PolicyWatch

Covering developments on policy responses, policy implementation and policy distortions on a quarterly basis. Comments are welcome.

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CUTS International

INSIDE THIS ISSUE

Corporation on War Path 3

Price Revision Opposed 4

Fiscal Deficit Narrows 6

Bad Loans Hurts India's Recovery 10

India 15th on Wealth List ... 12

Flaws in the Health Sector 15

Competition Law Awareness 21

HIGHLIGHTS

Government Will Provide Electricity to All Within Five Years 7

9 Percent Growth, a Pipedream 13

Dumping Good Laws Will Hurt the Economy ... 11

Indian Companies May Go Dutch to Meet CSR Norms 14

Know Your Ministries 16

"The reformer has enemies in all those who profit by the old order and only lukewarm defenders in all those who would profit by the new." **Machiavelli** in *The Prince*

From Yojana Bhawan to Sudhar Bhawan

The new Government means business and to do so many of our institutions will be resurrected with alignment to our federal nature, where the Prime Minister and the Chief Ministers will govern the country. The reform of Planning Commission, in this regard, will be an important step.

The Planning Commission underwent some soul searching but it was another perfunctory exercise before the end of Congress rule. Five years ago when Arun Maira was appointed, he was asked to prepare a blueprint to turn the plan body into a Systems Reform Commission. Alas! His efforts did not succeed, because of sheer inertia and *status quoism*.

As one sets out to review the performance of the Commission, two fundamental issues strike upfront. First, is the Commission efficiently carrying out its assigned roles? And second, are the Commission's roles attuned to the political and economic realities of the country? The answer is an unequivocal no to both the questions.

The Commission has become a Ministry but without accountability to the Parliament. The Deputy Chairman is a 'Minister' with independent charge along with an Administrative Secretary, to who all officers report. Members are ranked as 'Ministers of State' for protocol purposes, and like Ministers of State in other Ministries, have no say in the matter of personnel management in the divisions they are responsible for.

Further, being run like a government department, the Commission's members, staff and officers remain unaccountable and are not subject to performance evaluation and review. There is an urgent need for the Commission to reform itself into a high quality, action oriented organisation. Rigorous selection and evaluation processes must be put in place to enable only the brilliant to gain entry in the reformed Commission. Independent professionals must be allowed to compete with the civil servants for appointments, and retired civil servants must be declared ineligible.

The Commission should be capable of evolving with needs of the economy, and its actions must be open to public scrutiny. The Commission should shift its focus from simple top down planning to perspective planning based on a bottom up approach. It also needs to function as a repository of knowledge across various areas of governance and should become a smaller tech-enabled Reforms and Development Commission with regional centres in our states.

Only when *Yojana Aayog* (Planning Commission) is transformed into *Sudhar and Vikas Aayog*, (Reforms and Development Commission) can its place in the prevailing political-economic scenario, be justified. Otherwise, it will end up justifying Jeffrey E. Garten's words, '*A vision without execution is hallucination*'.

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COMMUNICATION

Restore Trust in Telecom

Ensuring customer satisfaction and restoring the declining investor sentiment will be the key areas of focus for the new Telecom Minister, Ravishankar Prasad who said that since in telecom100 percent Foreign Direct Investment (FDI) is permitted, therefore, it must be helped to come in India, under transparent regime.

He also added that fiscal policy issues must be stable and there is a need of softer regulatory mechanism, which can bring more stability to the sector and focus on establishing a broadband highway.

There are over half a dozen firms across the country, which are caught up in multi-billion dollar tax issues with the Indian Government including Vodafone. *(DNA, 28.05.14)*

100 Million Change Network

Around 100 million mobile subscribers, about 11 percent of the country's cellphone services customer base, have ported their numbers, since the Mobile Number Portability (MNP), facility was introduced nationwide over three years ago. Telecom Regulatory Authority of India (TRAI) had prescribed a porting charge of ₹19, among the lowest in the world and has also given recommendations for full MNP, which will allow customers to change their operators across any part of the country.

In 2011, the porting request rejection rate was around 40 percent, which has reduced to 11 percent at present. TRAI has issued a number of directions and orders to the service providers. *(NDTV, 30.05.14)*

RJIL's Free Wi-Fi Services

Reliance Jio Infocomm Limited (RJIL) is rolling out mobile network and WiFi hotspot services for free in Ahmadabad, Baroda and Surat regions of Gujarat. It will use multiple standards for its 4G data offering as well as varying technologies, said the report for fiscal 2013-14.

RJIL is committed on innovation, design and providing technologically advanced devices at affordable prices and is nearing closure of negotiations with device vendors.

In February, RJIL had purchased airwaves for ₹11,000 crore to offer 4G services in 14 circles. According to the report, over 44 percent of the world's 4G services are deployed on the category of airwaves. *(TT, 22.05.14)*

DoT Denies CAG Allegations

The telecom department has said that the merger of the Tamil Nadu and Chennai service areas in 2005 was thought-out, rejecting the national auditor's claim that it was a hasty decision that cost the exchequer ₹2,400 crore and appeared to benefit certain telecom operators. CAG also questioned the decision to allow the licence tenure be the later date of the two circles.

In reply the Department of Telecommunication (DoT) said that operators had to pay the higher of the two spectrum usage charges on the combined revenue earned in the two circles. They had proposals to merge other circles, but couldn't proceed due to non-availability of spectrum and issues of entry fee and they instantly abolished roaming charge thus benefitting the public. *(ET, 18.06.14)*

Thrust on Telecom Gear up

The Narendra Modi Government plans to make the country a hub for the manufacture of telecom equipment as this can significantly curtail the trade deficit. A structured tax set-up, which imposes higher taxes on finished capital goods and electronics and lower tax on components, may be introduced from July.

At present, finished telecom equipment attracts zero duty but 10-15 percent is imposed on components. Till now, around $12.8 billion has been invested in telecom equipment manufacturing, with 75 percent of the FDI coming in during 2007-12, which is considered small by global standards and also has planned a $1-billion venture capital fund for telecom equipment. *(TT, 15.06.14)*

Govt. Plans to Revive PSUs

Shares of Mahanagar Telephone Nigam Limited (MTNL) surged in trade after the Government said it will take steps to revive ailing telecom Public Sector Units (PSUs) MTNL and Bharta Sanchar Nigam Limited (BSNL).

Communications and IT Minister, Ravi Shankar Prasad said that steps will be taken on a priority basis to revive the two PSUs that have failed to ride the boom in the Indian telecom sector even as private operators like Airtel, Vodafone and Idea grew from strength to strength.

"I have found that MTNL and BSNL have not received as much attention as required. They need proper infrastructure support. I have asked them to improve services for consumer satisfaction", added Prasad. *(ET, 18.06.14)*

Vodafone Loop Dispute Settled

Within 24 hours of blocking incoming calls from Loop Telecom users, which has over 3 million users in Mumbai, Vodafone today said it is restoring their connection to its network as the two companies have reached a settlement on interconnection charges.

The telecom major said that these payments from Loop were long overdue, forcing it to restrict calls. As per sectoral regulator TRAI, a mobile operator on whose network a call originates has to pay charges of 10 paisa a minute to the telecom company on whose network the call terminates.

Loop Mobile is in the process of transferring its assets and customers to Bharti Airtel, under a strategic agreement announced in February, which is estimated it to be worth ₹700 crore. *(ET, 17.06.14)*

• TRANSPORT •

Fair Hike for Railways

Terming the step hike by the railways in passenger fares and freight as a "difficult but correct decision" Finance Minister, Arum Jaitley said that it was the only way for the survival of the railways.

The passenger services have been subsidised by the freight traffic and the Indian Railways has been running at a loss for the past few years. Implementing a decision of the previous Government, Railway Minister, D S Sadananda Gowda had increased passenger fare by 14.2 percent and freight by 6.5 percent.

He said that a loss making railway will provide below-par services and will eventually not even have the resources to pay its bill. The decision to increase the rates was mooted by the railway board in February and the board proposed a 5 percent increase in freight rates and 10 percent increase in passenger fares. *(IE, 01.06.14)*

Ministry Banks on Toll Revenues

The Ministry of Road Transport and Highways has embarked on an exercise to estimate their revenue from toll collection to see if the Government can build more roads through its own resources.

The National Highways Authority of India (NHAI) and the Ministry's kitty has swelled over the past decade over seven times as more roads come under tolling. The Ministry is also thinking of new models like leveraging debts using this toll revenue for new projects.

This was done to assess rate of growth in toll revenue, see how much can be acquired from public funded projects *vis-a-vis* the Build-Operate-Transfer (BOT). *(ET, 08.04.14)*

New Guidelines Notified

The Civil Aviation Regulator Director General of Civil Aviation (DGCA) has recently notified the new regional air connectivity guidelines of the Civil Aviation Ministry, under the Civil Aviation Requirements.

As per the new regional air connectivity requirements, scheduled airlines will have to deploy at least 6 percent of their total operating capacity to "remote or strategic areas".

The areas identified are North-east region, with the exception of Guwhati and Bagdogra, all airports in Jammu and Kashmir with the exception of Jammu, all airports in Andaman and Nicobar Islands and Lakshwadeep. *(ET, 12.04.14)*

Automatic Lighting System

The Delhi division of northern railway has installed automatic lighting systems at some railway stations in the Capital and other stations across the division in order to conserve energy.

With the new system, 70 percent lights at platforms where sensors have been installed will go out after the departure of trains and come on automatically with the arrivals of trains.

Railway officials said that the system has been installed on one platform at each station and on an average, the new system cuts down the energy demand at the platform by half. *(TH, 27.04.14)*

Private Investment in Roads

The National Transport Development Policy Committee, headed by former Reserve Bank Deputy Governor, Rakesh Mohan, has pegged private investment needs in the road sector at ₹6.65 lakh crore over the next 20 years.

The Finance Ministry-appointed committee's report comes at a time when private-sector investments in the road sector have dried up over the past few years.

Investments have been drying up since 2010 as is evident from the fact that only projects worth less than ₹500 crore were awarded in 2013; Besides, the government was forced to cancel awarding projects, under the PPP mode. *(BS, 05.04.14)*

Corporation on War Path

The Kerala Government and the Kerala Corporation are on a collision course over forming special purpose vehicles (SPVs) for integrating various modes of transport in the district.

While the corporation is planning an exclusive SPV for transport in the city as per the direction of the Urban Development Ministry (MoUD), the State Government insists on constituting a single SPV for a cluster of three or more districts.

This would upset the plan of civic body, which has almost completed the formalities for constituting a separate SPV for the city. The SPV is required as part of the plans to integrate various modes of public transport systems in Kerala, under the proposed Unified Metropolitan Transport Authority (UMTA). *(ToI, 21.05. 14)*

States Accountable for Accidents

Indian roads have proved to be giant killers. Demanding immediate attention and remedial action, the Supreme Court has appointed a three-member panel to suggest measures to prevent road accidents and ensure accountability.

MARKED INCREASE IN ROAD ACCIDENTS BETWEEN 1970 AND 2010

CONCERN OVER KILLER ROADS		ONE ACCIDENT DEATH EVERY
1 Serious road accidents **every minute**	1,26,896 deaths 4,66,600 serious injuries 4,30,654 accidents	4 MINUTE

Source: Road Accidents in India 2010, Ministry of Road Transport and Highways

www.team-bhp.com

The Bench said, "We intend to monitor implementation and to make the States accountable for any inaction or lapse".

Quoting figures furnished by the Ministry of Road Transport and Highways in the volume, 'Road Accidents in India 2010', the Bench highlighted the increase in accidents and fatal cases between 1970 and 2010. The report has revealed that one accident takes place in the country every minute and one person dies in an accident every four minutes. *(TH, 23.04.14)*

• OIL & GAS •

Foreign Investment in Oil & Gas

With foreign investment almost drying up in India's oil and gas sector, Petroleum Minister, Dharmendra Pradhan has promised an overhaul to make policies predictable, transparent and fair to investors. Three years of policy paralysis and regulatory policy uncertainty over issues, such as natural gas pricing had led to companies deferring their investments, resulting in domestic production stagnating.

The priority of the Government would be to put in place transparent systems and time-bound delivery of government services. The Ministry proposes to replace New Exploration Licensing Policy (NELP) with a uniform licensing policy to facilitate production of all forms of hydrocarbons, under a single policy regime. The next round of oil and gas block auctions will be offered with all statutory clearances that will derisk exploration activities to some extent.

(ET, 17.06.14)

Cairn Gets Environmental Nod

Cairn India has received environmental nod for raising crude oil production from its prolific Rajasthan fields by 50 percent to 300,000 barrels per day (15 million tons a year). Environmental clearance (EC) has been granted to Cairn India to augment hydrocarbon production from Barmer and Jalore districts of Rajasthan to 300,000 barrels of oil per day from current limit of 200,000 bopd.

Cairn had made 31 oil and gas discoveries in the Rajasthan block, of which four – Mangala, Bhagyam and Aishwariya and Raageshwari have been put on production. It contributes about 30 percent of India's domestic crude oil production. The output had touched 200,000 bpd in March but the block is currently producing about 190,000 bopd. *(ToI, 17.06.14)*

Ethanol Blending in Petrol

The Oil Ministry may cap the quantum of ethanol blending in petrol at 10 percent. The Ministry has been in consultation with all stakeholders of the 'Ethanol Blending Programme (EBP), over the recurring demand that the percentage of ethanol in petrol should be increased.

Sugar industry, which supplies ethanol to oil marketing companies, has been pushing for an increase of 15 percent from the mandatory 5 percent. However, automobile manufacturers have said that over 10 percent will not be viable for the current generation of cars.

As per the sugar industry, 5 percent mandatory blending can help oil companies to save ₹6 per litre annually. However, EBP has yet to achieve that target across the country.

(ET, 17.06.14)

Priority Allocation Norms

The Ministry of Petroleum and Natural Gas proposes to come up with a common policy for priority allocation for utilisation of natural gas procured across sources like administered pricing mechanism (APM), non APM and New Exploration Licensing policy (NELP-X).

The policy to be worked out will have two major objectives – to maintain the current priority of allocation first. Secondly, the priority allocation will be to only to those sectors where either there is an element of government subsidy involved or end use pricing of the product, which uses natural gas is regulated. Subsidised natural gas will be given only to those sectors, said sources.

Similarly, liquefied petroleum gas (LPG) and compressed natural gas (CNG) users get priority allocation and the ultimate beneficiary is common users.

The allocation criteria for distribution of natural gas currently runs in descending order in priority in sectors like fertiliser, LPG, power etc.

(BS, 28.05.14)

Price Revision Opposed

In a development, that may further convolute the vexed issue of raising domestic gas prices, a section of the National Democratic Alliance (NDA) Government is against the contentious price formula suggested by the C. Rangarajan Committee.

The new price is based on a formula suggested by a panel headed by Rangarajan, former Governor Reserve Bank of India (RBI) and former Chairman of the Prime Minister's economic advisory council.

The price based on the formula changes every quarter. This would have priced the fuel at $8-8.5 per million metric British thermal unit, at which natural gas was to be sold to producers of power, fertilizers, minerals and domestic gas producers, including Mukesh Ambani's Reliance Industries Ltd. and Oil and Natural Gas Corp. Ltd (ONGC). *(Mint, 10.06.14)*

Hike in LPG Prices

The Ministry of Petroleum is backing an immediate increase of ₹250 a cylinder for subsidised cooking gas, even as the monthly diesel price hike has been resumed, so that the gap of ₹4.40 paisa a litre is bridged. With the rupee appreciating against the dollar, the gap is expected to narrow to around ₹3-3.50 a litre.

The Ministry also backed resumption of direct transfer of cooking gas subsidy to bank accounts and reducing the number of subsidised cylinders from the current level of 12. Subsidies as a percentage of total Central Government spending have increased from a little over 9 percent in 2004-05 to almost 14 percent in the interim budget estimates for 2014-15. *(ToI, 23.05.14)*

• POWER •

Power Cuts in Delhi and UP

Piyush Goyal, India's new Energy Minister pulled an all-night work session to tackle power cuts caused by a dust storm in New Delhi and provide more electricity to Uttar Pradesh. The State that has been hit by blackouts of up to 12 hours a day as soaring temperatures and were expected to reach up to 45 degrees Celsius.

Goyal said that action was being taken to address power disruptions in the capital and would ensure that a request from Uttar Pradesh for an extra 325 MW of power would be met. Peak demand for power in Uttar Pradesh is around 12,700 MW, around 2,000 MW in excess of supply that has been available till date due to power station shutdowns and delays in buying coal stocks. *(Reuters, 31.05.14)*

High Tension on Power Supply

Post bifurcation between Telangana and Andhra Pradesh, the Andhra Pradesh Re-organisation Act, 2014 divides power plants based on their geographical location and states that existing 'Power Purchase Agreements' will continue for both existing and under-construction projects.

Accordingly, Telangana will get nearly 54 percent and successor Andhra Pradesh will get 46 percent. Power from central projects will be shared in the 51:49 ratio.

Though the total installed capacity of the Andhra Pradesh power grid stands at 16,679 megawatts, the actual generation is only between 9,000 MW and 10,500 MW, largely due to a lack of gas linkages. Of this, Telangana will get about 4,500 MW to 5,000 MW. *(TH, 30.05.14)*

Restoring Power Subsidy

Subsidised power for domestic consumers using up to 400 units may become a reality in the months ahead. Following a meeting with Lieutenant Governor, Najeeb Jung, Delhi Government is preparing a proposal to make allocations for power subsidy in the 2014-15 budget.

The quantum of the subsidy will be decided either by the Centre when the budget is presented in Parliament or whenever the new Government takes charge in Delhi. Ever since power had been privatised in Delhi in 2002, people consuming up to a certain number of units were getting subsidy till March 31, 2014. *(ToI, 18.06.14)*

Tariff Rates to Rise

Merchant tariff rates for power-generating companies are expected to go up as business activity picks up amid hopes of a faster economic recovery. Power utilities were running at lower capacity utilisation due to lack of demand.

According to the Central Regulatory Authority, the country is expected to face an energy deficit of 5.1 percent in 2014-15, despite the fact that 17.8 GW of capacity is expected to be commissioned in the current fiscal. In April 2014, merchant power tariffs traded at about ₹3.05 per unit in power exchanges against ₹3.6 per unit in the year-ago period. Over the past one year, merchant rates have been subdued due to weak financials of state distribution companies (SEBs) and muted industrial activity. *(ET, 18.06.14)*

Reviving Investment in Power

With the disconnect between the departments of power and coal stalling major projects, bringing the two under one minister is likely to reverse the trend of declining investment in the sector and provide power for all.

"Minimum government and maximum governance" will top the agenda of the Minister, who said "transparency" would be a key factor in the functioning of these ministries.

The three Ministries have been brought under one umbrella, so that all can work in tandem, cut down costs and ensure that the objectives of the Government and the delivery mechanism to achieve those objectives can be streamlined. There are a lot of challenges, synergies between the various Ministries. *(ToI, 27.05.14)*

Extra Tariff in VIP Districts

The UP Electricity Regulation Commission (UPERC) proposed to impose 0.5 percent extra tariffs on consumers in cities aspiring to get more power than the usual roster. If the proposal is passed, consumers in districts like Mainpuri, Etawah, Kannauj and Rampur will have to shell out extra tariff for every hour of electricity they receive exceeding the scheduled outlay.

The proposal may undergo certain modifications, as any decision will be taken only after due consultation with the state government as well as the UPERC.

Further, its implementation will require changes in software that generates bills and it will be difficult to ascertain that districts got 24 hours of supply, because of regular tripping caused by poor power infrastructure. *(ToI, 25.05.14)*

Susan UMPP's 4th Unit

Reliance Power's fourth 660 MW unit of Sasan Ultra Mega Power Project (UMPP) in Madhya Pradesh has commenced electricity generation. At present, the total operational capacity of the plant has reached 2,640 MW. The remaining two units are in advanced stage of construction and will be commissioned in the next few months. The total power generation capacity of Sasan UMPP is 3,960 MW (6x660 MW).

With this unit, Reliance Power's generation capacity has increased to 4,525 MW that includes 4,440 MW of thermal and 85 MW of renewable energy based capacity. The first 660 MW unit of the Sasan UMPP was commissioned in March 2013, second in January 2014 and the third one in March 2014. *(BS, 20.05.14)*

RBI Eases Bank Lending

The RBI recently struck a dovish tone on lending rates and eased bank lending, suggesting that it was buying into the commitment Finance Minister, Arun Jaitley made to pursue fiscal prudence.

In its policy statement, RBI said that it may ease monetary policy if inflation slows faster than anticipated. Accordingly, the Central Bank kept the repo rate, at which it lends short-term funds to banks, at 8 percent, having raised it by 75 basis points, since Raghuram Rajan (RBI Governor) took office in September to tame the rising prices. One basis point is 0.01 percent.

In response, Jaitley endorsed RBI's stance and maintained, "It (RBI) has followed a calibrated approach aimed in the direction of balancing between growth and inflation".

(Mint, 21.06.14)

Battle for FDI Policy Control

The control over foreign direct investment (FDI) policy and the Foreign Investment Promotion Board (FIPB) has turned into a full-blown battle between two wings of the Government and is expected to prompt the Finance Minister, Arun Jaitley, to intervene and end the tussle.

In its presentation to Commerce and Industry Minister, Nirmala Sitharaman, Department of Industrial Policy and Promotion (DIPP) asked that the FIPB be shifted back to it and argued that the department was already dealing with the FDI policy.

The demand came days after the Department of Economic Affairs in the Finance Ministry asked for the entire policy to be shifted to it on the grounds that the Foreign Exchange Management Act (FEMA) is administered by it. *(ToI, 29.05.14)*

Reduction of Withholding Tax

To spur foreign investment in the corporate bond market, the Finance Ministry has proposed reduction in withholding tax for Foreign Institutional Investor (FIIS) to 5 percent from 20 percent, at present.

In a note prepared for the new Government, the Ministry has proposed cutting withholding tax for FIIs in non-infrastructure corporate bonds to 5 percent, thus favouring uniform withholding tax for all FIIs investing in corporate bonds.

"The withholding tax for FIIs in non-infrastructure bond issuance by companies is 20 percent, which may be brought down to 5 percent", said a Finance Ministry official. *(ET, 26.05.14)*

Boosting Domestic Markets

The Government should allow leading global bourses to hold up to 49 percent stake in Indian stock exchanges to enhance the competitiveness of domestic capital markets, Bombay Stock Exchange (BSE) has said. The current policy permits foreign bourses to own a maximum of 5 percent stake in Indian exchanges.

"The current policy on ownership of stock exchanges may be amended to allow for an investment stake of at least 15 percent (or preferably even 26-49 percent) for foreign exchanges of international repute, in line with the regulations for Indian exchanges," BSE said.

The move will allow domestic stock exchanges the flexibility to form deeper partnerships with global bourses, help attract more foreign funds, facilitate and accelerate adoption of best-in-class technology.

(FE, 27.05.14)

Changes in Resolution Regime

The International Rating Agency, Moody's has warned that implementation of the bank resolution regime as proposed by the high-level Financial Stability and Development Council (FSDC) working group may raise risks of the creditors to the domestic banks and other financial institutions.

"Modifications to the bank resolution framework, if implemented as recommended, may increase the risks for many creditors of domestic lenders, including holders of both senior and subordinated debt," Gene Fang and Srikanth Vadlamani, analysts at Moody's Investors Service said in a note. *(Zee Biz, 29.05.14)*

New Norms for Licenses

The RBI would soon come out with policy guidelines for differentiated banking licences. The new licences for banking operations including differentiated ones would be given "on tap" basis, R Gandhi, Deputy Governor of the central bank said.

"We are currently working on the guidelines. Once we are done, we'll take feedback and then the final announcement will be made," Gandhi said on the side lines of International Chamber of Commerce (ICC) Banking Summit.

"The new guidelines on different types of banks – universal, differentiated, etc. – will be issued shortly. After these guidelines are issued...we intend to offer licences on tap", Gandhi said. *(BL, 14.06.14)*

Fiscal Deficit Narrows

The fiscal deficit in 2013-14 stood at 4.5 percent of GDP, lower than 4.6 percent projected in the revised estimate, mainly on account of curbs on government expenditure. The fiscal deficit, the gap between government's expenditure and revenue, in actual terms was ₹5.08 lakh crore as against ₹5.24 lakh crore projected in the revised estimate.

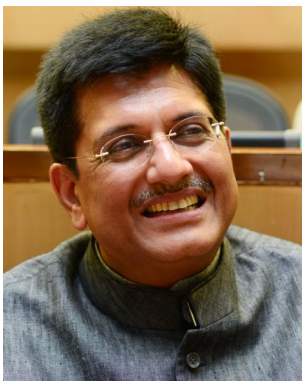
The government's total expenditure worked out to be ₹15.63 lakh crore in the last fiscal as against the original budget estimate ₹16.65 lakh crore. The revenue collection was ₹10.15 lakh crore. The revised target was ₹10.29 lakh crore.

The lower fiscal deficit reduces the government's expenditure on interest payment and unlock funds for investments in social welfare programmes as well as infrastructure development. *(BS, 30.05.14)*

The Government Will Provide Electricity to All Within Five Years

North India is facing power supply issues. Even after Bhartiya Janta Party (BJP) has come to power, power woes have not seen any end.

I took charge on May 27, 2014 and completed a month. This power supply problem has not been created in three days, but in the past 15 years. The transmission and distribution infrastructure has not kept pace with the population growth. Hardly any steps were taken in the past to combat issues, such as last-mile connectivity and power theft.



You become Power Minister and Uttar Pradesh faced power cuts, mainly in those areas where BJP had won, even in PM's constituency Varanasi.

The situation was such that there was some problem with their generating plant, not because of coal supply issues. UP was buying 377 mw power from Jhajjar power plant in summer, but the day Lok Sabha results came out on May 16, they stopped buying power from there. And when people asked them why power supply problem has occurred, they told people to ask those people for whom they voted. This is unfortunate.

In how many days will you fulfill the dreams of 24x7 power about with Narendra Modi has talked about in his campaign?

I think the situation is ripe for some low hanging fruits. We have started planning on some medium-term policy issues. I have full confidence that we will provide 24x7 power to every house, business establishment in the five-year mandate that people have given us. Now, we have approved projects related to power transmission infrastructure worth Rs12,500 crore, bidding and tendering process will be over soon.

Power theft is a huge issue in the country

This is indeed a huge problem, in many areas. No government other than Narendra Modi's had the political will to act on this issue. Modi filed around one lakh FIRs in Gujarat with regards to power theft and faced the reaction, stopped power theft, and then, won elections. Presently, the people want that the government should show such political resolve.

Some parties talk of giving freebies, free power, free water.

BJP believes that if the price is fair and affordable, then people do not have any issue.

What is your message to power and distribution companies?

I want to tell power companies, investors and people that we are all in it together. The mining companies should give good quality coal, in good quantity and right price. Generating companies should increase their efficiency, like I have taken a decision that power plant running for over 25 years will be given automatic approval to set up new and super-critical plants, coal will be supplied to reduce power cost. Consumer theft has to be stopped, and consumers should pay bills on time. If we all work together, then investors get confidence that power sector is being sorted out.

The previous government claimed that they continued with NDA's coal policy. Now that you are in power, will you get transparency in coal block allocation?

What happened in the past is unfortunate. I have given my views on this issue many times, this is a lesson that in the coming days, people will not tolerate corruption of any kind. Power is an important natural resource and has to be fairly utilised keeping the nation's interest in mind.

Will your government take action against people accused in coal scam?

In case of any scam, Modi's government will take action; you already saw that in case of Swiss bank accounts, our Finance Minister has already written a letter.

There are allegations against many companies regarding selling coal from coal captive plant?

In the coming days, in any coal allocation, the end use will be specified. Also, the end-tariff regulation will be specified.

Will action be taken against companies which sell it in open market?

If anybody violates the law, action will be taken.

– *Excerpts from an interview of Piyush Goyal, Union Minister of Power, Coal and Renewable Energy with Amish Devgan published in* DNA *on June 27, 2014.*

An Infra Road Map

Shyam Ponappa*

Let's hope a newly elected Government has the coherence and leadership to begin to deal right away with the mess in infrastructure, learning from what has gone wrong before. There are problems galore with our infrastructure, but a couple of examples stand out for what to look out for and avoid in future initiatives. There is a little doubt that we must improve our approach to projects and undertakings in terms of functionality and efficiency, and that digital infrastructure is a key requirement.

One example is the multiplicity of schemes to register individuals, including the unique identification (UID) or *Aadhaar* scheme, the national population register (NPR), the multipurpose national identity card, the voter identification card etc. Another example is the National Optical Fibre Network (NOFN) by Bharat Broadband Network Limited (BBNL). Accepting for the moment that these projects are well intentioned, there seem to be flaws right from the design stage, and on through execution. While the fallout from past errors has to be dealt with, it is most important to avoid these mistakes in fresh initiatives.

The UID and NPR projects apparently began without sufficient care in defining their purposes; they did not mesh seamlessly with each other and with other objectives and processes. This disjunction has carried through in implementing their design and execution.

The NOFN aims to extend a countrywide network on the foundation of the existing fibre networks of state-owned entities Bharat Sanchar Nigam Limited (BSNL), RailTel and PowerGrid. This was to link over 245,000 village *panchayats* by the end of 2013, but is still undergoing limited trials. Given its magnitude, this requires vast capital investment that is unrelated to likely revenue generation in the short run. This critical infrastructure project is apparently behind time and over budget despite its reduced scope. That said, such monumental undertakings and changes can't be expected to go like clockwork, and the considerable efforts being made should eventually contribute to positive outcomes. For instance, a Confederation of Indian Industry report prepared with the help of KPMG in 2013 outlines possible business models and ecosystems in four areas, namely, education, health care, banking and agriculture. It's just that a thorough, comprehensive approach from the outset would be most beneficial.

In hindsight, what's lacking in both instances is proper organisation and co-ordination, the discipline of sound project management; and this is a missing piece in most areas of deficiency in governance, including infrastructure development. Both depend on digital infrastructure. This is where real efforts must be focused to fix things, quite apart from dealing with corruption.

The "plumbing" of hardware, software, communications lines, and systems that enables effective use of information and communications technology is a critical necessity for our economic growth and well-being. While a balanced availability of energy, transportation and water supply/sewerage is required, in the short run, it is ICT that is likely to yield the broadest overall benefits and economic returns through multiplier effects, provided the others come up to minimum requirements.

Clear, convergent objectives and task-oriented processes and systems are not really part of our culture or vocabulary, barring sectors oriented to external markets like IT-BPM, and some corporations and professionals. There are, of course, rare individuals who excel, such as the former head of Delhi Metro, E Sreedharan, who maintained his reputation from the Konkan Railway and before that, Indian Railways. But it's not as if getting it right is a foregone conclusion for countries with a far better record of good systems and high-quality delivery – as evidenced, for instance, by Germany's increasing problems after turning away from nuclear energy.

The incoming government needs to focus on starting to do things right, and that is the best way to create opportunities that can make the most of our demographics, and the potential of our large and increasing markets. It must view any scheme as part of an integrated, overarching system, and apply itself from the very beginning with care and understanding to defining the aims, objectives, and detailed processes so that they mesh and converge with what else is there.

* *Columnist in* Business Standard *and this article was published on April 30, 2014.*

A National Investment Fund May Provide the Solution to the Infrastructure Mess

Subir Gokarn*

Over the past few months, I have written several columns about the chronic and intensifying problems in infrastructure. To my mind, two issues are of particular concern. First, there is a severe imbalance between investments across sectors, which lowers the productivity of each investment. Infrastructure is essentially a network phenomenon, a chain, which is only as strong as its weakest link. Second, public-private partnership (PPP) may have been a promising strategy in theory, but it is now proving to be financially unviable. The ability of the companies in the business to mobilise even a fraction of the total resources needed from financial institutions and capital markets has virtually disappeared.

Any prospect of acceleration in growth critically rests on infrastructure investment across a range of sectors. Power plants without coal linkages or ports without rail and road access are not going to cut it. But such large and synchronised investments are not within the capability of the PPP framework in its current state. So is there a solution in sight?

In the common minimum programme laid out by the United Progressive Alliance (UPA) Government in 2004, there was a proposal for a National Investment Fund (NIF). Essentially, this involved pooling the resources mobilised through disinvestment into a fund, which would then invest it into various social priorities that the coalition partners would agree upon. A structure was actually set up, but did not become operational in any meaningful way.

Three aspects of such a framework are key to its success: investment strategy, financing and governance. On strategy, as discredited and archaic a term "planning" may have become, its utility needs to be appreciated. As I said earlier, the entire infrastructure system of an economy performs like a network. It works efficiently only when all the components of the network match. While it may be relatively easy to draw up a blueprint of interlinked projects with balanced capacities, executing them, so that the balance is maintained is clearly a huge challenge.

A well-designed and well-governed NIF could help the economy achieve what it has struggled with for the past two decades: narrow the gap between infrastructure demand and supply

From the perspective of the NIF, though, the strategic dimension provides a foundation for the other two aspects. Strategy could be internalised into the structure, thus making it into a National Infrastructure Commission, for instance. Or it could be an external mandate to a more narrowly focused mechanism, combining finance and governance.

Where do the funds come from? Some must come from standard budgetary provisions. But the original concept of the fund is really what makes it meaningful. Disinvestment realisations are clearly an important potential resource. The political economy of disinvestment has been challenging and the opportunities and valuations have changed significantly over the past decade.

A huge potential source of funds is what I would call a balance sheet substitution. When the Government transfers assets that it conventionally owns to the private sector, it is reasonable to expect that the proceeds be used to create other, new assets.

There is the all-important dimension of governance. The basic reason why transactions involving land, mining rights and spectrum went the way they did over the past few years is, I believe, the absence of an appropriate governance framework. At its core, any framework that deals with these issues must take into account the time horizon over which these transfers have an economic impact.

In essence, a well-designed and well-governed NIF could help the economy achieve what it has struggled with for the past two decades: narrow the gap between infrastructure demand and supply. It cannot be an exclusive funder; nor should we forget that the public sector's record of project implementation hasn't been the best. But the lesson of the last decade on this issue is: just because the public sector cannot do something doesn't mean the private sector can.

It isn't the core concept of PPP that needs to be rejected; it is a redefinition of the roles and responsibilities of each partner. An NIF can, with a holistic strategy, adequate funding and credible governance, play a catalytic role in this process and, ultimately, in solving the infrastructure mess.

* *Director of Research, Brookings India and Former Deputy Governor, RBI, and the article was published in* Business Standard *on April 20, 2014.*

5.5 Percent Growth Estimated

Asian Development Bank (ADB) in its report issued on April 1, 2014 suggested central government to undertake structural reforms, boost manufacturing and revive investment, for economy to grow at its potential rate.

The bank said though the Cabinet Committee on Investment had cleared projects worth a combined $89 billion or 4.8 percent of Gross Domestic Product (GDP), most government ones. Investments in general have to be revived. India's pressing policy challenge is to create significantly more productive and well-paying jobs. For that, manufacturing will have to play a key role.

Contribution of the manufacturing sector in GDP and employment is very low when compared to China, Malaysia, Thailand and Vietnam. It also projected the current account deficit (CAD) would grow to 2.5 percent in the current financial year.

(BS, 02.04.14)

Factory Output Declined

Weak manufacturing performance pulled down overall industrial output by 1.9 percent in February. The manufacturing sector continued to be in the negative for the fifth straight month recorded a 3.7 percent decline in February. Both capital goods and consumer goods output saw a decline in February.

The electricity sector, which has 10 percent weightage in the IIP, for February 2014, it grew at 11.5 percent (-3.2 percent). Similarly, mining output grew 1.4 percent in February, against 7.7 percent contraction in same month in the previous year.

The Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI) and the Associated Chambers of Commerce and Industry of India (ASSOCHAM) called for urgent steps, especially on the business regulation front, to help revive the manufacturing sector. *(BL, 11.04.14)*

Robust Manufacturing Needed

India needs an employment generating robust manufacturing sector to achieve an annual growth of 10 percent, a top government said. "Manufacturing cannot be driven unless and until India becomes innovation led economy and therefore innovation has to be the backbone of India's growth", said Amitabh Kant, Chief Executive Officer of Delhi Mumbai Industrial Corridor Development Corporation Limited.

India's economic growth expected to clock a decade-low figure of 4.9 percent in FY 2013-14. To boost manufacturing sector's growth, the Government has proposed setting up mega industrial zones in different parts of the country.

The National Manufacturing Policy aims at increasing contribution of manufacturing to the national GDP from current 16 percent to 25-26 percent by 2025 and creating 100 million jobs in the next decade.

(FE, 26.04.14)

Moody's Skeptical of Reforms

Global ratings agency Moody's has said that India's growth prospects are hampered by lack of reforms in recent years. It said the economy is expected to grow by 4.5 to 5.5 percent in 2014 and then to 5 to 6 percent in 2015, "The country is also vulnerable to capital outflows given a history of sizeable current account deficits".

Stable government is expected to rush in economic reforms to rebuild the faltering economy. Stubborn inflation and sticky food inflation have been key policy headaches for the previous government and fuelled voter anger against the government.

The agency said a rebound in capital flows suggest that international investors continue to perceive attractive investment opportunities in India. *(ToI, 09.05.14)*

India Misses Export Target

India missed its goods export target for 2013-14 with shipments declining for the second straight month in March 2014 as demand from key markets failed to pick up.

Exports in March fell 3.15 percent to $29.5 billion while overall shipments in 2013-14 increased 3.98 percent to $312.35 billion against the target of $325 billion.

"Sluggish demand in major markets coupled with loss of preferential access in Europe and quality issues with drugs have hurt exports", said a Commerce Ministry official.

There may be cheer on the deficit front but there is little optimism among the exporters. "With the rupee so volatile, we do not know whether to hedge or not. We can suffer losses either way", pointed out Delhi Exporters' Association President, Tilakraj Manaktala. *(BL, 11.04.14)*

Bad Loans Hurts India's Recovery

With rebound in capital investments and pick-up in private consumption economy can make gradual recovery, however rising bad loans at its banks might choke the recovery, said Organisation of Economic Cooperation and Development (OECD).

The Paris-based think-tank in its report said 4.9 percent in 2014, predicted an upturn in capital investments after national election. Capital investments barely grew in previous fiscal year. To break investment logjam, the Cabinet Committee on Investment, has cleared projects worth about 6 percent of GDP.

The report urged New Delhi to rapidly carry out pending labour, fiscal and tax reforms for a faster economic revival. It also backed a Reserve Bank of India (RBI) panel's proposal for moving to an inflation target of 4 percent in three years while setting monetary policy, sharply below current levels.

(FE, 07.05.2014)

Dumping Good Laws Will Hurt the Economy

The euphoric post-election days in India are for many hopeful in terms of the future of the country, and for some, loaded with impending horrors. I'm not going to add to either stack of perception, but to the depleted stack of necessary cautions. There is little dispute about the fact that India's economy needs to grow robustly for the country to simply continue running in place, let alone take fantastic strides into a future of self-fulfilling prophecies of widespread peace and prosperity. But that future cannot arrive by pandering to a privileged band of robber rajas, as it were, or the notion that industry, benefits and a better life are the prerogative of a few. To that end, it is vital that Prime Minister-elect Narendra Modi and his colleagues at the Bharatiya Janata Party (BJP) resist calls to equate economic growth with blind approval for projects, especially in the areas of infrastructure, extractive industries and construction. They must resist calls that only such blind approval – or more precisely, wide-eyed approval blinded by falsified notions – will accelerate slowed economic growth.

It is also vital that the new government resists calls to ditch inclusive legislation for the sake of exclusive entitlement. I refer specifically to the on-the-record calls by several business leaders to negate legislation, such as the new land acquisition law and make the pending mining Bill entirely pro-business. I wouldn't be surprised either with a growing pitch to amend the forest rights law, a move that assumes the BJP-led alliance's majority in Parliament is enough withal to do whatever it pleases. To do so would be to add to India's brimming cauldron of internal security issues. Legislation of affirmative action and fair play are designed to reduce or resolve disenchantment, anger and conflict – key ingredients to increasing the country's economic efficiency and prosperity.

I offer some observations from McKinsey and Co., which, like others of its ilk, is considered by several of India's business leaders (and not a few in government) as a holy grail of advice. In 2009, some months after the United Progressive Alliance took office for the second time, McKinsey published a report, titled Building India: Accelerating Infrastructure Projects. The report's observations of policy and procedural impedimenta – largely derived from the thoughts of India's business leaders, some engaged today in pushing a rampage of pro-business legislation – remain as valid today.

The report lists several areas of inefficiency in India that have little to do with pro-business arguments of inclusive legislation damaging economic growth. I quote: Quality of planning and engineering design is poor. Tendering unviable public-private partnership projects is common. Contracts in use are inappropriate. Pre-tendering approval process is centralised and slow. Performance management is weak. Availability of skilled and semi-skilled manpower is insufficient. Weak risk management skills. Below-par design and engineering skills. Lack of best-in-class procurement practices. In areas related to delays in land acquisition, the McKinsey report states: "Global best practices suggest that land acquisition should be complete before a project is tendered. In India, projects are often awarded with only part of the land physically acquired, sometimes as low as 30 percent. Delays in subsequent land acquisition are possibly the single-largest factor causing project delays. These delays are driven by three factors: 1) undervaluation of land price; 2) dependence on state governments for land acquisition; and 3) the ambiguous definition of the term unencumbered land."

"With regard to the economic climate, this should be accepted that things have got to get worse before they can get even worse".

The report also adds that in India, "dispute resolution processes are ineffective", on account of "ambiguous" legislation and the tendency of arbitration to be ineffective, leading to "long drawn-out disputes". Nearly without exception similar points can be applied to major manufacturing projects, extractive industries and construction projects. Such inefficiencies need fixing, not fixing the match by dumping, preventing or weakening legislation that seek to correct – entirely within the spirit of participatory growth – massive disadvantage. In a message beamed countrywide, Modi dedicated BJP's Lok Sabha victory to India's poor, and the country's dispossessed and trampled. Empowering and enriching them will grow India – and the BJP – not calls to nationalism or notions of exclusion.

– *This article has been written by Sudeep Chakravarti, a renowned columnist, and was published in* Mint *on May 22, 2014.*

India 15th on Wealth List

India ranks 15th in the world in terms of millionaire households in 2013 and is projected to become the seventh wealthiest nation by 2018, according to the Boston Consulting Group (BCG) wealth report.

The report said the global private financial wealth grew by 14.6 percent in 2013 due to the performance of equity markets.

The US had the highest number of millionaire households and the highest number of new millionaires. North America at $50.3 trillion and Western Europe at $37.9 trillion still remain the wealthiest regions in the world, followed closely by Asia-Pacific at $37 trillion where strong Gross Domestic Product (GDP) growth was the key driver. Globally, the amount of wealth held privately rose by $19.3 trillion in 2013 primarily due to returns on existing assets.

(ToI, 11.06.14)

Ambani's Home Most Expensive

Reliance Industries Chairman, Mukesh Ambani's skyscraper residence in Mumbai is the most expensive billionaire home in the world, according to a Forbes list with construction costs reported between $1-2 billion. Ambani's 27-storey, 400,000 sq ft skyscraper home 'Antilia', has six floors of underground parking, three helicopter pads, and allegedly requires a staff of 600.

To put Antilia's scale and cost into perspective, Forbes compared it to '7 World Trade Centre', a 52 storey tower that stands near Ground Zero in Manhattan. Steel tycoon Lakshmi Mittal's houses in London's Kensington Palace Gardens occupy the fifth and 18th spots on the list of the 21 most expensive billionaire homes in the world. In second place is the home of Brazilian philanthropist Lily Safra in France.

(BL, 14.05.14 & BS, 15.05.14)

Highest Maternal Deaths

India accounts for the maximum number of maternal deaths in the world – 17 percent of the 2.89 lakh deaths in 2013. According to a UN Report, maternal deaths have dropped by 45 percent globally, since 1990 and only Sub-Saharan Africa poses a high risk. Despite Maternal Mortality Rate (MMR) dropping by 65 percent, since 1990 the country needs to reach the UN-mandated Millennium Development Goal of 75 percent decline till 2015.

Literacy, social issues, AIDS, postpartum hemorrhage, malaria, dengue and also lack of accurate information of births and deaths are some of the factors causing maternal deaths. The National Urban Health Mission is working to provide better healthcare to slum women and the *Janani Suraksha Yojana* (women safety plan) encourages women to visit hospitals for monetary benefit.

(IE, 07.05.14)

Housing Crunch in 2030

As per the data released by the Centre for Science and Environment (CSE) more than 70 percent of the buildings that should stand in India by 2030 are yet to be built. Another worrisome fact is that Indian cities use more of resources and generate massive amounts of waste. The construction boon can be a bane as unfettered growth can have a damaging impact.

The CSE highlighted the importance of conducting workshops so architects, engineers and prospective owners can understand the energy-saving strategies for construction. NCR will be particularly affected and the scalability of the buildings has to be seen. The urban boom has taken place on the periphery, therefore, people living in these areas have to travel long distances.

(TH, 02.05.14)

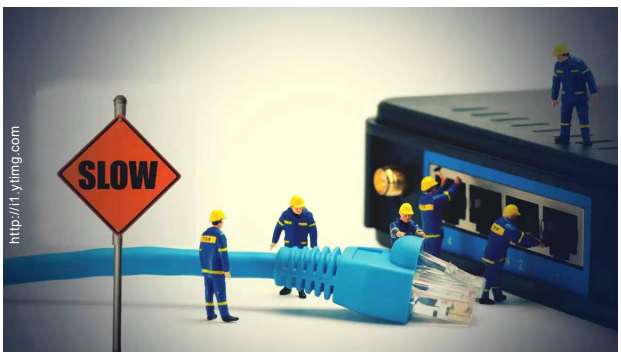
Data Refutes High Poverty

India could be overstating poverty levels as the private final consumption estimates captured by the National Income Accounts (NIA) is nearly twice of the National Sample Survey Organisation (NSSO) estimates for consumption expenditure of households in 2011-12.

The Planning Commission's latest estimate of the poverty line, using National Sample Survey Organisation (NSSO) data, was at consumption expenditure level of ₹33.33 in cities and ₹27.20 in villages per day per person. Indians below this line fell from 41 crore in 2004-05 to 27 crore in 2011-12.

The irreconcilable differential of the two data sets means even these estimates of poverty levels could be an overstatement. The exact extent of overstatement of poverty could not be calculated as there is no way to find out who is under-reporting consumption.

(TH, 05.05.14)



Slowest Internet Ingress

India, which accounts for the third largest online user base globally, has had the lowest internet penetration growth in Asia Pacific (APAC) at 17.4 percent so far in the current year, according to a research firm eMarketer.

The research firm said that there is a clear split between developed internet economies, which all have at least three-quarters of their total populations online and less developed, but growing, markets like Indonesia and India.

However, these less mature markets are growing their populations more quickly owing to their smaller bases and saturation being far off. India led Asia Pacific nations in user growth at 28.9 percent. India's internet user base is expected to touch 243 million by this month, projecting a year-on-year growth of 28 percent.

(TH, 05.06.14)

9 Percent Growth, a Pipedream

There is an even chance that the Indian economy will grow at an annualised average rate of 6.5 percent over the next five years, credit rating and research firm Crisil said in a report signaling that the country's slowdown is stickier than earlier believed.

The slower expansion will affect job creation and job prospects, while on the other hand, weak income will affect the sales of a range of goods – from cars to two-wheelers, from houses to cement and steel.

Crisil warned that unless pressing policy and implementation issues are addressed, even sustaining this (6.5percent) growth would be difficult. The Indian economy's average annual expansion of 6.7 percent during the past five years (2009-14) and Crisil's forecasts suggest the economy's steep turnaround wasn't likely anytime soon.

"With 6.5 percent average Gross Domestic Product (GDP) growth, non-farm employment over this period will at best grow by 37 million," Crisil said in a report titled "Of Growth and Missed Opportunities". "This means an additional 14 million (people) will be forced to either depend on low-productivity agriculture or remain unemployed", Crisil said. By 2019, more than 51 million people would be seeking employment.

"Given insufficient job opportunities, labour force will not be able to migrate to the higher-wage, more- productive industry and services sectors," the report pointed out. Elevated prices have hurt family budgets, as companies are offering meagre salary hikes and are holding back expansion and hiring. Besides, high inflation has prompted the RBI to raise lending rates.

Households putting off spending are early warning signals for the onset of an economy-wide squeeze. According to the Crisil report, sales of consumer items, such as cars and televisions "have taken a huge beating in the last 2-3 years". "The high growth phase won't return soon-not in the next five years at least", the report said.

India's economy has now recorded five successive quarter of sub-5 percent growth, and appears set to clock the second consecutive year of annual growth of below 5 percent, the first time in 25 years. India's economy grew by 4.5 percent in 2012-13, the worst in a decade.

From a foreign investors' favorite to an economy characterised by policy flip-flops, the Indian economy's turnabout has been as rapid as the heady 9 percent-plus growth it clocked during 2004-2008.

Number Game: Bigger is Better

Growing at 6.5 percent rather than 9 percent a year would mean hundreds of thousands of fewer jobs

- 15mn fewer jobs created in industry and services, if growth is 6.5 percent not 9 percent
- 49mn more people stuck below poverty line
- 10mn fewer 2-wheelers sold – equivalent to 70 percent of present annual sales
- 125mn tonnes less cement sold – equivalent to 50 percent of the present annual sales
- 96,000 fewer homes sold in the 10 major cities

Growth = Jobs + Demand + Sales

How a higher growth rate brings cheer across sectors

	Assumed GDP Growth Rate in 2014-19	
Additional sales during 2014-19	**9.0 %**	**6.5 %**
Passenger Vehicles (mn units)	18.5	16.5
Two Wheelers (mn units)	108	98
TV sets (mn units)	85	72
Refrigerators (mn units)	53	47
Non-farm job additions (mn people)	52	37
No. of people moving out of poverty line (mn people)	92	43

The rise, the fall and the struggle

From a heady 9 percent, the Indian economy's growth has crashed to decadal laws. A climb back is tough

5 Year Period	Real GDP Growth in Percent
2004-2009	8.4 %
2009-2014	6.7 %
2014-2019	9 %
2014-2019	6.5 %

– *This news item has been taken from* Hindustan Times *dated April 22, 20.14.*

Indian Companies May Go Dutch to Meet CSR Norms

Companies in India, particularly mid-sized and small ones, may go Dutch to meet the corporate social responsibility (CSR) norms, under the new corporate law, a move that can help them cut down on common costs and maximise the impact of the money they spend on philanthropy.

India has become the first country in the world to make it mandatory from April, 2014 for firms with a net worth of over ₹500 crore or yearly sales of ₹1,000 crore plus or those booking net profit in excess of ₹5 crore to allocate at least 2 percent of their profits to social responsibilities. State-run Rural Electrification Corporation (REC) has decided to contribute about ₹2 crore to a literacy project, which was already receiving funds from the largest public sector natural gas company GAIL (India).

Combined efforts NGOs, consultants and the government are betting big on the future of social joint ventures

More such arrangements of resource pooling between firms with shared philanthropic ambitions are being thrashed out in what could well become a trend. "REC's decision to back non-governmental organisation (NGO) Aroh Foundation's *Padho Aur Badho*, a government-led right to education initiative, which had received about ₹5 crore from GAIL, came after it approached Indian Institute of Corporate Affairs (IICA), which in turn identified that the Public Sector Unit's (PSU) social vision matches that of GAIL and advised it to join the ongoing project", said a consultant.

NGOs, development sector consultants and the government are all betting big on the future of such social joint ventures. For instance, Samabhavana Society, a home-grown not-for profit group working with 'difficult communities', such as male sex workers is rolling out in April its prototype portal where it will showcase work of different grass-root level NGOs with marginalised population and exhort various corporate groups to invest their CSR funds in their areas of interest.

"We are already sifting through the track record of the work NGOs have done with different communities in the last three years. This would be classified into different categories and hosted on the cloud for the companies to review where we can help channelise their funds into ground level work", said Jasmir Thakur, founder of Samabhavana Society, a home-grown not-for profit group. It will generate periodic reports of the progress and build a plan to use the social media platforms to display the kind of results such collaborative pieces of work are generating.

"The government is bullish about the prospects of such groupings going is apparent from the fact that we have specially set up a dedicated cell, under the National Foundation for CSR (NFCSR), an arm of Indian Institute of Corporate Affairs (IICA) to facilitate more such alignments between the companies", said Nikhil Pant, Chief Programme Executive of NFCSR. The government is focusing on helping 1,400 top listed firms to comply with the norms and the trend may gather more steam as the focus shifts to smaller firms, he added. While spelling out nuanced rules for the CSR obligations earlier the Corporate Affairs Ministry made an explicit mention of such possibilities.

"A company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects", said the new corporate law. The logic behind such team-ups is compelling. Of the 16,400 odd companies in the CSR net in the current year, almost 14,000 companies would need to make small contributions of less than ₹1 crore.

Individually, they may not achieve much but splitting the bills can help them rationalise administrative, back office and other common spends and attain economies of scale and make a meaningful difference", said Linn Dorin, founding Principal of Global Finance Strategies (GFS), an international development consultancy, which advises donors, governments and NGOs in areas of finance, administration and operations. GFS, which entered India in 2014 is in avid talks with multiple companies and is working out such cause led groupings.

– *This news item has been taken from* Economic Times *dated April 19, 2014.*

Government to Tread Carefully

The ambitious river inter-linking project will get a new impetus, under the Narendra Modi Government but the Centre would like to select specific schemes for implementation very cautiously. Its focus will first be on linking rivers within a basin or nearby basins instead of going for distant inter-basin river linkages.

The Government will first take up those inter-basin rivers for linking, which are close to each other, keeping in mind its feasibility and utility to larger beneficiaries.

The full river inter-linking project has two components – Peninsular and Himalayan. The Peninsular component included diversion of the surplus waters of Mahanadi and Godavari. The Himalayan component, on the other hand, is conceived for building storage reservoirs on the Ganga and the Brahmaputra and their main tributaries both in India and Nepal to conserve water during the monsoon for irrigation and generation of hydro-power, besides checking floods. *(ToI, 03.06.14)*

Legal Status to Official E-mails

Madhya Pradesh, probably the first state to do away with the requirement of backing emails with hard copies for the decisions to be taken.

The State Cabinet approved 'Email Policy-2014 hoping it will enable quick decision-making and called it a significant step to expedite government work through use of Information Technology. The Government employees will get two email ids, one permanent and another linked to their existing post, which will be used by their successors. Though many employees and officers have started using emails for official correspondence, it's not treated official until hard copies land on relevant desks.

The Government hopes it will significantly increase the efficiency by bringing efficiency in communication between districts and the Secretariat in Bhopal. *(IE, 21.05.14)*

Setting up Green Regulator

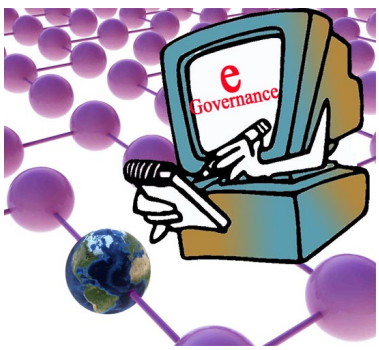
The UPA Government wants to leave it to the next government to decide on the Supreme Court's order to set up a national environment regulator for granting green clearances. The court had set April 30 as the deadline for the same.

The Ministry of Environment and Forest (MoEF) sought time till July 15 to decide on setting up the regulator to appraise projects, enforce environmental norms for approvals and impose penalties on polluters. A bench led by Justice A K Patnaik refused to entertain a plea by the MoEF to grant six more months to set up the regulator.

The MoEF brought to notice that views of various ministries had to be taken into account and also it has to write to all the state governments seeking their comments on the proposal by June 15. *(IE, 02.05.2014)*

Speeding E-governance Projects

The Central Government departments could have a Chief Information Officer for IT adoption and to fast track E-governance projects as a part of the National E-governance Plan (NeGP) soon. It was also decided to fast track the adoption of 'E-office' for independent movement of e-files.



Apex Committee of NeGP decided to organise the workshop to explain the features, capabilities and the way forward for implementing cloud by default. Other workshops includes *Mobile Seva, E-pramaan* and *E-taal*, for all Ministries, Departments and the Planning Commission.

The Committee also suggested that a standard mechanism should be established for expeditious replication of E-governance projects across the country to speed up exchanges by all 'E-trade' network partners. *(BL, 17.04.14)*

CAG Raps Maharashtra

The Comptroller & Auditor General (CAG) has found serious faults with the guarantees provided by Maharashtra Government. It has rapped the Government for not framing any policy regarding grant of guarantees to the cooperative sugar factories and state corporations.

The committed liabilities of the state government on the account of invocation of the guarantees as on March 31, 2013 stood at ₹2,583.45 crore.

The test check of 14 institution in eight departments revealed that respective administrative department did not maintain the details of repayment of loans, recovery of the guarantee fee. *(BS, 18.06.14)*

CAG Can Audit Pvt. Companies

The Supreme Court has widened the powers of the CAG, so that it can now audit private companies instead of only government departments and state-owned undertakings.

Vinod Rai, former CAG, who pushed for audit of private companies, said that the Supreme Court order is only an enabling clause. It will be an audit done on rotation-picks and choose – wherever there is a need for an audit.

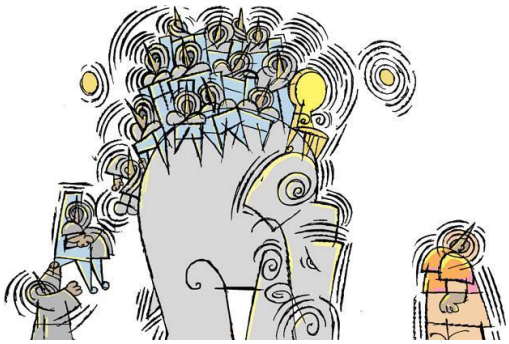
The techniques of the audit will be focused towards detecting understating or undisclosed amounts that could result in loss of revenue to the Government. *(DNA, 17.04.14)*

Flaws in the Health Sector

The CAG in its Audit Report has detected serious inadequacies in infrastructure facilities at hospitals. Many hospitals have no trauma care and emergency medical services. Shortage of doctors is yet another major crisis faced by the hospitals, the report said. It has also criticised the health department for not finalising a comprehensive health policy.

It has pointed out that an effective planning process was essential for the health department to marshal its financial and human resources. The audit noticed that no appraisal was conducted by the department to identify the current status of the hospitals. *(ToI, 11.06.14)*

Know Your Ministries



For those of us who try and understand what different Ministries do, life can often be frustrating, since their behaviour does not conform to standard normative expectations. But there is one simple key to deciphering what goes on. Each Ministry is designed to achieve the opposite of what its name implies. If you grasp this simple truth, you will be less mystified. They operate on an inverted logic, of the kind no subtle dialectician has been able to fathom. One simple test for each new Minister is this. Can they, at the end of their tenure, reverse this inverted logic? Here are summary descriptions of what the Ministries are like currently.

Ministry of Home Affairs: This does live up to its name. It is deeply interested in what goes on in your home. It is armed with all the powers to carry out that function. Internal security is another matter altogether.

Ministry of External Affairs: This truly is the Ministry of External Affairs. It is external to the Government of India's objectives. It is also usually, in Sir Humphrey Appleby's memorable phrase, "a hotbed of cold feet".

Ministry of Environment: Contrary to what newspapers and fitful bursts of activism would lead you to believe, the Environment Ministry is actually our ministry of industry promotion. It has no real credible plan for the environment.

Ministry of Industry: This is our true Ministry of the environment. Its objective has been to de-industrialise India and thereby protect the environment.

Ministry of Civil Aviation: Single-mindedly makes sure that India-based airlines eventually get grounded, somewhere or the other.

Ministry of Railways: This is actually a Ministry of protection of the British Raj. The railways are a heritage monument to be protected, so no real modernisation is possible.

Ministry of Coal: The Ministry is designed to put black soot on the face of every government.

Ministry of Corporate Affairs: More interested in the affairs of corporations than promoting them.

Ministry of Law and Justice: It is actually the Ministry of court cases. It designs laws in such a way as to maximise their probability of being litigated and causing uncertainty.

Ministry of Health Affairs: An appendage of the Medical Council of India, which itself has little to do with medicine.

Ministry of Defence: The Ministry that always fights a two-front war. How to defend bureaucrats from generals on the one hand, and the CAG on the other.

Ministry of Agriculture: Does truly look after the interest of farmers. Remember, Nitin Gadkari, Sharad Pawar and Amitabh Bachchan are all agriculturalists.

Ministry of Water Resources: Truly spectacular in its achievements. Guided by one simple principle. How fast can we consume as much water as possible and kill as many rivers as possible?

Ministry of Science and Technology: The Ministry for the bureaucratisation of all science.

Ministry of Information and Broadcasting: The Ministry for controlling information and slowing broadcasting.

Ministry of Telecom: Now the Ministry of fuzzy numbers and complicated auction theory. Did anyone say 4G and broadband?

Ministry of Statistics and Programme Implementation: Now its job is to ensure how information can be made least useful. Prasanta Chandra Mahalanobis would be turning in his grave at the state of India's statistical service.

Ministry of Planning: The plan for this Ministry is never clear.

Ministry of Social Justice and Empowerment: So empowered that almost no one cares.

Ministry of Parliamentary Affairs: Makes sure Parliament does not run.

Ministry of Finance: This is the most serious and big one. Always full of gravitas. Only problem: sometimes confuses finance with the economy.

It is hopefully clear now what the core identity of each Ministry is. When in doubt, consult this template, and you will find all actions suddenly becoming intelligible. Never accuse the Government of a lack of solidity, direction or integrity. Each of its actions can be traced to the secret of its name: a secret hidden in plain sight.

* *Excerpts from views expressed by Pratap Bhanu Mehta, Centre for Policy Research, Delhi, and a Contributing Editor for the* Indian Express *published on June 09, 2014.*

New Privacy Bill More Refined, More Powerful but Creates Wide Exceptions for Government Agencies

The new Privacy Bill was originally conceptualised to ensure that the data collected by the Government under various new projects are not misused in any way

The Government's attempt to draft a Privacy Bill is being termed as a refined one by an experts as it expands its ambit. The Bill however creates some wide exceptions for law enforcement and intelligence agencies to collect personal information of individuals. The Government has made several attempts at drafting a privacy Bill, since 2010 with the aim of protecting individuals against data misuse by government or private agencies.

The first draft, released in 2011, extended the Right to Privacy to citizens of India. But, the 2014 version has expanded its ambit to cover all residents of the country. The 2014 Bill also recognises the Right to Privacy as a part of Article 21 of the Indian Constitution and extends to the whole of India. In contrast, the 2011 Bill did not explicitly recognise the Right to Privacy as being a part of Article 21, and excluded Jammu and Kashmir from its purview.

Both the drafts include a list of circumstances, under which authorisation for the collection and processing of sensitive personal data is not required. The lists are broadly the same. However, the latest version exempts insurance company and government intelligence agencies collecting or processing data "in the interest of sovereignty, integrity, security or the strategic, scientific or economic interest of India".

The Bill carves out another exception for government agencies, allowing disclosure of sensitive personal data without consent to government agencies mandated, under law for the purposes of verification of identity, or for prevention, detection, investigation, including cyber incidents, prosecution and punishment of offences", the Centre for internet and Society said in a note analysing the provisions of the Bill.

The Privacy Bill was originally conceptualised to ensure the data collected by the government, under various new projects, such as Aadhar or the National Information Grid (NATGRID) are not misused in any way. But incidents, such as the tapping of phone conversations involving lobbyist Niira Radia, prompted the Government to expand the ambit of the Privacy Law from just being a data protection one to also cover survelliance and interception.

However, it was unable to reach a consensus due to inter-ministerial conflicts as the law was superseding various provisions, under several existing legislations.

The Government also set up a Committee, under the retired Delhi High Court judge, Ajit P Shah, under the aegis of the Planning Commission to study international best practices on privacy and surveillance. This Committee filed a report in 2012.

Some additions to the Bill include the term personal identifier, defined by any unique alphanumeric sequence of members, letters and symbols that specifically identifies an individual with a database.

The Bill also re-defined sensitive personal data to denote personal data relating to physical and mental health, including medical history, biometric, bodily or genetic information, criminal convictions, password, banking credit and financial data, nacro analysis or polygraph test data etc.

Once the Law comes into being, the government or a private agency will have to adequately inform citizens before collecting data, stating the reasons and only collecting as much information as is necessary".

It will also have to clearly define the time period for which the data will be stored and security measures taken to protect it from misuse. The Law also lays down the penalties in case of a breach.

– *This news item published from* Business Standard *dated April 2, 2014.*

Government Stingy in Court Funding

The Chief Justice of India (CJI), P Sathasivam ,has slammed the Centre for allocating shoestring budgets to infrastructure-starved judiciary, which has been grappling with over 2 crore pending cases.

The CJI had to request the Finance Minister for an additional grant of ₹45 crore for the ongoing construction of additional building complex. He also added that there should be a fixed tenure of at least two years for the CJI, so that the CJI can do more work.

He said that in his career he had seen sweeping changes in the judiciary but with one constant-pendency of cases. The CJI said that the two Lok Adalats organised during his stint saw nearly a crore cases getting settled. *(ToI, 26.04.14)*

Questions to Modi

Posing a few questions "as a citizen of India", Shanti Bhushan, former Union Minister, lawyer and anti-corruption activist, wanted to know when Modi proposed to launch proceedings against Robert Vadra and if he would resist the demand of Reliance Industries Ltd. for a stiff increase in the gas prices.

He questioned Modi on the low representation of Muslims in the Parliament and whether he would assure that the controversial Ram Mandir would not be constructed without obtaining consent of the Muslim community.

The other questions posed were related to the setting up of fast-track courts for criminal cases against legislators, his plans to handle Parliament disruptions, amount spent on elections and if he propose to take steps to prevent a candidate from exploiting his backward caste status. *(TH, 27.05.14)*

Experts in Key Ministries

As the Indian economy and financial markets get increasingly integrated with global peers, it is time the Indian Government took a serious look at roping in experts on global financial markets in the RBI and key Economic Ministries, asserted financial market expert and Charles E. Merrill, Professor of Finance and Economics at the Stern School of Business at New York University, Marti G. Subrahmanyam.

Appointment of such experts on international markets in key government departments would pave the way for effective policy formulation in improving access for Indian companies to global markets, attracting global capital, and mitigating the impact of global forces on the volatility in Indian commodity and financial markets due to spill-over effects, said Marti. *(TH, 19.06.14)*

Green Policy Soon

The State Government, Kerala will soon formulate a comprehensive environment policy and a high-level expert committee will be appointed for the same, Environment Minister, Thiruvanchoor Radhakrishnan, informed the Assembly.

Speaking on a resolution, brought by T N Prathapan of the Congress seeking to bring in necessary amendments to the Kerala Protection of River Banks and Regulation of Removal of Sand Act, 2001 in view of the lapses in effectively enacting the same, the Minister said that the Government was in favour of the spirit of the resolution.

It's essential to ensure protection of water resources and restrict the quantity of sand that can be taken from rivers. The Government should urgently intervene in the issue. *(IE, 21.06.14)*

Grievance Redressal Software

The Gujarat Education Minister, Bhupendrasinh Chudasama receives over 100 complaints every day by hand, post and e-mail, seeking his intervention on issues of corruption, transfer, pay, pension and leave and lack of basic facilities.

In order to keep track and provide quick redressal, the department has introduced software termed as 'Monitoring System for References of Education Minister Offices' and all complaints pertaining to the department are being uploaded on this system with details and current status.

The general resolution issued by the department clearly states how the system would ensure redressal within five days of receiving the complaint and also keep the identity of complainants secret, if required. *(IE, 30.05.14)*

Blind Spot in System

While lakhs of students were enrolled in the schools in Kerala in the current academic year, thousands of others who are blind will be left out of the system. Many blind and visually impaired students either never enroll or drop out before they complete their education.

Technology has brought about great improvements to the way a blind person can access textbooks. The State Government or publishers are yet to make digital copies of books available for the visually-impaired, especially books in Malayalam.

There are about 50 schools for the blind in Kerala and more than four lakh visually challenged people. The main reason is lack of textbooks and teachers. *(TH, 30.05.14)*

Rising Defaults in Loan

It has been reported that the defaults in the education loans in the banks are continuously rising. Due to the low salary in the beginning, students are facing problem in repaying back the education loans.

The Gross Non-performing Assets (NPA) of education loans has increased from 3.5percent to 5.5 percent during the last fiscal year. With the interest rate of education loan being 12 percent on amount of ₹4 lakhs, students need to pay an Equated Montly Installment (EMI) of ₹8,000 monthly.

The Chairman and Managing Directors (CMDs) of the Indian banks stated that in order to control this they have asked the students and parents to opt for restructuring of loans, get their repayment period extended and are offering a repayment holiday of six to nine months. *(Rupee Times, 21.05.14)*

Lack of Regulation

The $5bn diagnostics industry in India may be on the brink of a crisis due to the absence of regulation. The industry is largely fragmented with 90 percent market dominated by unorganised players.

Consumers often complain of differential pricing for similar services, which are driven by Commissions to doctors, geography and location. For instance, a Magnetic Resonance Imaging (MRI) can cost anything between ₹1,000 and ₹6,000 depending on the laboratory, its location and geography.

Experts pointed out there is no specific law regulating the industry and even the accreditation is voluntary. The Clinical Establishment Act that bring diagnostic industry into its purview is yet to be implemented in spirit. *(BS, 16.04.14)*

Antibiotic Resistance

Antibiotic resistance is a serious threat to public health with cases being reported from every region of the world and having the potential to affect anyone, the World Health Organisation (WHO) has said.

In India, the easy availability and higher consumption of antibiotics have contributed to inappropriate use of the drugs, creating a situation where resistant micro-organisms are becoming more common.

In 2011, there were an estimated 6.3 lakhs cases of multi drug resistant tuberculosis (MDR-TB) among the world's 12 million cases of TB. A WHO report notes resistance to antibiotics used as a last resort to treat life-threating infections caused by intestinal bacteria – pneumonia – has spread to all regions of the world.

(TH, 01.05.14)

Clinical Trials Going Abroad

The delays in permission and regulatory clearances are resulting in companies taking their clinical trials abroad.

According to Dilip Sanghvi, Managing Director, Sun Pharma Advanced Research Company (SPARC), though the companies can conduct good studies in India, trials were going abroad because getting permissions and regulatory clearances involved long and unjustified delays. Conducting overseas trials pushed up their costs significantly and gave companies an understanding of those markets. *(BL, 26.04.14)*

Regulating Combination Drugs

The Central Drugs Standards Control Organisation (CDSCO), the Central Drug Regulator, has started examining the safety of fixed-dose combination drugs, which are formulations used for a variety of medicines ranging from antibiotics to painkillers.

CDSCO has asked drug controllers at the State and Union Territory level to inform all manufacturers of fixed dose combination drugs that they need to make presentations regarding the safety and efficacy of their drugs before the central regulator

The regulator has constituted 10 expert committees to examine the entries received from the manufacturers *(BL, 11.04.14)*

Newborns' Deaths in India

With nearly 8 lakhs newborn babies dying every year in India, the country holds the dubious distinction of having the highest number of such deaths globally. A comprehensive review led by Professor Joy Lawn of the London School of Hygiene and Tropical Medicine found that 8,000 newborn babies die everyday, leading to 2.9 million deaths per year worldwide.

Half of the newborn deaths occur in just five countries: India (7,79,000), Nigeria (2,76,000), Pakistan (2,02,400), China (1,57,000) and Congo (1,18,000).

Babies who are stillborn, born too early, or die soon after birth are least likely to be registered, even in high-income countries.New analyses indicate that 3million maternal and newborn deaths and stillbirths can be prevented by promotion of breastfeeding, neonatal resuscitation and prevention and treatment of infections. *(ToI, 20.05.14)*

Making Trials Data Public

Johnson & Johnson has recently announced that it was making all its clinical trials data public for scientists around the world. This is an extraordinary donation to society and a reversal of the industry's traditional tendency to treat data as an asset that would lose value if exposed to public scrutiny.

There are many benefits to this kind of sharing. It is proof that an organisation, whether it is part of industry or academia wants to play as a good global citizen.

It enables the scientists to use the data to learn new ways to help patients. Such an approach can even teach a company like Johnson & Johnson something it did not know about its own product *(BL, 04.04.14)*

Drug Violators Fined

The National Pharmaceutical Pricing Authority (NPPA) in 2013-14 initiated 89 cases against drug companies for over-charging on medicines and demanded 384 crore as the overcharged amount.

According to the NPPA Chief CP Singh, consumers get hurt when companies over-charge, which is why the NPPA is looking at big price violations but that does not mean smaller violations are off the hook. From its inception in 1997 till up to March 2014, the NPPA filed 1,018 cases, demanded 3381 crore and recovered just 274 crore.

In 2003, the NPPA decided to look at bigger violations from the consumer's point of view and the current year will see several new cases being finalised. From its inception in 1997 up to March 2014, the NPPA has filed 1,018 cases, demanded ₹3,381 crore and recovered just ₹274 crores.

(BL, 08.05.14)

The National Health Sector Agenda

India needs to develop a humane, affordable, scientific and equitable health care network. Important preconditions include a freedom to choose and optimal client say. Content of care is as important as access. The health sector agenda will include pooling of resources, primary care, promoting economy hospitals in public and PPP sectors, health information sources, health laws and regulation, promoting Indian system of medicines, control of important diseases, Health Human Resources (HHR), rational use of drugs and technology, healthy demographic change and a better role for states and local governments.

As a national framework, Social Health Insurance (SHI) is preferable to both statist or market driven models. The critical issues are health finance and HHR. The Srinath Reddy Committee recommended 2.5 percent of GDP (about 1.2 percent till last FY) for providing a free Universal Health Care (UHC) package supported through tax source. However this ambitious plan requires above 5 percent of GDP. This is achievable only through pooling of private and public health-spending.

HHR is another complex front. About 60 percent of basic specialist positions in rural hospitals are vacant, negating the quality concerns in referral care. We failed to get enough doctors even in urban public hospitals that are already scant. This is due to gaps in training infrastructure, poor working conditions and employment terms. It is time to end the chronic neglect of AYUSH (health policy) and paramedic HHR. About 7 lakh ASHAs get below ₹1,000 a month. No UHC is possible without good HHR management.

Here are some easier things. The first is taking primary care deeper in rural and urban units. Trained paramedics can handle some 50 common health problems. Through this we can

upgrade SHAs, informal providers and create a million jobs. The ambulance network is a good development, and we need paramedics here too. AYUSH doctors can manage the existing sub-centres. The rural doctor course (BRMS) is a lesser alternative. Handing over the nearly one lakh sub-centres to *panchayats* will also open a new front for local action in primary care.

A wide primary care network will ensure preventive programmes and reduce hospital-workloads and hence total costs. No UHC is possible unless we have this gate-keeper system. The small family and spacing of births should again be an important primary care concern. It is both a cause and effect of underdevelopment, among other factors. But let us do it without coercion or bribes. Also, primary care calls for a national open source on health in all languages.

On the disease control and prevention front, we need to act on under nutrition, urban obesity, diabetes and hypertension, trauma, drug abuse, occupational hazards, cancers and joint problems. The old foes like TB and malaria need a relook.

Medical college hospitals should work as tertiary care centres and district hubs for all local health networks. States should encourage charitable hospitals to offer affordable services and there are shining examples all over India. Drugs and technology take a major chunk of heath costs. There is a need to promote good practices for proper use of generics, vaccines, lab tests and medical technology. IT, including telemedicine can save costs and improve outcomes.

Several health laws and rules need to be reviewed. The new Clinical Establishment Act (CEA) needs to involve provider associations and avoid Inspector Raj. The CEA may jeopardise the small establishments by unrealistic norm-setting, care is, therefore, necessary. The MCI itself needs a remake for a pragmatic HHR policy including AYUSH and paramedics. School Health Index (SHI) needs a proper hospital regulation/accreditation system.

The Pre-natal Diagnostic Techniques (PNDT) act is merely preventing ultrasound machines rather than sex determination. SHI will also need a supporting legal framework. Finally, health care is a federal subject. States vary widely in needs and resources. This is where major initiatives and action is necessary.

– *Views of Shyam Ashetkar, a Public Health Consultant at Bharat Vaidyaka Sanstha, published in* Nation*, on June 20, 2014.*

CCI Probes Air Fares

Amid sharp fluctuations in air fares, Competition Commission of India (CCI) is again probing whether cartelisation among airliners is influencing the movement of ticket prices. CCI has the mandate to keep a tab on unfair trade practices at market place, has started the investigation into the matter after getting a reference from a Parliamentary Commission.

Earlier, the Commission had found that air ticket prices were moving in tandem with the forces of demand and supply. Since January 2014, SpiceJet, in particular, had initiated a fare war on several occasions, forcing other airlines to follow suit by frequently providing steep discounted advance purchase tickets.

This was apparently done keeping in mind the competition from the new airline AirAsia India, which has been promising tickets at 35 percent cheaper than the existing rates. AirAsia launched its operations on June 12. *(ET, 15.06.14)*

AirAsia Good for India

In India, the aviation sector sadly has been stuck in a time warp. While all other sectors have grown by leaps and bounds – IT, automobiles, telecom, bio tech, pharmaceutical, television multiple media to name a few – the aviation sector has remained stagnant in the past two to three years.

The total number of tickets sold is a measly 60 million domestic seats annually. That is less than 3 percent of India's population. Low cost airlines in particular have a beneficial ripple effect on the economy. They expand the market at the bottom of the pyramid, which is the real back bone of any economy. They open up new unconnected and poorly connected routes deep in the bowels of the country or remote areas, which is good for tourism, the largest employer in the world.

Reforms have to be accompanied by connectivity and it is the key to drive investments into far flung towns and cities in the hinterland to achieve equitable growth and jobs. Low cost airlines like Southwest in the US, Ryan Air and Easy Jet in Europe or Goal in Brazil or Airasia are the back bone of the new globalised economy of their countries and regions. India needs a vibrant aviation sector, which is integral to the new India we dream of. *(IBN Live, 14.06.14)*

Penalty on Tesco

The fair trade watchdog, on May 22 had cleared the Tesco-Trent deal, which is the first FDI transaction in multi- brand retail, since the sector was opened up in 2012. CCI, in an order dated May 27, has imposed a penalty of ₹3crore on Tesco Overseas Investments for delay in filing notice seeking approval for the deal.

As per the Commission, Tesco should have filed the notice seeking approval within 30 days of its application to the Department of Industrial Policy and Promotion (DIPP) and the Foreign Investment Promotion Board (FIPB).

Going by Competition Act, the acquirer as required to give the notice by January 16. In case of such violations, the watchdog can impose penalties. *(ET, 13.06.14)*

Clarity in M&A Deals

Recent amendments in merger regulations will help bring clarity in M&A deals, especially big ticket international mergers, which will need CCI's approval as the parties concerned have businesses in India.

Currently, the concept of joint ventures is a grey area not explicitly dealt with in the Act. Also, the time-period required by the CCI to pass an order or issue directions with respect to combinations has been reduced to 180 days from the current 210 days. The changes in merger regulations have come at a time when the corporate and the legal worlds are awaiting amendments to the Competition Act, 2002. *(Money Life, 03.06.14)*

Coal India Guilty Again

Finding Coal India again guilty of abusing its dominant position in fuel supplies, CCI has directed the state-run miner to "cease and desist" from indulging in unfair business practices.

The latest ruling on a batch of complaints come a few months after the CCI slapped a ₹1,773.05 crore penalty on Coal India and its subsidiaries in December. Coal India through its subsidiaries "operates independently of market forces and enjoys undisputed dominance in the relevant markets of supply of non-coking coal to thermal power producers and sponge iron manufacturers in India", the watchdog said.

CCI has directed the coal major and its subsidiaries to "cease and desist from indulging in the conduct, which has been found to be in contravention of the provisions of the (Competition) Act". *(BS, 19.05.14)*

Competition Law Awareness

With a view to empowering MSMEs to take advantage of the Competition Laws in India, the Federation of Indian Micro, Small and Medium Enterprises (FISME) and Hindustan Unilever Limited have jointly initiated a nationwide campaign to create awareness about the rights and responsibilities of small businesses under the Competition Act.

FISME has recently, organised two sessions on Competition Law and Compliance in Bangalore, covering topics, such as unfair trade practices, cartelisation and monopolies. The first session was held with the Association of Women Entrepreneurs of Karnataka (AWAKE), and the second was held with the Federation of Karnataka Chamber of Chambers of Commerce and Industries (FKCCI).

A session on Competition Law and Compliance was also recently held in Gurgaon and saw the participation of 47 individuals from the Micro, Small and Medium Enterprises (MSME) sector. *(BS, 30.06.14)*

High Five for India's Competition Law Regime

Avirup Bose*

In the half-decade since it became functional, the CCI has acquitted itself creditably in enhancing the competitiveness of the domestic industry

Most of the major issues of the recently concluded 2014 Lok Sabha elections, which gave the Narendra Modi-led Bharatiya Janata Party (BJP) an outstanding mandate to form India's next Government, are the outward manifestation of a still more important one: to enhance the competitiveness of the Indian economy.

For example, the next Government is determined to reduce inflation. A competitive Indian market, besides other fiscal initiatives, would compel producers and distributors to keep prices closer to cost and reduce opportunities for price collusion, besides forcing firms to innovate to efficiently use their limited resources. One of the manifesto promises of the BJP is to allow FDI in all sectors except retail. A competitive market disallows the accumulation of market power and thereby reduces returns from corruption – another major agenda for the incoming Government.

The CCI, which has the mandate to sustain the competitiveness of Indian markets, will have a lot to contribute in this backdrop. On May 20, the CCI completed five years of enforcement and this is the most suitable occasion for some stocktaking.

India was one of the last major economies to introduce a modern Competition Law regime. Although, India's Competition Act was enacted in 2003, its enforcement was delayed by legal challenges and legislative processes. The CCI, which became fully functional from May 20, 2009 has since then reshaped ways of doing business in India.

Indian economic regulators have a reputation for being bureaucratically obtuse and functionally opaque. However, the experience of practitioners of Indian Competition Law has been different. Practitioners have often commended the CCI for its economic pragmatism, with one Indian lawyer describing the CCI to have taken a "quantum leap forward" in its case selection and the quality of legal and economic analysis. Given CCI's mandate to regulate almost every aspect of Indian business and its capacity to inflict jaw-dropping financial penalties, it certainly has the resume for being the most powerful regulator of the Indian economy.

Within this short span of time, the CCI has reviewed anti-competitive practices in diverse sectors, such as stock exchanges, infrastructure, travel, automobile, real estate, pharmaceuticals, financial services, publishing, manufacturing, mining and entertainment, and it has gone on to impose more than ₹8,000 crore in financial penalties, including imposition of approximately ₹18.25 crore in personal fines on senior officers of erring enterprises. But the CCI is not a trigger-happy regulator and has often considered the nascent law as a mitigating factor for inflicting lesser penalties.

The CCI's overarching aim, mirroring those of other mature competition law agencies, is to create and sustain competitive markets and protect the interest of Indian consumers. In these five years, the CCI has worked to achieve this mandate.

Perhaps the greatest contribution of the CCI is the unleashing of the competition forces in restructuring several sectors of the Indian economy, from within. The CCI's investigations in several sectors, including cable television, real estate, banking and pharmaceuticals have revealed the regulatory fault-lines, prompting the government/applicable sectoral regulator to initiate ex-ante pro-competitive rule making.

However, the CCI's relationship with other sectoral regulators of India has not been always positive. Several sectoral regulators taking advantage of their overlapping jurisdiction with the CCI, have attempted to chip away the CCI's mandate, not realising that the CCI's oversight can be beneficial to enhance competitiveness for their respective sectors. They have attempted to draft regulations and adopt policy initiatives, in addition to hectically lobbying the Government to virtually eliminate the CCI's regulatory oversight in their respective sectors.

In order to restrict such sectoral backlash against the CCI, the government has proposed amendments to the Competition Act that make it mandatory for sectoral regulators to refer matters to CCI, if the decision taken by such sectoral regulator raises any competition issue. While we wait for such amendments to be implemented, the CCI seems to have kept the Indian economic actors on an efficiency-based diet, setting the stage for an economic revival, under the new Government.

* *Competition Lawyer with the CCI and views published in* Business Standard *on May 26, 2014.*

Gujarat is Forthcoming and Transparent, MP is Not

As an election campaign issue, the Gujarat model of governance and development is being challenged that it is smoke and mirrors. One of the indicators of good governance is how bureaucrats interact with people when asked for information. Our own field experience on different dates and with different agencies suggests that unlike other states, Gujarat *babus* are more open and forthcoming.

Under an International Project we are assessing the impact of Competition Reforms in two sectors – staple food (wheat, rice and maize) and bus transport – as both impact the poor directly. The Project is being implemented in Ghana, Zambia, Philippines and India. India, being such a huge country, the study focuses on Madhya Pradesh (MP) and Gujarat for the bus transport sector, while it looks at the wheat sector in Bihar and Rajasthan.


http://upload.wikimedia.org

Let me share some details about how our field researchers were received in various government offices in Gujarat and MP. In Gujarat, they assisted actively and data furnished – across the table and through emails after their visit – without any questions. In MP their experience was sad.

The first meeting of our Research staff was with a Research Officer in the Transport Commissionerate in Ahmedabad. He escorted them to the Joint Director who was forthcoming with the data and went ahead to suggest names for them to meet. "The employees were bright, nimble and helpful. Our experience at the Commissionerate was a stark contrast to the stereotype anecdotes of the government offices", reported the Research staff. The Government Officer fished out all data and gave them the copies.

The Transport Commissionerate was not an exception as my colleagues found when visiting the offices of the Bus Rapid Transport Services and Ahmedabad Municipal Transport Services (AMTS). AMTS supplied the data on the spot, while Bus Rapid Transit Service (BRTS) agreed to forward it by email, which they did after a reminder. "Ahmedabad BRTS is a hugely successful PPP initiative. The bus corridors are spotless and garnished with greenery, and it has been backed by sound logistics to ensure smooth functioning", reported our Research staff.

The next day, they visited the Gujarat State Transport Corporation, which runs the inter-city bus services. They could meet the Managing Director, who summoned some of his staff and the data flow was very smooth.

Another set of colleagues working on clean energy awareness issues went to Gujarat to collect data. They went to meet Gujarat Electricity Regulatory Commission (GERC), Gujarat Renewable Energy Development Agency and other government departments. At GERC, the Chairman met them with all his members and their visit to other offices too was smooth. Let us contrast this with my colleagues' experience in MP, also a BJP ruled state with another hat-trick Chief Minister M, Shivraj Singh Chauhan.

This state was chosen for the study on bus transport because it is the only state, which has scrapped the State Road Transport Corporation, a brave act. They had secured appointments at Bhopal, but were not told that the Transport Director sits in Gwalior. So they went to meet the Regional Transport Office (RTO) in Bhopal who had agreed to meet them had retired. But he had not conveyed this to my colleagues when they had sought an appointment. One new gentleman had taken his place. Anyway, they waited for him who came in late asked my colleagues to come the next day for some papers. Next day, he did hand over some papers, but it was useless. It would not be fair to qualify the insouciance of officials in MP on basis of one anecdote. But there are other experiences of my colleagues in MP, which only confirm that it is not as open as Gujarat is.

My young colleagues write with anger: "While the officials in Gujarat readily shared information with us and also pointed out ways to deepen our research, officials in Bhopal with much 'enthusiasm' violated the principles of logic and work ethics. Why was it so difficult to share information, which is anyway supposed to be made available to public? Even their websites are outdated and no one bothers to update them".

What was interesting about Ahmedabad and Bhopal visits was sharp difference in the ways of functioning. No wonder Gujarat is a model state in India for good governance. Our politicians need to do a reality check before making hollow noises.

– *Abridged from an article by Pradeep S Mehta, Secretary General, CUTS International, published in* DNA *on June 01, 2014.*

Better Governance for Inclusive Growth: *CUTS 30th Anniversary Lecture Series 2013-2014*

The key message of this anthology is: achieving better governance for inclusive growth will require a multi-disciplinary approach, including building the capacity of stakeholders for good governance, effective regulations and rules-based trade. In the framework of inclusive growth, responsibility should be shared and no one should be left behind. Better governance will also make institutions more accountable and operate more effectively. Finally, the regional and global partnerships forged in the emerging development discourse and through inclusive growth will be able to tackle new and upcoming challenges such as climate change and its consequences on food-water-energy security.

This anthology will provide a fresh set of thinking on how the new dashboard of inclusive growth should look like, particularly in respect to the Post-2015 Agenda for Sustainable Development Goals. We should not get bogged down to a few indices of growth. Unless all elements of this dashboard work in tandem we will not be able to move forward effectively.

www.cuts-international.org/30thAnniversaryLectures/pdf/Better_Governance_for_Inclusive_Growth.pdf

Economiquity

The April-June 2014 issue of Economiquity carries an article entitled, 'Improving Trade Connectivity in South Asia' in its cover story, which states that it is imperative to expand the idea of connectivity in the context of regional trade to include financial and informational aspects. South Asian countries trade with each other far less than they could. The high cost of doing trade in the region, among the highest in the world, is the prime deterrent of trade among South Asian countries.

A special article by Martin Wolf states Inequality damages the economy and efforts to remedy it are, on the whole, not harmful.

Another special article by Peter Drysdale states that Regional Comprehensive Economic Partnership (under the umbrella of ASEAN) is dominating thinking about regional integration.

Yet Trans-regional FTAs, like the proposed TPP, are only a small step, incidental to realising the potential of Asian economic integration. Besides, it highlights important news and views on economic issues from different parts of the world with a view to keep the trade and development community abreast of the latest. Broadly, it covers Economic Issues; Trade Winds; Development Dimensions and Environment & Economics. It also comprises articles of well-known researchers and policy influencers.

This newsletter can be accessed at: www.economiquity.org/

We want to hear from you...

Please e-mail your comments and suggestions to **c-cier@cuts.org**

We put a lot of time and effort in taking out this newsletter and it would mean a lot to us if we could know how far this effort is paying off in terms of utility to the readers. Please take a few seconds and suggest ways for improvement on:

- Content
- Number of pages devoted to news stories
- Usefulness as an information base
- Readability (colour, illustrations & layout)

SOURCES

BL: The Hindu Business Line, **BS:** Business Standard, **DNA:** Daily News Analysis; **ET:** The Economic Times, **FE:** The Financial Express, **HT:** The Hindustan Times; **IE:** Indian Express; **TH:** The Hindu, **TT:** Telecom Tiger; **ToI:** Times of India