

## PART A: News pertaining to Planning Commission



**04.09.2014**

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**[Note : From today 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. Lessons from China

*Santosh Mehrotra*

*The Hindu : 4 Sep 2014*

In contrast to China, India remains one of the most fiscally centralised federal systems in the world with a one- size- fits- all design of the Centrally Sponsored Schemes

The new government is to abolish the Planning Commission and create a new institution in its place. This requires a redefinition of the functions of the old organisation. Transferring the project appraisal function and the erstwhile Planning Commission staff to line ministries would be good moves. However, the following new functions for the new Planning Commission should be considered in the light of concerns expressed by the new government.

The Planning Commission has barely managed to perform the function of systematically collecting best practices in policy or programme design from States and replicating successful models. The new body and not line ministries would be the appropriate body for this purpose. Even without a major financial allocation function ( which is likely to go to the Ministry of Finance), the new government can change the design for centrally sponsored programmes that have not performed despite decades of being in place ( such as sanitation, Integrated Child Development Services) if the Prime Minister wishes to take this role seriously, by mandating solutions on the line ministries and following up with incentive funds for the purpose. Leaving the task of programme redesign to line ministries if they have historically not delivered outcomes is risking continuation of unreformed programmes. On the other hand, encouraging redesign of programmes through fund allocations would especially encourage States to make significant programme readjustments within broad parameters laid down by the new Planning Commission/ line ministry.

### Reforms after experiments

Second, in China, Five Year Plans continued to be prepared after the economic reforms just as they had been prepared before 1979. They did not move to a mere long- term perspective plan. A long- term perspective plan has 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 being used for practical purposes. However, that can be changed if the new National Democratic Alliance government so decides. It would then become an important tool in the hands of the Prime Minister, as Chair of the new body, to monitor

progress ( well beyond the mere collection of data that is put on the Prime Minister Office's Delivery Monitoring Unit) and go beyond the ResultsFramework Document currently agreed by each Ministry with the Cabinet Secretariat's Performance Management Division. Since the Prime Minister ( and consequently the PMO) can instruct the line ministry to either redesign the programmes that are not delivering or scrap them, this role is consistent with the transfer of the **Planning Commission**'s annual **Plan** financial allocation function to the Ministry of Finance ( together with the much- awaited distinction between **Plan** and non- **Plan** funds).

There is another lesson for **India** from the Chinese system. In contrast to China, **India** remains one of the most fiscally centralised federal systems in the world. The one- size- fits- all design of the Centrally Sponsored Schemes ( CSS) — the source of much resentment of State governments for long — has only recently begun to be loosened with the share of “untied funds” rising under each CSS. Unfortunately, we have had a fiscally centralised Centre on the one hand and a **Planning Commission** that has historically promoted one- size- fits- all CSSs on the other. The new **Planning Commission** should change the latter, and work towards changing the former.

There is another big difference between China and **India**. The Chinese have the tradition of carrying out nationwide reforms only after experiments to pilot reform. In **India**, on the other hand, experimentation of this kind is an exception, not the rule. Programmes are devised with top- down designs where the Centre provides funds and the States implement them. Decades of experience demonstrate that this method of **planning** or programme design does not work. The new reformed body must conduct pilot programmes using alternative design elements before they are rolled out at the national level. In this context, now that the newly created Independent Evaluation Office, an office attached to the **Planning Commission**, is likely to be eliminated, there is a case for a division in the new body that should be entrusted with experimenting and piloting programmes. In fact, the roll- out of the insurance component of the Jan Dhan Yojana, that is only due to commence a year from now, must undergo a pilot before taking it to scale. Similarly, an evaluation of the bank accounts that were opened hurriedly under the second term of the United Progressive Alliance government for the Mahatma Gandhi National Rural Employment Guarentee Act payments must be conducted rapidly, before more no- frills accounts are opened under the Jan Dhan Yojana as they risk remaining dormant.

The **Planning Commission** has long played a role in interacting with the States. State governments come every year to the **Planning Commission** in the last quarter of the financial year to discuss both their economic and social performance and annual **plan** allocations. However, this role has been a source of resentment between the Centre and the States. The National Development Council (NDC) is an appropriate forum for the voice of the States but has not met frequently enough — this is one problem. The second problem is that there is no systematic discussion forum in consultation with the States for policy reform in specific sectors.

One role of the new body should be to bring together the 17 sectors identified in the manufacturing chapter of the 12th **Plan** and the relevant stakeholders (State governments, industry, labour, academics) on a regular basis so that industrial policy does not remain the preserve of the Department of Industrial Policy and Promotion. This would be similar to the role the National Development and Reform **Commission** (NDRC) plays in China.

#### Need for sectoral expertise

The previous **Planning Commission** had additional suggestions for sector expertise development: education and skill development, health, nutrition (none of which are NDRC priorities in China), agriculture and rural development, water, energy policy, transport and logistics. All these have externalities that a line ministry alone cannot address. This sectoral focus should be the *raison d'être* of the new body.

Here, the problem is that the **Planning Commission** is staffed by generalist Indian Administrative Service and Indian Economic Service officers, mostly at senior levels. Staff move in and out of the **Planning Commission** like in any other Ministry. By contrast, in China, the staff of the NDRC spend their entire careers in it and develop professional expertise.

Expertise could be sourced from within the government. But a widespread programme of lateral entries at different levels would have to be encouraged, with the remuneration/ overall package to them matching what they might command in the market.





( Santosh Mehrotra is professor of economics, Jawaharlal Nehru University. He headed the research institute of the **Planning Commission**.)

## 2. PM for Convergence of Mins to Get Rural Infra on Right Track

Yogima.Sharma @timesgroup.com New Delhi:

**Economic Times : 4 Sep 2014**

**Planning** secy told to chart out road map for ministries and review rural schemes; convenes secys' meeting

*It is being ensured that all ministries involved in development of tier-II infra are in agreement*

Prime Minister Narendra Modi has directed **Planning** Secretary Sindhushree Khullar to review the progress of central schemes aimed at building basic rural infrastructure and prepare a road map for convergence of ministries involved in such schemes. The directive comes days after the prime minister reviewed the performance of core infrastructure sectors. A senior government official told ET that Khullar will soon make a presentation to the prime minister on her assessment, which will include the state of rural houses, toilets, drinking water, power, renewable energy, health and education. "As directed by the PMO, the secretary last week convened a meeting of secretaries of the concerned ministries to review the progress of central rural development schemes involved in creation of basic infrastructure," the official said, requesting anonymity.

The prime minister's intervention is significant as infrastructure development in rural **India** had got stuck under the previous government because of lack of convergence between ministries. The Modi-led NDA has set a target of providing houses, with water, toilet, power and fuel to all by 2022. This will need a well-laid out roadmap for mandatory convergence between ministries. Another official, who attended the meeting, said the exercise was to ensure that all ministries involved in the development of tier-II infrastructure were in agreement. "The idea is to resolve all inter-ministerial differences at the level of the **Planning Commission**, so that we have a clear sense of how to go forward to achieve the targets," this official said. The rural development ministry is one of the biggest spenders after defence, with nearly ₹ 80,000 crore in budgetary allocation for implementing flagship schemes such as Indira Awaas Yojana, which seeks to provide houses to the rural poor, along with the Pradhan Mantri Gram Sadak Yojana, which envisages all-weather rural road

connectivity. Besides, ministry of sanitation has to ensure drinking water as well as toilets to all households in the country, while the onus for providing electricity and fuel for rural household lies with the ministry of power and the ministry of new and renewable energy. Although these schemes have spent several lakh crores of rupees over the years, not many rural houses can boast of all these facilities.

### 3. Invest in the future

If India has to benefit from the global mega-trend towards urbanisation, it needs to lay serious emphasis on urban planning

[Lavasa Voice](#)

Forbes India: 04.09.2014



By the year 2025, one billion people in cities around the world will enter the global “consuming class” with incomes high enough to become significant consumers of goods and services. According to a 2012 McKinsey Global Institute report titled Urban World – Rise of the Consuming Class, the world’s top cities will generate 65% of global GDP growth during 2010 – 2025, and of these, 440 cities from emerging countries, with a population of 600 million or so will generate close to half of this growth.

Even more dramatic is the likely contribution of what McKinsey terms as ‘middle-weight cities’ – with a population between 200,000 to ten million. The report predicts that these 400 cities would contribute USD 17.7 trillion in GDP growth by 2025.

Cities have always been engines of economic growth, attracting skilled workers, generating capital and helping scale up productive businesses that benefit from economies of scale. A nation’s level of urbanisation and rise in its per capita

income generally tend to be in sync. What is new about this mega-trend is the scale and speed by which cities are transforming the global economy leading McKinsey to point out that "...we are witnessing the most significant shift in the earth's economic centre of gravity in history".

The Indian government's announcement to set up 100 new smart cities is, in a sense, recognition of this mega-trend. But to get it right, the government will have to – above all else – focus on one critical element – urban planning.

In India, the path to urbanisation has been rocky, largely owing to unplanned growth. A Planning Commission Approach Paper to the 12th Plan pointed out, "Very few Indian cities have 2030 master plans that take into account peak transportation loads, requirements for low-income affordable housing and climate change. In general, the capacity to execute the urban reforms and projects at the municipal and state level has been historically inadequate."

By 2030, India's largest cities will be bigger than many countries today and there is a need for meaningful reforms that enable true devolution of power and responsibilities from the states to the local and metropolitan bodies.

Among the measures suggested by the Planning Commission is an overhaul of India's urban governance. India's current urban governance is in sharp contrast to large cities elsewhere that have empowered mayors with long tenures and clear accountability for the city's performance. India also needs to clearly define the relative roles of its metropolitan and municipal structures for its 20 largest metropolitan areas. With cities growing beyond municipal boundaries, having fully formed metropolitan authorities with clearly defined roles will be essential for the successful management of large cities in India.

The most critical reform the Planning Commission suggests is centered on Planning. "India needs to make urban planning a central, respected function, investing in skilled people, a rigorous fact base and innovative urban form. This can be done through a 'cascaded' planning structure in which large cities have 40-year and 20-year plans at the metropolitan level that are binding on municipal development plans. Central to planning in any city is the optimal allocation of space, especially land use and Floor Area Ratio (FAR) planning. Both should focus on linking public transportation with zoning for affordable houses for low-income groups. These plans need to be detailed, comprehensive, and enforceable," it says.





The Commission noted that reforms will have to address the development of professional managers for urban management functions, who are presently in short supply and will be required in large numbers. New innovative approaches will have to be explored to tap into the expertise available in the private and social sectors. Another measure suggested by the Commission is to build a cadre with technical and managerial depth in its city administrations, perhaps on the lines of the Civil Services, as well as allow for lateral entry of private-sector executives. It points out that, “A real step-up in the capabilities and expertise of urban local bodies will be critical to devolution and improvement of service delivery.”

We can also learn from the success as well as challenges faced by cities like Navi Mumbai. It started off being developed in 1972 by the City and Industrial Development Corporation (CIDCO) by carving out 14 nodes, gradually transforming villages into carefully planned townships. Vashi was the first node to be developed; others like Nerul, CBD Belapur, New Panvel, Ulwe and Dronagiri followed.

But until the turn of the century, lack of a 24x7 economy meant that it was treated largely as an extended suburb of its older counterpart. It was only in the last decade and a half, as transport networks and other infrastructure developed, that businesses started moving into the city. It has hence taken Navi Mumbai close to four decades to come into its own, where its residents can work and

stay within the city boundaries without commuting to Mumbai. Today, with six rail corridors being commissioned in the city, excellent road connectivity and Mumbai's second international airport coming up close to the city, it will act as a catalyst for further growth in the region.

India, today, however does not have this luxury of time when it comes to future cities. We need to tackle issues like planning related to zoning, clusters, affordable housing, transport networks and ways to encourage businesses from the outset. Also to improve livability, India must rationalise the rules for delivering and expanding infrastructure services, such that providers can recover costs, yet reach out to poorer neighborhoods and peripheral areas. Third, for better mobility, investments are needed in improving connectivity between metropolitan cores and their peripheries, as these are the areas that will attract the bulk of people and businesses over the medium term. There are enough international experiences from cities as diverse as Singapore to Toronto that we can draw on to aid our planning and execution processes.

One advantage India has, as pointed out by Amitabh Kant, CEO and Managing Director, Delhi Mumbai Industrial Corridor Development Corporation (DMICDC) at a recent conference on Smart Sustainable Cities, is that India can leverage technology to integrate utilities and bring real-time governance into urban planning. It can thereby leap-frog the evolutionary process in urban management.

India may have come late into the game, but this in itself provides the opportunity to learn from experience – both our own, and that of other countries. The future is already here; it is time to grasp it and make it a better one for the next generation.

*(A Forbes India & Lavasa New Urbanisation BrandVoice Initiative - While there is increased awareness in India on the country's urban challenges, some of the larger issues and global best practices still require discussion. Forbes India in association with Lavasa Corporation, turns the spotlight on the subject, with this series of BrandVoice articles. You can also log on to [www.forbesindia.com](http://www.forbesindia.com), or check out the Forbes India iPad App)*

#### 4. What plan for new advisory panel?

3 September 2014, New Delhi, Richard Mahapatra  
Millenium post

*Indications are that the National Development Reforms Commission that will replace the Planning Commission will not have financial allocation powers.*

Prime Minister Narendra Modi has finally cleared all doubts regarding the fate of the Planning Commission. In his first Independence Day speech, he declared a new body in place of the Planning Commission, to be called the National Development Reforms Commission.



He gave enough hints on how the new body would look like by saying: 'From the time when the Planning Commission was set up and now, there is a difference. Federalism is taking roots and we need to reflect this change.'

Since his government came to power in May this year, there have been speculations over the Planning Commission. Last month, things finally moved when Modi's office got feedback on an alternative institution. This happened for the first time after the Commission was set up through a Cabinet order on 15 March 1950.

Modi has promised that by October the details of the new body will be presented before Parliament. Though it doesn't require any parliamentary approval, given the importance of the move, the government may just decide to seek its approval.

#### **MANDATE FOR NEW ADVISORY BODY**

Former Planning Commission members point at tentative structure of the new body. First, the new body will not have any financial allocation power as it is with the outgoing body.

States have been demanding that they must have autonomy over how to spend

Central assistance and allocation. This is what Modi meant when he said that times have changed since the Commission was set up.

Second, the body will look at more administrative reforms to make delivery of development effective and efficient. In all probability, the new body will be attached to the expenditure department. Its role is going to be that of an expert body looking at specifics of delivery while giving powers to the states to decide on priority areas of expenditure.

Third, the new body will retain its high profile by directly reporting to the prime minister or to his office. Currently, the prime minister is the ex-officio chairperson of the Commission.

### **BANK ACCOUNTS FOR EVERY INDIAN**

Modi's speech also touched on many other key development challenges; financial exclusion, for example. He has declared a Pradhan Mantri Jan Dhan Yojana to ensure a bank account for all. Financial inclusion has been a major focus area for the government and it has promised at least two accounts for every household.

### **NEW MODEL VILLAGES TO BE INSPIRED BY RALEGAON SIDDHI**

The other big declaration is of a new Adarsh Gram Yojana. This seems to be a replication of a similar scheme in Gujarat. In fact, Maharashtra has one Adarsh Yojana scheme, based on the village development plan of Ralegaon Siddhi and initiated by Anna Hazare. Anna Hazare has been advising many states, including Gujarat, on such schemes.

It may be a precursor to reforms in rural development programmes. According to a senior rural development ministry official, the new scheme will integrate all schemes, including the MGNREGA at village level. According to him, the scheme will take off from a select number of districts.

### **SANITATION NOW ON MISSION MODE**

Sanitation is another issue that the prime minister touched upon. He said it was matter of shame that people, especially girls and women, still defecate in the open as they have no toilets at home. Lack of sanitation continues to be an international embarrassment for the country and is attributed to high malnutrition rate in the country.

*By arrangement with DownToEarth*



of this destitute lot continues silently.

and great persons, but that alone does that may be relevant elsewhere but not the tragic loss of

The Pioneer 31/11/14

# Death sentence for plan panel

It is nobody's case that the Planning Commission was flawless. It had many problems and had been long neglected. It could and should have been reformed, not shut down



ATUL K THAKUR

It is ironic that, even as Prime Minister Narendra Modi announced the scrapping of the Planning Commission, the US Government is seriously considering plans to set up a similar plan panel. Both decisions, though diametrically opposite to each other, seem to be driven by the same force: Improve the federal spirit of the country. The ambivalence of free economy policy planning is intriguing all over the world, as it often cripples the basic foundational tenets of a neo-liberal economy.

Few will disagree that in the last few decades the Planning Commission had moved away from its mandated commitment to the mixed economy vision. In the process, it had scuttled the rationale for its own existence. Since the liberalisation of the economy in 1991, the commission has failed to evolve according to the needs

of our policymakers.

In the 1980s, Rajiv Gandhi became the first Prime Minister to hammer on the linear and stodgy functional style of the Planning Commission. At that time, the seventh Five-Year Plan, for the period between 1985 and 1990, was under development. Mr Manmohan Singh was its Deputy Chairman. In response to some counter-arguments from the then Deputy Chairman, the Prime Minister had called the Planning Commission a "bunch of jokers". This hurt Mr Singh terribly and almost led him to resign from the panel.

Successive Governments at the Centre were headed by moderate politicians who didn't refute the greater claim of political compulsion and pitched for economic planning accordingly. Thus, the Planning Commission survived the irrational annual plan discussions

and other extremes. What made matters worse was the falling standards of research inputs. The commission relied too much on data from questionable sources. Also, it often did not deliver reports on time to fulfill the policymaking demands of the Government.

In the process, the federal spirit suffered the most. The culture of self-introspection had also dissipated within the Union Government.

Now that the Modi Government is planning to replace the commission, possibly with a panel that is more supportive of economic reforms, it would be worthwhile to recall that the Planning Commission was not exactly based upon the vision of Jawaharlal Nehru or the iconic PC Mahalanobis.

Indeed, it was Netaji Subhas Chandra Bose who stressed on the idea of a 'National Planning Commission' at the Congress's

Haripura session in February 1938. Netaji spoke with an independent mind and did not follow the Congress line on this issue. Clearly, his argument was nationalistic than ideological.

The concept of planning *per se* cannot be irrelevant for any set of systems — hence, scrapping the institution hardly makes any sense. Instead, the commission should have been restructured keeping in mind the requirements of the present. Sadly, both the UPA1 and 2 miserably failed to even acknowledge the ills of Planning Commission, let alone make any effort of to improve its functioning.

The Modi Government had a fair opportunity to streamline the system by introducing some essential changes in its functions related to the States, funds allocations and internal working mechanism. But instead of imbibing those changes, which

would have made the panel accountable to 'federal spirits', the Government's decision to simply scrap the outfit does not bode well.

The Planning Commission was among the few modern temples of democracy in India, which defined our goals post-independence. Except for odd patches, it sought to align political goals with the social and economic aspirations that surfaced in the process of making India a nation-state.

With income disparities growing all around, it is a matter of grave concern that an institution like the Planning Commission will cease to exist. True, Congress Governments at the Centre have not given this institution the attention it deserved since the 1970s, but that doesn't make any room for ideological friction.

Precious little is known about the new plan model but

it seems like the replacement panel will be differing with the intent of existing secondary and tertiary national planning processes. Most likely, the new body will have no overseeing authority to evaluate programme implementation. So, unlike the apprehension shown, the fact is that the Planning Commission, having rights to Centre-State mediation, was not notionally against the federal structure of the country.

Nevertheless, if the new institution can set things right, there is no reason why the Planning Commission could not have been rebuilt. Awarding it capital punishment for a few wrongs committed in the past is being confused with the idea of justice. It is imperative to reconsider the decision to close Planning Commission or else a selected few may end up deciding the fate of 1.2 billion Indians.



ILLUSTRATION BY BINAY SINHA



## Hard changes for better times

It's time to work together for what we need, says Shyam Ponappa

As the government settles in amid signs that the economy's edging up, fundamental changes in approach would help us fare very much better. Our needs haven't changed: The assumption of law and order as a prerequisite, with a great deal more of basic infrastructure in the form of energy, water and sanitation, transport, communications, and basic health and education services. Beyond these, there are the second-order infrastructure needs of healthcare, education, and financial systems and services. Together, these can facilitate productive and more comfortable living, making every day less of a battle.

However, merely wanting all these is not sufficient, as we know from experience. Good intentions aren't enough to solve problems, nor are public consultations. There are many mountains to be climbed, from individual aspects of discipline, education/skill development, and diligent application, to the collective aspects of organisation, collaboration, applied expertise across many domains, and access to reasonably priced capital. These are where institutional changes addressed seriously can help achieve our priority objectives.

### What must change?

**Attitudes:** Contention, or solutions? A major weakness in our approach is the high level of dissonance in our society. Is it because of our unwillingness to accept that there's more to know than any one of us does, as individuals? We also seem to operate contentiously, rather than working out solutions that are acceptable to others as much as to ourselves. It's difficult to explain this unwillingness to consider with an open mind, or to accept our limitations. It's almost as though our electoral rights without obligations extend to a tendency to hold opinions without the basis of supporting evidence, domain knowledge, or understanding. This is perhaps why all the good people and good works don't seem to add up — and, despite the many isolated, encapsulated efforts, our disjointed, uncoordinated society seems to border on chaos.

One part of the remedy requires changing our attitudes to the process of engagement itself, from contending against to actively seeking solutions among stakeholders, i.e., seeking resolution. We need to seek solutions and to resolve conflicts and trade-offs, which often have to be eclectic, and usually beyond any individual's capacity, and not to merely demolish other people's ideas. Above all, the effort has to be collaborative and not factional. A tall order, but perhaps worth pursuing.

**Standard operating procedures (SOPs):** Another essential aspect of the remedy is adopting a systems approach with SOPs of due process followed as a protocol, like an algorithm, a problem-solving routine with a set sequence.

**Discipline:** A necessary adjunct is discipline as part of the process. This includes educating ourselves to the point of pursuing professionalism and developing respect for it, and for others' professionalism. For instance, suggestions of ideas to be implemented often evoke dismissive comments on why they won't work, or that other countries' experiences are irrelevant. We certainly have to script our own story, but we can definitely learn from others, just as we do in the arts, humanities or sciences. It doesn't matter whether it's from China or Germany, or Malaysia, Singapore, Japan, America, or the Scandinavian countries, or in formulating policies to encourage automobile manufacturing or mass transport, or in using coal or nuclear energy. These principles need to become habits of a collaborative problem-solving approach, of goal-oriented, disciplined SOPs that make for good project management. They are cradle-to-grave practices, to be worked into curricula and nurtured through school and beyond, in adult education.

**Sequencing:** There is sometimes confusion about the sequence in pursuing changes in policies and regulations. It's logical that objectives in the public inter-

est should shape policies, and these in turn should drive the processes of legislation, rules, regulations, and procedures in that order, with no ambiguity.

**Weak implementation:** Our greatest weakness, of course, is in not implementing even reasonable laws and regulations. Going forward, however, this needs to change, and regulations need to be enforced despite the difficulties.

**Public-interest objectives:** The supremacy of objectives in the public interest seems unexceptionable, but if we consider issues like spectrum management, broadband policy, fuel pricing, or urban development, it's not obvious what the objectives are, or how public interest is served in the shaping of policies in these areas. Attempts to provide genuinely beneficial outcomes will be revolutionary in scope and scale.

### What should be government's role?

There are opposing ideas based on free-market or statist philosophies of whether markets should drive evolution in policies, or if governments should do so. In reality, free-market bastions have resorted to more intervention, as in the Strategy for American Innovation<sup>1</sup> premised on building leading physical infrastructure and an advanced IT ecosystem, or the UK's broadband policies. Meanwhile, statists have moved to introduce more market-driven considerations. In India's case, we need to follow methods that serve the public interest without ambiguity, although establishing what that is may be a non-trivial exercise.

Government is certainly an important stakeholder and the ultimate arbiter of policies. More importantly, it can and must provide the leadership and sustained impetus in organising and coordinating stakeholder consultations to define objectives and facilitate convergence based on public-interest considerations. The private sector cannot ordinarily do this on a sustained basis even where markets are well developed. Even in such environments, it is arguably not the best course in the public interest. Because of our colonial legacy, a change in government attitudes to act as a co-participant will be difficult to effect, although it will be of tremendous consequence.

Experienced facilitators can help in converging interdisciplinary consultations to arrive at pragmatic decisions. Such expertise could greatly improve government consultations with other stakeholders. Equally, technical, financial, organisational, and administrative expertise and inputs are required to formulate practicable, viable solutions.

Initiatives such as the Planning Commission's India Backbone Implementation Network<sup>2</sup> appear to have begun well, although some links on the web site are not maintained. Case studies on ecotourism<sup>3</sup> and a garment manufacturing cluster<sup>4</sup>, among others, appear promising. Such initiatives need strong, sustained government support to not fall away as yet another "scheme" that has ended in isolation.

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1: <http://www.whitehouse.gov/administration/eop/nec/StrategyforAmericanInnovation>; 2: <http://www.ibinmovement.in/>; 3: [http://ibinmovement.in/wp-content/uploads/Cooperative\\_Tourism\\_Development\\_Project\\_Yes\\_Bank.pdf](http://ibinmovement.in/wp-content/uploads/Cooperative_Tourism_Development_Project_Yes_Bank.pdf); 4: <http://www.ibinmovement.in/media-centre/case-studies/ogtc/>

## PART B

# NEWS AND VIEWS

Wednesday, 4<sup>th</sup> September 2014

### Polity

: HJC turns to non-Cong, non ó BJP  
Parties for tie-up

### Economy

: Services sector slows for second  
month in a row

### Planning

: Gadkari orders sweeping changes in  
Rural job scheme & other stories

### Editorial

: Towards a skilled workforce

Communication, IT & Information Division  
Phone # 2525



# HJC turns to non-Cong, non-BJP parties for tie-up

RAVI S SINGH  
TRIBUNE NEWS SERVICE

NEW DELHI, SEPTEMBER 3

After being jilted by the BJP during the run up to the Assembly elections, the HJC is fine-tuning its electoral strategy under the cloak of guarded secrecy.

The strategy includes its ongoing talks with non-BJP and non-Congress forces, especially the BSP, to stitch up a possible alliance for the Assembly elections, even though it is simultaneously preparing to face the elections along with its new ally, the JCP.

As part of tactics, the HJC has internally decided not to show hurry in announcing its candidates even if it stitches an alliance with the BSP. This strategy is ground-

## In talks with BSP

- HJC leaders anticipate several BJP leaders quitting the party following the denial of ticket
- BSP central leadership has directed its Haryana leaders to consider an offer of the HJC for an alliance with it for the Assembly elections
- BSP and HJC leaders held a series of meeting in Delhi in the past two days
- 'The talks between the two sides are going on well. Something concrete is expected to come out of it,' a leader said

ed in its party seniors' anticipation of a good number of BJP leaders quitting the party following the denial of ticket.

Sources said the BSP central leadership had directed its Haryana leaders to consider an offer of the HJC for an alliance with it for the Assembly elections. BSP

leaders and HJC leaders held a series of meeting in the Capital in the past two days.

Senior HJC leaders told The Tribune that both parties were keeping the talks secret. "The talks between the two sides are going on well. Something positively concrete is expected to come

out of it," said a senior leader.

They said the BSP had already acquiesced in HJC's precondition that Kuldeep Bishnoi was being projected as future Chief Minister. The talks have taken place only after the pre-condition has been met.

The details, with regard to the number of seats to be shared, are being discussed between the two parties. "However, nothing can be said with certainty about the final outcome," a senior HJC leader said.

The party leaders are said to be cut up with the BJP for allegedly reneging on the terms of agreement of its alliance with the HJC in the wake of its good performance in the Lok Sabha elections.

## Services sector slows for second month in a row

Business expectations have deteriorated slightly: HSBC report

OUR BUREAU

New Delhi, September 3

In what could be seen as a reality check, a survey by HSBC has indicated that India's services sector grew at a slower pace in August. This came after the sector recorded 5 per cent-plus growth in the first three months of this fiscal year.

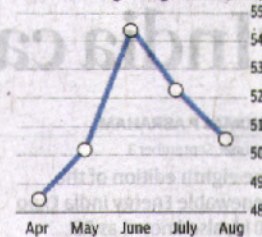
The HSBC India Service Purchasing Manager Index (PMI) stood at 50.6 in August as against 52.2 in July. Despite a decline in growth for the second consecutive month, the good news is that the index is still above 50; a number above 50 reflects expansion and below indicates contraction.

Among the various sectors, post and telecom firms reported the best growth, while hotels and restaurants witnessed a decline. However, both the sectors did not reduce manpower, while other service sectors did.

"Services activity is once again turning down following a swift post-election uptick, suggesting that an improvement in reform momentum is needed to lift sentiment in the sector," Frederic Neumann, Co-Head of Asian Economic Research at

### Losing steam

HSBC Purchasing Manager Index (2014)



HSBC said, adding that, on the positive side, weaker activity has softened inflation indicators within the survey.

According to an HSBC Global Research report, business expectations have deteriorated, albeit slightly. The Government's inaction on subsidies in the Budget, the decision to block a global trade deal, and more recently, the Supreme Court's decision to cancel coal block allocations are likely to have soured sentiment further, it said.

The index is calculated on the basis of responses received from 350 purchasing managers of private companies.

The slowdown in growth of service sector activity in August indicates that new business expanded at a weaker pace. Employment remained stable, while future expectations over growth fell to the weakest level since September 2013, an HSBC statement said.



# Jan Dhan cover: LIC says no to premium

KR SRIVATS

New Delhi, September 3

Life Insurance Corporation wants the Government to bear the premium cost involved in providing ₹30,000 life cover for each beneficiary of the Pradhan Mantri Jan Dhan Yojana (PMJDY), the flagship financial inclusion scheme launched by Prime Minister Narendra Modi.

While the insurance behemoth has agreed to extend life cover, it has conveyed to the Finance Ministry's top brass that it is in no position to bear the premium cost, sources close to the development said.

Even a premium as low as ₹100 for every life insurance contract with a sum assured of ₹30,000 would mean an outgo of at least ₹750 crore, a rough calculation shows.

This is because the Government wants to open at least 7.5 crore basic bank accounts for unbanked families by January 26

**Under the scheme, even a premium as low as ₹100 for every life insurance contract with a sum assured of ₹30,000 would mean an outgo of at least ₹750 crore**

next year. The Modi administration is keen that each un-banked family has at least two accounts (including one for a woman member of the family).

Apart from a basic bank account, a beneficiary will get accident cover of ₹1 lakh under the programme. The premium bill for the accident cover will be borne by the National Payments Corporation of India and the cover, by HDFC Ergo.

Meanwhile, Financial Services Secretary GS Sandhu on Wednesday reviewed the implementation of the scheme with top executives of all the public sector banks.

## Good start

The scheme got to a flying start with 2.5 crore accounts opened on the launch date of August 28 and subsequent few days. The main draw to this financial inclusion project has been the free accident cover that was being bundled with the Rupay debit card.

The Prime Minister's move to add life cover for the beneficiaries sweetened the deal for the unbanked families, say bankers. Moreover, the Finance Ministry's "camp mode" strategy paid rich dividends. About 78,000 camps were organised across the country on August 28 to enable enrolments.

# Free trade pact soon with Asean on services, investment

OUR BUREAU

New Delhi, September 3

India will soon sign the India-Asean Free Trade Agreement (FTA) in services and investments as it has received the relevant documents from the 10-member bloc, said Commerce Secretary Rajeev Kher.

New Delhi could not sign the two agreements, one on services and the other on investments, in Myanmar last week as Commerce & Industry Minister Nirmala Sitharaman was not able to attend the India-Asean Economic Ministers Meeting due to other engagements.

"Unfortunately because the Minister had compelling engagements here, she could not attend the Ministerial meeting last week but we now have received the agree-



Commerce Secretary Rajeev Kher

ments on Services and Investments and the Minister would shortly sign them," Kher said at an event organised by the Research and Information System for Developing Countries.

## Formal signing

While the details of the services and investment pacts were sealed in March this

year, it has to be signed by Economic Ministers of all countries before it is formally adopted.

The formal adoption is likely to be during the next India-Asean Summit later this year.

All Asean members, which include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, are expected to get the pacts ratified by their Parliaments by that time.

India and Asean have already implemented an FTA in goods.

The FTA in services and investments seeks to boost cross-border investment and facilitate movement of professionals between India and the 10-member bloc.



# Monsoon Won't Retreat Next Week, Spells Relief for Farmers

Withdrawal of monsoon, which normally commences by September 1, has been delayed this year

Madhvi.Sally  
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**New Delhi:** The withdrawal of the monsoon, which should normally begin by September 1 from west Rajasthan, is delayed this year, cheering farmers with rain that's been patchy during the season. Meteorologists said the retreat was unlikely to begin over the next week with rains to occur in the north and north-west region of the country during the period.

The four-month monsoon season, which runs from June to September, brings 70% of the country's annual rainfall. Over the past few years, the withdrawal has commenced in mid-September.

"Since the past few years the withdrawal of monsoon from extreme north western parts of the country has been delayed. In the next one-two days, rains will continue in the region and we have to see the situation," said DS Pai, head of the long-range forecasting division at the India Meteorological Department (IMD). Pai said the rains will give temporary relief to farmers in Rajasthan, Punjab and Haryana.

Last year, the monsoon started

## More Rains to Spread Cheer

**IN THE** past 8 years, monsoon has lingered on in northern India until as late as Sept 29 (in 2008)

**RAINS WILL** give temporary relief to farmers in R'than, Punjab & Haryana

**AGRICULTURISTS** say it will help paddy, cotton & coarse cereals

**THE MET FORECAST** says until Sept 10, rainfall will occur at many places along the west coast & northwest India

**ON WEDNESDAY,** the seasonal deficit of the season narrowed to 15%

"Since the past few years the withdrawal of monsoon from extreme north western parts of the country has been delayed. In the next one-two days, rains will continue in the region and we have to see the situation."

DS Pai,  
head, long-range  
forecasting division at  
IMD



withdrawing from Rajasthan from September 9 and from Himachal Pradesh, Punjab, Haryana and Gujarat by September 19. Meteorologists have said the monsoon is likely to end with deficit rainfall.

In the past several years, the monsoon has started withdrawing only in the last week of September. In the past eight years, it has lingered on in northern India until as late as September 29 (in 2008).

A week's delay in the retreat was normal, said GP Sharma, vice president of meteorology at private

weather forecaster Skymet Weather Services. "Prevalence of dry weather for continuous five days and reduction in moisture content will be considered before announcing the withdrawal of monsoon," he said.

The third condition for the retreat of monsoon is the settling of anti-cyclonic circulation over western Rajasthan in the low troposphere (at a height of 1.5 km). The complete withdrawal of the monsoon from the country takes place after October 1.

The southwest monsoon made landfall on June 6 and extended over the

country by July 17. Agriculturists said the late retreat was not a cause for worry as the rain would help paddy, cotton and coarse cereals. According to the Met department's forecast until September 10, rainfall will occur at many places along the west coast and northwest India.

On Wednesday, the seasonal deficit of the season narrowed to 15% with heavy showers covering most parts of the country.

So far, the rainfall deficit has ranged between 5% and 13% in the southern, eastern and central parts of the country, while in the north and northwest the shortfall was 33%. In Punjab and Haryana, the seasonal deficit was at 64%, followed by 58% in west Uttar Pradesh. The Marathwada region and Telangana had a seasonal deficit of 37%.

India receives an average 890 mm rainfall during the June-September period that is pivotal for the country's rural economy. Monsoon rain is vital for India as 55% of the arable land depends entirely on rain for irrigation. While agriculture accounts for only about 15% of the economy, the monsoon has a wider impact because it affects millions of people in villages, and weak rainfall can raise food prices.



# Gadkari orders sweeping changes in rural job scheme

Puja Mehra

**NEW DELHI:** Union Minister for Rural Development Nitin Gadkari has "ordered sweeping changes" in the MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act), mandating that 50 per cent of all the works that are taken up at the district-level under the scheme should only be for water conservation, according to an official statement released here. The Minister has taken this decision with a view to mitigating drought and drought-like situation, it added.

The other changes that Mr. Gadkari plans to introduce include focussing the Centre's efforts only on the 2,500 backward districts

identified by the Planning Commission, a top Ministry source told *The Hindu*. He also instructed the officials to reverse a 2011 decision of the UPA government which allowed States to seek funds from the MGNREGA allocations for constructing Individual Household Latrines (IHHL) under the guidelines of the Nirmal Bharat Abhiyan.

When contacted, an expert warned that the Rural Development Minister's move to dictate from Delhi what works should be taken up at the district level goes against the spirit of the Act even if his intention seems fine in a period of monsoon shortfall. "He could have instead called for educating Gram Sabhas on the need for water



Nitin Gadkari

conservation works right now and let them make the final choice as the Act mandates," the expert said requesting anonymity.

## 'It will destroy MGNREGA'

Commenting on Mr. Gadkari's decision to dictate to line agencies at the district-level, Rajya

Sabha member and CPI (M) Polit Bureau member Brinda Karat told the *The Hindu*: "The decision is incremental dilution by Nitin Gadkari to completely destroy the MGNREGA... the Gram Sabhas deciding the works is critical to the Act, but he is centralising this and making changes to an Act passed by Parliament without reference to Parliament."

In a period of drought, the main effort of the Centre should have been to provide work and livelihood to those dependent on agriculture, and instead it has reduced fund allocations and is now telling States to target only certain districts, Ms. Karat said.

The UPA government had in September 2011

approved sanitation facilities as one of the permissible works under the Act on the basis of requests from States, according to a Ministry circular. The Ministry source explained that the two schemes were converged as the rules under the Act provided for physical inspections to check if the IHHLs were actually constructed. Nirmal Bharat, however, had no such a provision by which the Centre could effectively find out what was happening to the funds it was allocating, he said.

Though it could be argued, he said that even under the MGNREGA the physical inspections, audits and other checks remained largely on paper but at least the provision was there.

# Lokpal search panel gets freedom of choice

Committee no more bound by government-chosen names

Devesh Pandey &  
Krishnadas Rajagopal

**NEW DELHI:** The Department of Personnel and Training has notified amendments giving autonomy to the Lokpal search committee to shortlist and recommend names independently for selection of Chairman and members of the anti-corruption body.

The amendments act as a course correction after the former Supreme Court judge Justice K.T. Thomas opted out from heading the search committee in March 2014, citing lack of autonomy.

Eminent jurist Fali Nariman too had turned down the post of a member of the panel for that reason.

## GREATER AUTONOMY

NEW RULES FOR LOKPAL SEARCH PANEL GIVES FREEDOM TO PICK NAMES OUTSIDE CENTRE'S LIST

### EARLIER PROVISIONS

- DoPT prepares list of possible names
- Search committee shortlists names for nine-member Lokpal
- Prime Minister-led selection committee draws up final list
- It may or may not pick names suggested by the search panel
- President appoints Lokpal chairman, 8 members based on the list

### REVISED RULES

- Composition of search panel reduced to 7 members from 8
- 30-day deadline to recommend names scrapped
- Candidates should be at least 3 times number of vacancies

Justice Thomas had objected to the provision that the search committee should only shortlist candidates from a list provided by the department.

The amendment made in Rule 10 of the Search Com-

mittee Rules removed this roadblock by omitting the words "from among the list of persons provided by the Central Government in the Department of Personnel and Training."

More on Page 12



## Lokpal Search Committee still a mute spectator: K.T. Thomas

Krishnadas Rajagopal & Devesh K. Pandey

**NEW DELHI:** The Department of Personnel and Training has notified amendments giving autonomy to the Lokpal Search Committee to shortlist and recommend names independently for selection of Chairman and members of the anti-corruption body shortly after a Supreme Court Bench, led by Chief Justice of India R.M. Lodha, criticised the government for delaying the process of appointing a Lokpal.

"The amendments usher in the proper democratic process for the Lokpal and it ensures that the appointment process is not loaded in favour of the government in power," Attorney-General Mukul Rohatgi told *The Hindu* on Wednesday.

Mr. Rohatgi said the amended process, giving the Search Committee full autonomy, was "more dignified."

The amendments have been brought about on the recommendations of a three-member committee headed by Mr. Rohatgi.

### Thomas' view

The former Supreme Court judge Justice K.T.



Justice K.T. Thomas

Thomas, who resigned as Chairman of the committee citing lack of freedom, told *The Hindu* that the amendments were a "progressive departure" and a "step in the right direction" from the earlier version. But he said the amendments still only addressed half the concerns raised by him.

Justice Thomas said though the Search Committee was free to shortlist names for Lokpal, its recommendations could still be vetoed by the Selection Committee.

He was referring to a proviso to Section 4 (3) of the Lokpal Act, allowing the Selection Committee to "consider any person other than the persons recommended by the Search

Attorney-General says amended process more dignified

Committee."

Justice Thomas said a statutory amendment was required to "correct" this.

"The Search Committee needs to have some value. The committee searches out and recommends names, but these names can be vetoed by the Selection Committee. If this proviso continues, the Search Committee continues to be a mute spectator," Justice Thomas said.

He said the law should prescribe the Selection Committee to put on record the reason for vetoing names suggested by the Search Committee.

"The Supreme Court judgment in the appointment of P.J. Thomas as Central Vigilance Commissioner declares that if the high-level committee led by the Prime Minister overrules an objection of Leader of Opposition to a particular candidate, the reasons for doing so should be put on record. The same principle should apply here too," Justice Thomas said.

# Will take stock of who viewed PM's Teachers' Day address: HRD to states

RUHI TEWARI

NEW DELHI, SEPTEMBER 3

AMID the controversy over Prime Minister Narendra Modi's address to schoolchildren on Teachers' Day, it has emerged that the Union HRD Ministry has indeed issued a written directive to states asking all schools to make arrangements for viewing the telecast, and stating that it would take stock of the number of schools and children who viewed the interaction.

"All the schools may make arrangements to assemble the students from 2:30 pm to 4:45 pm on that day in order that the children may view the Prime Minister's address on TV," says a circular sent by the ministry to the Education Secretaries of all states on August 27.

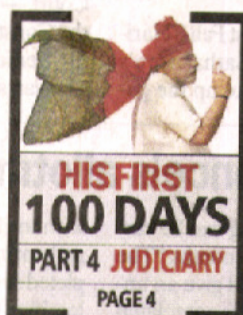
While the circular, issued by Rajarshi Bhat-tacharya, Secretary, School Education & Literacy, stops short of making it mandatory for schools to make the arrangements, it makes it clear that a report

will be sought on the number of schools and children who viewed the programme.

"A feedback would be taken immediately after the programme on the number of children and number of schools who were able to view or listen to the Prime Minister's address to the school children on 5th September 2014," it says.

The note also asks schools to make arrangements for a TV, TV reception and alternate arrangements for electricity through generators and inverters in case the amenities are not already available. The states were told to send a "report on arrangements made" and the number of schools and students likely to be covered by September 1.

Modi is scheduled to interact with about 1,000 students on September 5.





## India dials WTO members for food security support

ENS ECONOMIC BUREAU  
NEW DELHI, SEPTEMBER 3

INDIA is engaged with several countries to garner support on the food security issue at the World Trade Organization, with an aim to conclude the Bali package.

With the month-long vacation over, the work at the WTO has resumed and its Director General Roberto Azevedo has been meeting with member nations to cobble support. "We are talking to few countries...a good number of countries," Rajeev Kher, commerce secretary, told reporters here when asked whether India is engaging with other WTO members to gather support on its tough stand of not ratifying trade facilitation agreement (TFA), leading to failure of talks in Geneva in July.

Stressing that it is now up to Azevedo to convene meetings, Kher added, "We will start from where we have left. The bottom line is already made clear. We are willing to talk but achieve the same objectives in whatever manner".

India had refused to ratify the TFA, scheduled to be completed by July 31, saying that though it supported the agreement, it will not ratify the same without any concrete movement in finding a permanent solution to its public food stock-holding issue for food security purposes.

Amending the WTO norms regarding stockpile of foodgrains is critical for India in order to implement its food security programme. The country had asked the WTO to amend the norms for calcu-

### *...to soon sign services FTA with Asean*

NEW DELHI: India will "shortly" sign the free trade agreements on services and investments with Asean which were scheduled to be signed last week during the India-Asean economic ministers meeting in Myanmar.

The pact could not be signed as commerce and industry minister Nirmala Sitharaman was unable to attend the meet. India and the 10-nation Asean had concluded the negotiations for FTA in services and investments in 2012.

"Unfortunately because the minister had compelling engagements here... but we now have received the agreements on services and investments and the minister would shortly sign them," said Rajeev Kher, commerce secretary.

India has proposed circulation process for signing the Asean pact under which each member will separately sign and it will become effective only after the last member signs the pact.

ENS

lating agriculture subsidies so that the country could continue to procure foodgrains from farmers at minimum support price and sell them to poor at cheaper rates without violating the norms.

Currently, food subsidies are capped at 10 per cent of the total value of foodgrain production, taking the base year of 1986-88 into account. India has asked to change the base year, factoring in the impact of inflation and currency movements over the years.



**AN OPEN FIELD** China originally sourced high-speed railway technology from Japan & Germany

# After Japan's Offer, China Readying Plan to Join Bullet Train Race in India

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**New Delhi:** Not to be left behind after Japan offered help to introduce bullet trains in India beginning with Mumbai-Ahmedabad route, China is readying a proposal to provide high-speed railway to the Modi government during President Xi Jinping's visit here in September third week.

Beijing has sent a team of senior railway officials to Delhi to do groundwork for the proposal by holding consultations with their counterparts in the railway ministry here. The Chinese team also met private Indian players interested in investing in high-speed railway to explore joint ventures. Members of the visiting team told ET that China, like its East Asian neighbour, too has state-of-the-art technology for high-speed railway and can offer it at a competitive price. They informed that China has extended high-speed railway technology

## Dragon Network

**CHINA HAS** the world's longest high-speed railway network with over 11,028 km of track in service as of December 2013

**CHINESE FIRMS** are teaming up with Indian companies, including Tata Projects, to jointly bid for five high-speed railway projects in India



to other foreign partners.

Chinese train-makers and rail builders have signed agreements to build high-speed railway in Turkey, Venezuela and Argentina and are bidding on such projects even in the United States, Russia, Saudi Arabia, Brazil and Myanmar.

Interestingly, China originally sourced high-speed railway technology from Japan and Germany. Chinese engineers then re-designed internal train components and built indigenous trains, official sources said.

## GROUNDWORK BEGINS

**Beijing has sent a team of railway officials to Delhi to do groundwork for the proposal**

China has the world's longest high-speed railway network with over 11,028 km of track in service as of December 2013, including the world's

longest line, the 2,298 km Beijing-Guangzhou High-Speed Railway.

Achieving indigenous high-speed rail technology has been a major goal of Chinese state planners. Chinese train-makers, after receiving foreign technology, have been able to achieve a considerable degree of self-sufficiency in making the next generation of high-speed trains by developing indigenous capability to produce key parts and improvising upon foreign designs. The high-speed railways were introduced in China in 2007.

State-run China Daily reported on Wednesday that Tata Projects, one of the fastest growing infrastructure companies in India, is in discussions with a Chinese company that owns advanced technology for high-speed railways. There are reports that Chinese firms are teaming up with Indian companies, including Tata Projects, to jointly bid for five high-speed railway projects in India.

China's railway firms CSR Corp or CNR Corp could be the bidders.

# Green Ministry Eases Norms for Coal Mines' Expansion Projects

**One-time exemption from holding public hearing for expansion plans of few projects will be given**

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**New Delhi:** The environment ministry has decided to give a one-time exemption from public hearing for coal mines' expansion projects and allow mining in the critically polluted cluster of Chandrapur, Maharashtra, to boost coal output amid reports of looming power crisis due to coal shortages.

These measures are being taken to "quickly ramp up coal production for enhancing power production in public interest", the ministry said.

It has decided to give a one-time exemption from holding public hearing for expansion plans of existing coal mining projects that have a production capacity of more than 20 million tonnes per annum.

The maximum production limit for such expansion is 6 million tonnes per

year. Also, projects using this provision must ensure that the additional production is transported by a conveyor or through rail transport.

The environment ministry has also decided to lift a moratorium on expansion of existing coal mining projects in Chandrapur in the poll-bound state of Maharashtra.

The ministry imposes moratorium on industrial clusters with high comprehensive environmental pollution index (CEPI), based on reviews conducted by the Central Pollution Control Board.

This index, designed as an early warning tool, captures the various health dimensions of environment including air, water, and land. The higher the score, the higher the priority for intervention.

Chandrapur is listed as a "critically polluted area" that is higher up in the priority list for interventions to address environmental pollution.

The coal ministry has been consistently opposed to the CEPI-based moratorium as many of its coalfields fall in industrial clusters found to be critically

polluted. The coal ministry had represented to the environment ministry that given the importance of augmenting coal production, which is a site-specific activity, coal mining projects be allowed in Chandrapur.

The environment ministry, in its decision to keep the moratorium in 'temporary abeyance', said that the air and water indices in the cluster are 'severe' and that for land is 'critical'.

The major sources of surface and ground water pollution "in order of potential pollution as conveyed by the CPCB are: paper industries clubbed with caustic soda plants, untreated domestic effluents from Chandrapur and Ballarpur towns, some chemical industries, coals mines and accidental discharges, if any," it said.

The ministry's assessment is that coal mining activities do not 'seem' to be the major contributor to the pollution load in the area. Therefore, the ministry has decided to consider all proposals for expansion of coal mines in the area, as long as it doesn't involve additional mine lease area and there is no change in the mining method.

These projects will have to adhere to additional conditions included in the action plan to address the high levels of pollution.



**Ministry has also decided to lift a moratorium on expansion of existing coal mining projects in Chandrapur**



# PM Decides FIPB will Remain Under FinMin

DIPP had called for bringing investment approver FIPB back in its ambit but Modi intervened to preserve status quo

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**New Delhi:** Prime Minister Narendra Modi has stepped in to end a turf battle between the department of industrial policy and promotion (DIPP) and the finance ministry on the issue of control over foreign investment approvals.

He has decided that the Foreign Investment Promotion Board (FIPB), the inter-ministerial body that vets overseas investment proposals, will continue to be housed at North Block, the finance ministry, turning down DIPP's bid to regain control over it. DIPP is part of the ministry of commerce and industry.


"It has been decided that FIPB will remain with the finance ministry," a senior government official told ET.


The new government wants to make sure that the policy regime encourages overseas investors to come to India. Modi had sought to ensure effective coordination between key ministries by giving Nirmala Sitharaman independent charge of commerce and industry while also making her minister of state for finance and corporate affairs.

DIPP had pitched for moving FIPB back into its fold soon after the Modi


## Unfolding Tale of Turf War

### STORY SO FAR


 **Dept of industrial policy & promotion** housed FIPB until 2003


 **It was moved to the finance ministry** by the then NDA govt

 **Finance minister is final clearing authority** for FDI proposals

 **Finmin manages Fema** but DIPP administers FDI policy


### IN THE UPA

 **India-Asean CEPA investment component** birthed turf war


 **DIPP did not consult the DEA**, under the finance ministry

 **North Block had reservations** but was overruled by Cabinet

### BONES OF CONTENTION

 **DIPP wants authority** over bilateral investment promotion pacts

 **The commerce min dept wanted** to regain control over FIPB

 **Prime Minister Modi has now ruled** in favour of status quo



"When I became the commerce minister, FIPB was taken away from the commerce ministry and given to the finance ministry. Now, that I have become the finance minister, I hope the opposite does not happen"

**Arun Jaitley, Finance Minister**

PRABHAKAR

government took over. The department of economic affairs (DEA), part of the finance ministry, had on the other hand sought complete control of the foreign investment regime, including the policy on foreign direct investment (FDI). DIPP housed FIPB until 2003, when it was moved to North Block by the then NDA government.

The Prime Minister's Office has directed that the status quo shall be main-

tained with respect to FIPB, said the official, who's privy to the development.

Finance minister Arun Jaitley had said in an interview to ET on Saturday: "You see when I became the commerce minister, FIPB was taken away from the commerce and industry ministry and given to the finance ministry. Now, that I have become the finance minister, I hope the opposite does not happen."

The finance minister is the final clear-

ing authority for FDI proposals after FIPB recommends them for approval. DIPP administers FDI policy though management of the Foreign Exchange Management Act (Fema) lies with the finance ministry. Fema provides the legal framework for the foreign investment regime.

A fierce turf war broke out during the tenure of the previous Manmohan Singh-led government between DIPP

and DEA after the first didn't consult the second over the investment component of the India-Asean Comprehensive Economic Promotion Agreement.

A formal Cabinet note on the issue was forwarded to the finance ministry by the Prime Minister's Office after its views were found to be absent.

North Block had some serious reservations on the investment treaty that seeks to accord pre-establishment national treatment to investors from the region. However, the finance ministry had been overruled by the cabinet, which cleared the draft of the agreement earlier this year.

Department of industrial policy and promotion then sought to claim the authority to negotiate bilateral investment promotion agreements, something that has been the finance ministry's prerogative. Both departments have had serious differences over FDI policy. DIPP's move to impose curbs on FDI in the pharma sector came in for intense criticism. Press notes 2 and 3 issued by DIPP in 2009, despite the opposition of the Reserve Bank of India, could not come into effect for several years in absence of the Fema notification. FDI policy guidelines are issued in the form of such press notes.



## MAKING OF A GLOBAL VILLAGE

# PM for Convergence of Mins to Get Rural Infra on Right Track

Planning secy told to chart out road map for ministries and review rural schemes; convenes secys' meeting

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**New Delhi:** Prime Minister Narendra Modi has directed Planning Secretary Sindhushree Khullar to review the progress of central schemes aimed at building basic rural infrastructure and prepare a road map for convergence of ministries involved in such schemes.

The directive comes days after the prime minister reviewed the performance of core infrastructure sectors.

A senior government official told ET that Khullar will soon make a presentation to the prime minister on her assessment, which will include the state of rural houses, toilets, drinking water, power, renewable energy, health and education. "As directed by the PMO, the secretary last week convened a meeting

**It is being ensured that all ministries involved in development of tier-II infra are in agreement**

of secretaries of the concerned ministries to review the progress of central rural development schemes involved in creation of basic infrastructure," the official said, requesting anonymity.

The prime minister's intervention is significant as infrastructure development in rural India had got stuck under the previous government because of lack of convergence between ministries. The Modi-led NDA has set a target of providing houses, with water, toilet, power and fuel to all by 2022. This will need a well-laid out roadmap for mandatory convergence between ministries.

Another official, who attended the meeting, said the exercise was to ensure that all ministries involved in the development of tier-II infrastructure were in agreement. "The idea is to resolve all inter-ministerial differences at the level of the Planning Commission, so that we have a clear sense of how to go forward to achieve the targets," this official said.

The rural development ministry is one of the biggest spenders after defence, with nearly ₹80,000 crore in budgetary

## Walking a Village Path



### TARGET

Houses with water, toilet, power and fuel to all by 2022

### ROAD MAP

Modi-led NDA is focusing on a well laid out plan

### HISTORY

Rural development suffered as UPA lacked coordination



### FOCUS

Houses, toilets, drinking water, power, renewable energy, health and education

### BUDGETARY ALLOCATION

RD ministry has nearly ₹80,000 crore at its disposal



## NEW BEGINNING

**PM** has reviewed performance of core infrastructure sectors

**He wants** convergence of ministries involved in rural infra schemes

**Planning Secretary** Sindhushree Khullar will review all progress

**The idea is to resolve all inter-ministerial differences at the level of the Planning Commission, so that we have a clear sense of how to go forward to achieve the targets**

OFFICIAL

allocation for implementing flagship schemes such as Indira Awaas Yojana, which seeks to provide houses to the rural poor, along with the Pradhan Mantri Gram Sadak Yojana, which envisages all-weather rural road connectivity.

Besides, ministry of sanitation has to ensure drinking water as well as toilets to all households in the country, while the onus for providing electricity and fuel for rural household lies with the ministry of power and the ministry of new and renewable energy.

Although these schemes have spent several lakh crores of rupees over the years, not many rural houses can boast of all these facilities.



# Development of 8 NTPC coal blocks gets delayed

■ Power major blames it on 'issues beyond control'

Subhash Narayan  
New Delhi, Sept 3

WHILE EIGHT captive coal blocks were allotted to NTPC between 2004 and 2007 through what is called the 'government dispensation route,' the state-run company is running way behind schedule in their development. Although it blames "issues beyond its control", such as lack of support from respective state governments and delays in fixing land compensation, analysts also attribute the failure to inefficiency at the company level.

Even if the PSU tries hard now, the benefit of the government's proposal to the Supreme Court — exempting mines that are likely to start production over the next six months — is possible for just two blocks, say industry watchers.

While agreeing to cancellation of all extant blocks, among the 218 termed illegal by the Supreme Court, the government last week sought indulgence to exempt some 46 of them — 40 where production has commenced and six where it may start in 2-6 months. For NTPC, this means that if the court accepts the government's plea, cancellation can at best be avoided for Pakri-Barwadih (awarded in 2004) and Chhatti-Bariatu South (2007).

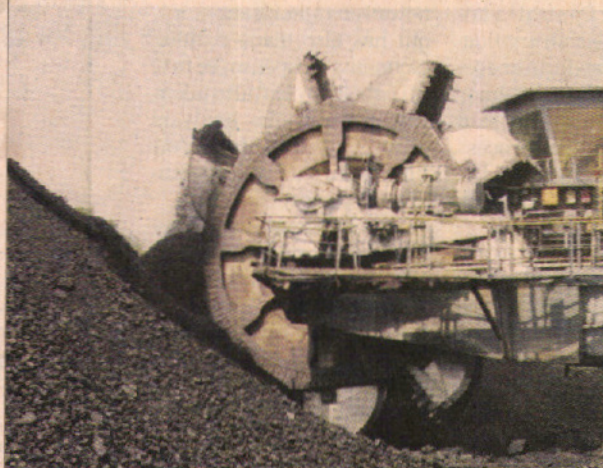
In Pakri-Barwadih block, production was slated to begin in December 2013, but that didn't happen.

"We are trying our level best to operationalise the captive mines, but some things are beyond our control. We still hope that some blocks could be

## Captive to buck-passing?

Project	Year of award	Scheduled start
Pakri-Barwadih	2004	December 2013*
Chhatti-Bariatu	2006	February 2015
Talaipalli	2006	March 2015
Kerandari	2006	August 2015
Dulanga	2006	March 2016
Chhatti-Bariatu (South)	2007	By 2038

\*Delayed



brought under production before the end of the current fiscal," said an NTPC official, asking not to be named.

Of the eight blocks allocated to the PSU, two — Bhahmini and Chichro Pastimal — were de-allocated in June 2011 as they could not make any progress. In fact, three other blocks were de-allocated during the period because of non-progress, but the coal ministry returned them to the company later. In the six existing captive blocks with it — Pakri-Barwadih, Chhatti-Bariatu, Kerandari and Chhatti-Bariatu (South) in Jharkhand; the Talaipalli mines in Chhattisgarh and Dulanga mines in Odisha — NTPC has so far invested close to Rs 1,800 crore. The total geological reserves of these mines is estimated at 3,732 million tonnes (mt) while mineable reserves are 2,035 mt. These blocks have a total production potential of 53 million tonne annually, which will cater to around 10,840 MW of

NTPC's coal-based generation capacity.

Last year, the government allocated another four blocks with 2-billion-tonne reserves to the company.

But progress on NTPC's mines has remained slow ever since the allotment. Going by the time required to operationalise a coal block (4-5 years), all the captive mines should have been operational by now. "The company remains committed to developing the blocks as fast as possible but support is required from state to address the issue law and order and land compensation formula, so that the blocks are brought under production quickly," said a senior official of NTPC.

NTPC was hoping to operationalise the Pakri-Barwadih block, already at the advanced stage of development, by December 2013, with annual production capacity of 3 million tonne per annum. But with work at the mine suspended

## CIL unions serve ultimatum against disinvestment

New Delhi, Sept 3: Five major trade bodies of CIL on Wednesday served a joint two-day 'work-to-rule' ultimatum on the coal major seeking retrieval of mines from private companies, and to protest any further disinvestment. "Recently the SC has decided allocation of coal blocks to the private as well as state/central public sectors since 1993 as illegal. Five CTUs had been consistently demanding to stop/retrieve back coal blocks allotted for captive use to private parties. We reiterate demand to return the coal blocks to CIL," central trade unions (CTUs) said in a joint notice to secretary, coal.

PTI

since February 2012, the deadline has been missed. Law and order issues continue to thwart the project even as the company and the power ministry say they have put all their weight behind the project.

The Chhatti-Bariatu block faces similar problems — all statutory clearances are in place and mine developer and operator (MDO) has been appointed. In Kerandari, the company is seeking a fresh forest clearance after the earlier one lapsed. The Dulanga block ran into a Go No-Go controversy and, only recently, things have started moving forward. As for Talaipalli, the appointment for MDO is still awaited with the previous developer, Singareni Collieries, walking out. Even in Pakri-Barwadih, search for a new MDO is on as the earlier appointment was cancelled due to non-performance.

These delays have attracted the wrath of both the coal ministry and the PMO.



## Ready to ink uranium export deal with India: Australia PM

**Melbourne/New Delhi, Sep 3:** On the eve of his visit to India, Australian prime minister Tony Abbott on Wednesday said he plans to sign a nuclear cooperation agreement that would allow Australia to sell uranium to India, which is expecting a "significant outcome" from his visit.

Abbott will be the first head of government, except leaders of SAARC nations, to visit the country after Modi's BJP came to power at Centre.

Accompanied by a 30-member

delegation, Abbott will have talks with his Indian counterpart, Narendra Modi, on wide-ranging issues of international, regional, bilateral importance, including co-operation in key areas of security, defence and trade.

Abbott said he hoped the trip would strengthen Australia's trade relationship with India in areas including mining, finance and education, while signalling a deal was in the offing to sell uranium and help India meet soaring

demand for electricity. "I am hoping to sign a nuclear co-operation agreement that will enable uranium sales by Australia to India," he told the Australian Parliament ahead of his three-day visit to India. Abbott had on Tuesday said if Australia was prepared to sell uranium to Russia then "surely we ought to be prepared to provide uranium to India under suitable safeguards", pointing out it was a "fully functioning democracy with the rule of law". **PTI**

## 'Clean Ganga' plan under SC scrutiny

■ Court tells Centre to come out with stage-wise plan in 3 weeks

**New Delhi, Sept 3:** The Narendra Modi government's ambitious poll promise to clean up the Ganga came under severe scrutiny on Wednesday in the Supreme Court, which said it seems that steps taken so far will not lead to cleaning up of the holiest river even after 200 years.

SC directed the Centre to come out within three weeks with a "stage-wise plan" to clean the river for "restoring it to its pristine glory".

"After seeing your action plan, it seems the Ganga will not be cleaned even after 200 years. Evaluate the dream project. You have to take steps to restore the Ganga to its pristine glory. The dream project is there. Please try that the next generation is able to see

**The Bench said it was not concerned about the financial assistance from other countries, but was worried how the common man be explained about the proposal for proceeding with the project of cleaning Ganga**

the river in its original form. We don't know whether we will see it or not," a Bench comprising justices TS Thakur and R Banumathi observed.

It said the "bureaucratic" approach

in the action plan would not help in accomplishing Prime Minister's dream project of cleaning the Ganga and asked the government to come out with "power point presentation" instead of giving vision plan and "artistic view".

The Bench said it was not concerned about the financial assistance coming from other countries but was worried how the common people be explained about the proposal for proceeding with project of cleaning the 2,500-km long river stretch. "We don't want to get into the nitty-gritty of committees. But common man expects to know how the cleaning-Ganga process will emerge. They should at least know how the government is proceeding." **PTI**



## Towards a skilled workforce

**W**ith his twin focus on jobs and growth, Prime Minister Narendra Modi seems intent on placing renewed emphasis on skill development in the services and manufacturing sectors. In his Independence Day speech, the Prime Minister spoke of his 'skilled India' mission to promote holistic development. There is no doubt that India needs to equip its youth with greater work skills. At present, the country churns out a mostly semi-literate workforce without the requisite marketable skills in a globalised world. According to a report by the Adviser to the Prime Minister on the National Council on Skill Development, among those in the 15 to 29 years age group, only 2 per cent have received formal vocational training, and 8 per cent non-formal vocational training. Against 128 lakh new entrants to the workforce, there were only 31 lakh seats for vocational skill training. As Mr. Modi stressed in his speech, with 65 per cent of the population under 35 years of age, India will have to think of reaping the demographic dividend. However, India ought to set its sights higher than what Mr. Modi envisaged when he lamented the shortage of drivers, plumbers and cooks. The real challenge is not to find low-paying jobs for the unemployed, but to equip those entering the workforce with the necessary skills in a competitive environment.

By promising to enhance the skill development of India's youth at a rapid pace, Mr. Modi spoke of forming a pool of young people who are able to create jobs. More importantly, he also talked of a workforce that will be in a position to "face their counterparts in any corner of the world" by virtue of hard work and dexterity of hands. Capacity-building was spoken of in the global context as the ability of India's youth to "win the hearts of people around the world" through their skills. The importance of promoting the manufacturing sector was highlighted both in the context of creating employment opportunities and developing a balance between imports and exports. The exhortation to multinationals to sell in any country but manufacture in India, also came in the context of putting to use the education and capability of India's youth. For employment-led growth, for the "Come, make in India" slogan that Mr. Modi delivered on Independence Day to have any meaning, the government must invest heavily in education and training, in research and development. Otherwise, cheap labour will remain the only attraction for foreign investment in India. Skill and talent are the results of education and training, and India must lay greater stress on its educational infrastructure before it can attain higher levels of growth. The skill set of India's youth have to necessarily match that of the world's best.