sattva Developers.

Food Processing Minister Harsimrat Kaur Badal said that Future Group has over 4,000 retail shops under the brand name of Big Bazaar. Through this retail chain, the park will help industry act as a bridge between farmers and consumers. This park is also an example of providing linkage between farmers and retail chain without depending upon foreign investment in multi-brand retail.

Farm-to-fork Harsimrat Kaur Badal, Union Cabinet Minister of Food Processing addressing a press conference along with Secretary, Siraj Hussain, in New Delhi on Monday. KAMAL NARANG

Though FDI in retail, especially for perishable items such as fruits and vegetables, would be helpful in creating cold storage and infrastructure besides modern retail, Badal said the policy would be a Cabinet decision and no single Ministry could change that. However, Indian industry was allowed to set up modern retail chains and mega food parks would help them further, she added.

Addressing a press conference to list the achievements of her Ministry during the first 100 days of the Government, Badal said that the approval for setting up 17 mega food parks would be given in the next few months which is expected to fetch an investment of over ₹2,100 crore.

The scheme is based on a cluster approach and a 'hub and spoke' model. It aims at facilitating the establishment of a strong food processing industry backed by an efficient supply chain, which includes collection centres, central processing centre and cold chain infrastructure.

Based on a policy formulated in 2008, the Government has so far sanctioned 42 projects, of which 25 are under implementation. Projects in Haridwar (Uttrakhand) and Chittoor (Andhra Pradesh) have already become operational, while Fazilka (Punjab), Jangipur (West Bengal) and Khargone (Madhya Pradesh) will be completed by the year end. The Ministry is now planning to come out with a new policy.

Inflation management

In order to help the Government in inflation management, the Ministry has asked CIPHET to study wastage, covering 146 crops in 106 districts of the country. The report is expected by January.

According to the Minister, the previous study of 2009-10 estimated a 6-18 per cent wastage of perishables due to lack of proper infrastructure in storage and transportation, causing loss of approximately ₹44,000 crore.

Business Standard

Date 23/09/2014
Page No. 07

Tribal affairs ministry against diluting forest rights law

NITIN SETHI
New Delhi, 22 September

The Union tribal affairs ministry has taken on the Union environment ministry afresh. It has warned that the Forest Rights Act does not provide any exception to the need for tribal consent to divert their traditional forest lands for industrial projects. In a move that also sets the tribal affairs ministry on a collision course with the Prime Minister's Office (PMO), the former has said that public consultations under other green laws cannot subsume the need for a clear-cut consent of tribals through their gram sabhas (village councils).

The letter from the tribal affairs ministry dated August 27 has countered the contention of the environment ministry and reiterated its stand even after the PMO had sidestepped such a legal view in a meeting held in July.

Business Standard had reported the PMO spearheading the move to do away with the requirement of consent of tribals while giving away forest clearances for their forests to projects. The environment ministry had kick-started the move, asking that the government revert to the system where clearances for projects were given by the bureaucracy and the ministry and did not require consent of the tribal gram sabhas. The requirement of tribal consent for projects requiring forest areas was ordered to ensure compliance with the Forest Rights Act in 2009. The law makes the tribal gram sabhas the statutory authority in charge of protecting the traditional forest lands.

Business Standard had reported that the tribal affairs ministry had informed the PMO and the environment ministry that the law did not provide any exception and the only way to get rid of the need for consent would require an amendment to the law. But in the meeting on the issue held by the PMO in July, the tribal affairs ministry's views were not accepted. The law ministry was instead tasked to quickly give another legal view.

The meeting in the PMO held by the principal secretary to Prime Minister Narendra Modi also asked the environment ministry and the tribal affairs ministry to figure out how public hearings, which are only consultative in nature, could be held for project-affected people instead of seeking consent from tribal gram sabhas (village councils).

The formal missive from the environment ministry requesting the law ministry for this legal interpretation listed out several reasons why the tribal consent could be done away with.

It could not be ascertained if the law ministry had provided its legal opinion on the matter. When the Union environment and forests minister, Prakash Javadekar, was recently asked by the media about the controversy, he said the debate was only an internal confabulation of the government and he would speak on it once the government had taken a final decision.

The tribal affairs ministry has put its August 27 orders, countering the environment ministry's viewpoint, on its website.

It reads, "The Forest Rights Act does not provide for any exemption to its provisions for any category of forests, projects or persons etc, in order to prevent any violation of law."

It goes on to ask that in the circulars on forest clearances that the environment ministry issues, the latter must put a 'disclaimer' noting, "Anything in this instruction may not be construed to imply any relaxation in the provisions of Forest Rights Act or Rules." It has also asked the environment ministry to make it clear that special regulations under the Fifth Schedule also cannot be overridden by any executive instructions.

The Fifth Schedule areas are those identified as those with higher tribal provisions where higher level of protection against alienation of land is provided under the Constitution.

It adds, "As regards combined public hearing under FRA and Forest Clearance, it is clarified that the Gram Sabha meeting under FRA is a statutory requirement, while public hearing under Forest Clearance is through an executive instruction. The Gram Sabha meeting under FRA can also consider the issue of forest clearance, which is consistent with Panchayat (Extension to Scheduled Areas) Act provisions. The necessary quorum required under FRA rules for Gram Sabha meeting shall be met in every case."

The environment ministry has not as yet put out any circulars involving forest clearance procedures incorporating these views of the tribal affairs ministry.

AT LOGGERHEADS

- Tribal affairs ministry has raised concerns that the Forest Rights Act doesn't provide any exception to the need for tribal consent to divert their traditional forest lands for industrial projects
- The requirement of tribal consent for projects requiring forest areas was ordered to ensure compliance with the Forest Rights Act in 2009
- The law makes the tribal gram sabhas the statutory authority in charge of protecting the traditional forest lands
- The environment ministry and the tribal affairs ministry have also been asked to figure out how public hearings, which are only consultative in nature, could be held for project-affected people instead of seeking consent from tribal gram sabhas

The Tribune

Date: 23/09/2014
Page No. 07

Will cut post-harvest losses to check inflation: Harsimrat

TRIBUNE NEWS SERVICE

NEW DELHI, SEPTEMBER 22

The government is planning to tackle the post-harvest wastage in a big way. Talking about the initiatives taken by her ministry in the first four months in the government, Food Processing Minister Harsimrat Kaur Badal said she has asked the Central Institute of Post-Harvest Engineering and Technology (CIPHET) to conduct a fresh study on post-harvest losses in crops surveyed around four years ago.

A CIPHET assessment of harvest and post-harvest losses for 46 agricultural produces in 106 randomly selected districts in 2010 had shown post-harvest wastage varying between six and 18 per cent. "Our aim is to reduce these losses sharply," Harsimrat said.

The institute has been asked to conduct a fresh survey on the same crops in the same districts to ascertain the impact of new infrastructure in reducing the wastage in the interim period. She said based on the results, which are expected by January, the government will draw up technology-aided area-specific plans to cut down post-harvest losses.

Union Minister for Food Processing Industries Harsimrat Kaur Badal in New Delhi on Monday. A TRIBUNE PHOTO

"Food worth Rs 44,000 crore is wasted annually. Food wastage is one of the causes of inflation. Prime Minister Narendra Modi is clear that the food wastage has to be brought down," she said.

Other initiatives taken by the ministry include Rs 2,000 special fund to provide affordable credit to agro-processing units, help desk "Investors portal" to assist prospective investors to facilitate investment in food processing sector, skill development in seven sectors to train 10,000 people in 12 years and drawing food maps of the country to identify areas of surplus raw material for processing.

Harsimrat said the government would approve 17 food parks across the country over the next few months. A mega food park project at Tumkur is being inaugurated by the PM on September 24. Parks one each at Fazilka in Punjab, Murshidabad in West Bengal and Khargone in Madhya Pradesh will be completed by the end of this year. The government had sanctioned 20 new cold chain projects and was also exploring the new scheme for infrastructure and cluster development, she said.

Never ticked off by Modi: Bathinda MP

Harsimrat on Monday trashed all speculation about the PM ticking her off on not attending or arriving late at office. "The PM has never said any such thing to me. When I am in Delhi, I am in my office from morning till late evening. These are all baseless stories," she said. There have been reports about Modi being annoyed with several Cabinet Ministers, including the Bathinda MP, for coming late and "non-performance".

The Tribune

Date: 23/09/2014
Page No. 14

G20 FINANCE MINISTERS MEETING IN CAIRNS

Black money: India calls for automatic exchange of info

TRIBUNE NEWS SERVICE

NEW DELHI, SEPTEMBER 22

India has called for implementation of new global standard on automatic exchange of information about taxpayers hiding their money in tax havens at G20 Finance Ministers meeting in Cairns, Australia.

"We support the new global standard on automatic exchange of information, which would enable the tax authorities, of both developed and developing countries, to receive information about taxpayers hiding their money in offshore financial centres and tax havens through multi-layered entities with non-transparent ownership, on an automatic basis", Minister of State for Finance Nirmala Sitharaman said.

Speaking at the G-20 Finance Ministers' meeting on international tax in Cairns, Australia, Sitharaman said this would be the key to prevent international tax evasion and avoidance and would be instrumental in getting information about unaccounted money stashed abroad and ultimately bringing it back.

"New global standard on automatic exchange of information about taxpayers will be the key to prevent international tax evasion and avoidance and would be instrumental in getting information about unaccounted money stashed abroad and ultimately bringing it back"

Nirmala Sitharaman, MINISTER OF STATE FOR FINANCE

"One of the first steps taken by the new government headed by Prime Minister Narendra Modi is constitution of a Special Investigation Team (SIT) to examine all the issues in this regard and thus this is a cause which is very dear to us", she added.

The minister added that the new global standards on automatic exchange of information should be implemented with a common timeline with coverage of as many countries as possible. In addition to providing a critical mass to the success of the new standard, this would also be cost effective for financial institutions. Forty-six countries, including India, have agreed for a common timeline to exchange information automatically from 2017.

The exchange of information on automatic basis under the new global standard is to be on a fully reciprocal basis, as should be the arrangement between sovereign countries. "We therefore call upon countries to make necessary legislative changes in their domestic laws so as to enable them to provide the same level of information to other countries as they would be receiving from those countries", she added.

Sitharaman said the standards also present a unique opportunity to the developing countries to modernise their tax systems with better networking and revamp the fragmented reporting requirements from financial institutions. Accordingly, implementation of the standards by developing countries may also improve domestic tax compliance, as substantial amount of data received from financial institutions by the tax administration may be used for domestic tax purposes also, she added.

Business Standard

Date: 23|09|2014
Page No.: 04

Govt mulls price control on medical devices

Policy might also bring commissions in the trade under scanner

SUSHMI DEY
New Delhi, 22 September

Lack of transparency in the health care sector could invite stricter norms and regulation.

The government might cap the maximum retail price of medical devices, mainly the ones meant for hospital usage such as stents, catheters and implants, sources said.

The health ministry and Department of Pharmaceuticals are working on a proposal to bring price regulation of medical devices under the National Pharmaceutical Pricing Authority, which monitors the prices of medicines. The latter directly caps the prices of 348 medicines deemed essential; it also keeps a tab on other prescription-based drugs.

The current idea is to keep a tab on the margins and commissions offered by medical device manufacturers, distributors or wholesalers of these products. As well as hospitals and doctors prescribing or installing these complex devices during surgeries and other procedures such as implants and transplants.

In India, with patients not well equipped to make an informed decision about devices such as stents and implants, the doctor and the retailer play a key role. There have been periodic complaints and surveys that doctors, hospitals and retailers make a lot of money from commissions for prescribing expensive stents or branded medicines. The commission charged by them to push these products is passed on to patients.

A stent with an ex-factory cost of ₹30,000 is sold at ₹40,000 or ₹45,000 by a distributor to a hospital or doctor, after including marketing and supply chain margins. However, the patient pays around ₹1,00,000 for the same stent to the hospital.

"There are aberrations, especially at the hospital level, as a patient, with little knowledge about these devices, is completely dependent on doctors," says a health expert. "A patient cannot understand the technology of a stent or a knee implant, the importance or difference between their lengths, the chemicals used, which one has how much protein, etc."

Medical devices are covered under the Drugs and Cosmetics Act but there is no law governing their prices. The health care sector is also perceived to lack enough checks and balances against corruption and malpractices by doctors, retailers and distributors. Sources in various government departments say private hospitals often bribe individual practitioners to refer patients for knee transplants, heart surgeries, etc.

The government is trying to work out a policy under which such practices can be brought under scrutiny, the official said.

The medical device market in India was pegged at $6.3 billion in 2013 and growing annually at 10-12 per cent. Most of it is dominated by imported products. According to a recent report by The Boston Consulting Group (BCG), around 70 per cent of the medical devices used in India are imported.

This bridging of the gap between imported and home-made products is another area in which the government might decide on new rules. Experts say domestic products are, on average, far inferior to imported ones.

The domestic manufacturing industry is concerned that price regulation by the government might make their businesses unviable.

"Pharmaceutical companies draw most of their profits from exports. The medical device industry does not have any export," says a senior executive of a domestic medical device manufacturer.

According to a BCG report, the medical device sector in India is under-penetrated, being seven to eight per cent of the spending on health care, compared to 18 per cent on pharmaceuticals. It says the sector has the potential to touch $50 billion by 2025.

KEEPING TAB ON COMMISSION

- Doctors, hospitals and retailers allegedly make money as commission for prescribing expensive stents or branded medicines
- Commission charged to push these products is passed on to the patient by the manufacturer
- For example a stent with ex-factory cost of ₹30,000 is sold at ₹40,000-45,000 by distributor to a hospital, while the patient sometimes has to pay ₹1,00,000 for it
- Private hospitals often bribe individual medical practitioners to refer patients for knee transplants, heart surgeries
- The government is trying to work out a policy under which such practices can be brought under scrutiny

Business Standard
Editorial

New life for Aadhaar

Realistic expectations from the unique ID

Now that the Union government has relaunched Aadhaar, which biometrically establishes identity, and taken steps to create and link millions of bank accounts, electronic direct benefit transfer can be expected to take off. But for the entire Aadhaar experience to be positive it is critical to know what it can and cannot do. The key gain from using Aadhaar will be a drastic cut in impersonation and fictitious identities, thereby plugging a major loophole through which a lot of leakage in subsidy payment takes place. But Aadhaar will not be able to establish if a person or a household, even if correctly identified, is actually poor or not. For targeted subsidies, such as for food, the second leg is as important as the first.

Leakage through the entire supply chain for the public distribution system is critically enabled by the ration-shop owner saying that some grain was given to people who either do not exist or who are reconciled to someone else "lifting" rations against their cards. But this is not all. The heaviest subsidy is given to below-poverty-line (BPL) families. It is the states that identify them, and in many states a huge proportion of households are wrongly issued BPL cards. Even with Aadhaar, some people who are not poor will continue to draw heavily subsidised rations not meant for them. But Aadhaar will work wonders in at least two instances — for the distribution of pensions and scholarships (for this, correct identification is all that matters), and payments under the rural employment guarantee programme. The great plus of the programme is that it is self-selecting. The state machinery does not have to decide if you deserve to come under it or not. If you are not really poor, you will not be ready to do a day's tough physical work for ₹150. But leakage takes place with the cooking up of what is called muster rolls, and with Aadhaar that will be well-nigh impossible.

For Aadhaar to live up to its promise, it is also vital to totally segregate it from the work relating to the National Population Register. The purpose of the latter is to determine if a person is an Indian citizen or not, and this matter is fraught with divisive political issues. Aadhaar, on the other hand, merely certifies the identify of a person; it will make good progress and be useful so long as it remains politically non-controversial. Other, practical, problems remain. What happens to the residual poor in a well-covered district who still do not have Aadhaar cards or linked bank accounts? Will they be able to continue to draw rations in the old way, thus making it necessary for ration shops to continue to exist? But these can be solved along the way. Even without burdening Aadhaar with unrealistic expectations, it still has great potential.