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“Always have a plan, and believe in it. Nothing happens by accident.”

Chuck Knox

Polity

- ▶ **China, India break ice; talk all issues:** Keen to improve bilateral relations after the Narendra Modi Government assumed office two weeks ago, Foreign Ministers of India and China on Sunday discussed an entire gamut of issues here, including the long-standing boundary dispute, incursions and enhancing trade and investment opportunities. Signalling that Beijing wanted to hasten up the process of better ties, China made its intentions clear by sending its Foreign Minister Wang Yi, who is also the Special Envoy of President Xi Jinping, to New Delhi to hold talks with External Affairs Minister Sushma Swaraj. Yi will also call on Modi and President Pranab Mukherjee on Monday. The two Foreign Ministers held three-hour talks along with their respective delegations on the contentious boundary dispute, which has not been solved since more than 50 years and two countries fighting a war in 1962. Swaraj and Yi reviewed the progress made so far on the talks between Special Representatives of two countries on the dispute besides issuance of stapled visas by China to certain category of Indians and construction of dams on the Brahmaputra. Indian officials refrained from specifying these issues and said "perennial" bilateral matters were discussed between the two Ministers. (The Pioneer).

Economy

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- **Plan, non-Plan distinction for expenditure might go:** A major expenditure reform is possible in the near future, by abolishing the distinction between Plan and non-Plan expenditure from the next financial year. This could reduce the role of the Planning Commission, with the finance ministry deciding all allocations. The 14th Finance Commission (FC) might propose elimination of the distinction to the ministry when it gives its report in October. These recommendations have always been accepted by the Centre; if states and the Comptroller & Auditor General are also on board, the changes could get reflected in the Union Budget of 2015-16, followed by state budgets. Earlier, the Rangarajan committee had proposed to remove the distinction but the Planning Commission opposed it. Since the FC is a Constitutional body, its recommendations will have more weight than the Rangarajan committee, said a finance ministry official, requesting anonymity. Plan expenditure, originally meant as development expenditure, is spent on government programmes and flagship schemes, while non-Plan expenditure includes spending on defence, subsidies and devolution to states; the latter is the major part of government spending. The government wants to remove the distinction as it has become dysfunctional and an obstacle in outcome-based budgeting. "The finance ministry in its terms of reference (ToR) had not asked us to restrict to non-Plan expenditure. (Business Standard)

Planning

- **Focus More on Skill, Scale & Speed: PM:** Prime Minister Narendra Modi has said the nation needs to think big and focus on skill, scale and speed to revive India's growth story and called for substantially enhancing the "input of intellectual think-tanks" for better policy frameworks. Speaking at a function to release a book edited by Bibek Debroy, Ashley Tellis and Reece Trevor titled "Getting India Back on track - an action agenda for reform", the PM also called for universities to actively analyse the developmental process in the country and contribute in making more informed policy-related decisions. Modi released the book, published by Carnegie Endowment for International Peace, at his Race Course Road residence on Sunday. "The need of the hour is to think big. The more we focus on skill, scale & speed, it will increase India's growth trajectory," the PM later tweeted "Sadly, role of think tanks has not increased to provide critical inputs to policy making," the PM said, possibly referring to bodies like the Planning Commission that he had been extremely critical of, during his annual visits to Yojana Bhawan to discuss state allocations. India's infrastructure building efforts, the PM said, need to shift from highways to "i-ways" and optical fibre networks. "Cities in the past were built on river-banks. (The Economics Times)

Editorial

- **The new urban agenda:** The new BJP government, consistent with its election manifesto statements, has outlined an urban agenda to make cities "symbols of efficiency, speed and scale." To achieve this, it plans to prioritise housing and public transport, build 100 new cities, use technology to improve urban services, and make development sustainable. The government has also ambitiously declared that everyone would own a house by 2020. Some of these proposals seek to take forward ideas introduced by the previous Congress-led government, while a few others significantly depart from the earlier ones. For instance, policies meant to make cities slum-free and infuse investment in infrastructure were in place even earlier. Certain schemes extended home loans, provided interest subsidies, and improved land tenure to the poor, but these did not substantially reduce the housing deficit. About 95 per cent of the 18.78 million-unit housing shortage still affects the lower income groups. The question is: will this government succeed where the previous one failed? The proposal to reduce interest rates on home loans, and rope in private companies to invest in housing as part of corporate social responsibility requirements, are good initiatives. However, these will not deliver unless the incentives are strictly tied to the actual creation and delivery of affordable housing. The concept of building new towns to accommodate growing urbanisation has been in vogue since the 1950s, but this time the BJP government has reinvented it and made a new *avatar* of it. (The Hindu).

Defence purchases above Rs 10 lakh to be on e-platform

SUBHOMOY
BHATTACHARJEE
NEW DELHI, JUNE 8

BUFFETED by allegations of huge corruption in procurement for the armed forces, the Defence Ministry has decided to move towards an "end to end" e-procurement platform for all its needs.

The ministry issued an order on June 6 that all purchases above Rs 10 lakh now be sourced only through this platform. The limit will be made even tighter at Rs 5 lakh from April 1, 2015.

The order notes that "necessary instructions in this regard may kindly be issued for strict compliance of e-procurement by all organisations/offices under the Ministry of Defence".

Explaining the rationale for the order, accessed by *The Indian Express*, Savitir Prasad, Principal Integrated Financial Adviser in the ministry, said that, till now, departments were required to only put up their tender notices on the portal. "But from now, tendering for any item required by the ministry will have to be

processed online, right from placing of the orders to issuing of compliance certificates."

The Defence Ministry is one of the largest government agencies for procurement. Including its revenue and capital expenditure, the budget for financial year 2015 as per the interim budget documents is Rs 2,24,000 crore. E-procurement will help to domestic manufacturing sector to take advantage of this huge stream of business.

The IT Department, aware of the scale of the defence

CONTINUED ON PAGE 2

Defence purchases

purchases, has assured that the government machinery will not be a bottleneck. The additional secretary, Department of Electronics and Information Technology, promised "all possible support in this regard", in a letter to Defence Secretary R K Mathur.

Prasad said the proposal had been getting delayed due to a number of mid-stream issues. The new BJP-led government is however determined to ensure that radical change is brought about in the way defence services buy their stuff.

Orders for high-value items including armaments will also move on this platform, which in turn will be visible to all potential suppliers. Prasad said a manufacturer from any part of India can now track the demands and apply in response to tenders — a change from when tenders were often managed by those with contacts.

The Comptroller and Auditor General had in several reports like on the purchase of coffins for soldiers killed in Kargil war pointed out the lack of transparency in defence purchases.

On Friday last week, the order to move to an IT platform immediately was issued after a meeting of senior Defence Ministry officials, including those from the armed services and from the Department of Information Technology. The Navy and Air Force had earlier raised objections that such a mechanism would make India's defence preparedness too transparent, but the ministry officials were able to point out that international and even domestic purchases were in any case tracked by concerned entities and the e-procurement platform will make no difference.

E-procurement for mega ministries including Railways and Defence had been proposed by the former government too, to cut corruption. An inter-ministerial committee was set up in 2011 to expedite the process, but the plan was shot down as financial advisers of most departments pointed out the problems in implementation. As many as seven members of that committee put in dissent notes on moving procurement to an e-platform.

Govt mulls higher deduction on health policy this Budget

SHRUTI SRIVASTAVA

NEW DELHI, JUNE 8

THE government in its forthcoming Budget is set to encourage health insurance by giving policy holders increased deductions for tax purposes.

In addition, the government is also considering additional deductions for investment in long-term infrastructure bonds with an objective to channelise public savings into the financing of infrastructure, said an official privy to the development.

Currently, under Section 80D of the Income Tax Act, deduction of up to Rs 15,000 is allowed for health insurance of tax payers or their spouse and dependent children, or any contribution made to the Central government health scheme. Further, additional deduction up to Rs 15,000 is allowed for insurance on health of parents.

“While raising the exemption limit is difficult in the current economic situation, the government is considering raising the deduction limit

IT IS UNLIKELY that the exemption limit of Rs 1 lakh under Section 80C would be enhanced, given the uphill task of fiscal consolidation facing the government

available under Section 80D. It may be raised from Rs 15,000 to at least Rs 25,000 for the taxpayer,” the official said.

The government may introduce a scheme on the lines of the additional deduction of Rs 20,000 given for investment in long-term infrastructure bonds in Budget 2010-11.

However, it is unlikely that the exemption limit of Rs 1 lakh under Section 80C would be enhanced in the Budget 2014-15 given the uphill task of fiscal consolidation facing the government.

All the same, “The government may set up a committee to explore options of increasing the exemption limit from Rs 1 lakh to Rs 1.50 lakh,

and an announcement to this effect may be made in the Budget,” the official said.

The source added that with the economy growing sub-5 per cent for the second consecutive year in FY14, the tax revenue target of 18 per cent pegged in the Interim Budget is a tall order for the tax department and in the full Budget, it is expected to be revised downwards.

“A committee would be set up to study if the exemption limit can be enhanced without hitting the exchequer much,” the source said.

The Interim Budget had pegged the tax collection at 19 per cent on the back of expected growth recovery. However, tax department officials are of the view that with no immediate relief in sight for the economy, it is unlikely that lofty revenue expectations can be met.

According to the revenue foregone statement presented in the Budget 2013-14, the government projected a loss of Rs 30,875 crore in FY13 due to Section 80C exemptions.

Telecom manufacturing high on Prasad's agenda

Minister seeks views from mobile firms on boosting investments

THOMAS K THOMAS

New Delhi, June 8

Policies that will boost telecom and electronics manufacturing in India are high on Communications and IT Minister Ravi Shankar Prasad's first 100 days' agenda.

While Kapil Sibal, who held the portfolio under the UPA dispensation, had also taken this as one of the key initiatives, proposals such as the preferential manufacturing access did not take off due to differences within the Government on implementing it.

According to top Government functionaries, Prasad now wants

to take a fresh look at the issue and has asked the industry to come up with ideas on how local manufacturing can be made a reality. "The Minister met multinational mobile phone companies recently and asked them to give a list of things which the new Government can do to encourage them to set up factories in India," the Government official told *Business Line*.

The previous Government had tried to bring in a number of policies to attract investments in the manufacturing sector. For example, it had announced incentive schemes for players for setting up semiconductor fabrication units.

However, these initiatives did not attract many new investors. In fact, decisions such as the tax



Ravi Shankar Prasad

notice on Nokia acted as a dampener. Nokia had to shift most of its manufacturing from the Sriperumbudur factory near Chennai to locations in other countries, including Vietnam.

When contacted, a Nokia spokesperson confirmed the meeting with Prasad. "Nokia confirms

that it has started to meet high-level ministers of the new government. We welcome the opportunity to engage with the new government on matters important to the industry. We remain committed to getting the asset freeze on the Chennai facility lifted and to find an amicable resolution to the current tax disputes."

The big worry for the Government is that India is a net importer of electronic products, which impacts the foreign exchange situation.

China factor

According to the Indian Cellular Association, imports of mobile phones are estimated to increase by whopping 61 per cent in 2014 to ₹56,300 crore compared with ₹34,950 crore in 2013. Total do-

| | 2012 | 2013 | 2014 (E) | 2014 vs 2013 | % |
|--------------------------------|--------|--------|----------|--------------|----------|
| Imports | 34,600 | 34,950 | 56,300 | (+) 21,350 | (+) 61 |
| Exports | 12,000 | 11,500 | 10,300 | (-) 1,200 | (-) 10 |
| Total production | 23,500 | 34,050 | 29,000 | (-) 5,050 | (-) 14.8 |
| Production for domestic market | 11,500 | 22,050 | 18,700 | (-) 3,350 | (-) 15 |
| Domestic market size | 46,100 | 57,000 | 75,000 | (+) 18,000 | (+) 31.5 |

Source: Indian Cellular Association

estic production would have shrunk by nearly 15 per cent, at a time when the overall market is set to grow by 31.5 per cent. This, despite the fact that manufacturing in India is cheaper compared with China. Labour costs here are half the level of Shenzhen, the global hub of mobile manufacturing. But, China has rolled out the red carpet by giving huge tax

breaks backed by investment friendly policies.

The key challenge for Prasad to counter China's superiority in the region would be to get support from other Ministries such as Finance to give tax incentives and infrastructure support to make India an attractive destination.

India Inc bats for removal of MAT on SEZ developers, units

Demand seen as a big ask on conservative Jaitley

KR SRIVATS

New Delhi, June 8

Corporate India has urged Finance Minister Arun Jaitley to exempt special economic zones (SEZ) developers and units from the levy of minimum alternate tax (MAT).

After being unable to get their way in recent years for removal of this levy, India Inc is once again making efforts to get this duty out of the income tax law in respect of SEZ developers and units.

A regime change at the Centre

and new guard at the Finance Ministry has raised hopes among SEZ developers that the MAT levy would go in the upcoming budget.

"We have requested that MAT be totally removed for SEZ developers and units. For others, our suggestion is that the MAT rate should be scaled down to say 10 per cent," said a senior industry representative who attended the pre-Budget meeting with Jaitley recently. This demand is seen as a big ask on Jaitley who may not deliver a populist Budget given the fiscal situation.

MAT HISTORY ON SEZs

The Government had in Budget 2011-12 imposed MAT of 18.5 per cent on SEZ developers and units.

This levy had come into effect on April 1, 2012, (from financial year 2011-12) amid protest from SEZ developers and units. The current MAT rate is 20.96 per cent and is applicable on book profits.

WHAT IS MAT?

Under the income-tax law, if a company's taxable income is less than a certain percentage of the booked profits, then by default that much of the book profits will be considered as taxable income and tax has to be paid on that. Currently, the basis of levy of MAT is on 'book profits'. However, the proposed direct taxes code wants to change the basis of levy to 'gross assets' instead of 'book profits'.

INDUSTRY DEMANDS

The upcoming Budget should allow the aggregate of book loss and unabsorbed depreciation to be reduced while computing book profits, some industry associations have suggested.

They also want the weighted deduction available for research and development expenditure to be counted for computing book profit for MAT purposes.

Also, the long-term capital gain in respect of equity shares in a company or units of equity-oriented funds on which securities transaction tax (STT) has been paid should not be part of book profit for the levy of MAT, industry has suggested.

CENTRE SET UP TO ANALYSE SOCIAL MEDIA CONTENT

PRESS TRUST OF INDIA
New Delhi, 8 June

Delhi Police has decided to set up a dedicated centre to analyse content of various social media websites in an effort to monitor provocative postings and take preventive steps to check any negative fallout.

The decision to set up the centre was taken in the backdrop of increasing influence of social media, which could be misused by anti-social elements.

"A proposal to set up such a centre has been approved," said a senior police official. He, however, was quick to clarify that the monitoring will not be "intrusive" in nature and it will monitor openly available content related to the national capital.

Under the new programme, police will monitor content on popular social

TO CHECK ANTI-SOCIAL



The decision to set up the centre was taken in the backdrop of increasing influence of social media, which could be misused by anti-social elements

media sites like Facebook and Twitter. The official also said the centre will help police gauge the larger public mood and perception about various issues.

"Like today we see newspapers and take cuttings of news items. Similarly we will try to find things on social media," the official said.

The idea behind this project is that it will raise "red flags" over any inflammatory

postings which might have bearing over the law and order situation of the city.

"In today's times, we cannot depend on the old ways of generating intelligence. Today people, especially youths are mobilising in a very different way than they used to be in the past," he said.

The Centre which will come into existence in three to four months, will have a server and government-

approved software will be bought for it.

Delhi Police personnel will be trained to use the system.

The idea to set up such a system was that of Delhi Police Commissioner B S Bassi. A meeting of senior officials was held about a month ago in this regard at the Police Headquarters where an expert on the field had given a presentation to the Delhi Police top brass.

The official said London police had set up a similar monitoring centre after riots ravaged the city in 2011 during which it was widely believed that rioters used social media to communicate among them and plan attacks.

"Our system will not be as elaborate as the one being used by London Police for now, but if the experiment succeeds we may strengthen it in the future," the official added.

Aviation ministry to press for airlines' direct import of fuel

SHARMISTHA MUKHERJEE
New Delhi, 8 June

The ministry of civil aviation is to recommend that oil marketing companies be asked to share their infrastructure with airlines, to facilitate direct import by the latter of aviation turbine fuel (ATF).

Such direct import was formally allowed in February 2012 but the aviation companies lack the infrastructure to do so. A senior official at the ministry said, "We are looking at measures by means of which oil companies can share their infrastructure for transporting the fuel. This can be done at an agreed cost."

Fuel costs are half the operational expenses of an airline in India. The value added tax on ATF ranges from four per cent to 30 per cent, depending on the sales tax levied by a state. If an airline can import fuel directly, it would only have to pay customs and countervailing duties, saving on state levies.

To address industry concerns over varied taxes at the state level, the civil aviation ministry is additionally looking at urging the government to levy a uniform tax on jet fuel. Taxes on ATF in India are among the highest in the world and are considered a major reason for the mounting losses of airlines.

"We will ask that state taxes be rationalised and a uniform rate of four per cent levied on jet fuel. However, this requires consultation with states, which will have to do away with the revenues they get through sale of ATF," added the ministry official.

Prime Minister Narendra Modi has asked all ministries for presentations outlining key issues which require urgent attention, to bring back growth in the economy. The presentations will be made in groups. The civil aviation min-



BS PHOTO

Aviation sector value not well understood by many govts: IATA

Governments across the world have gained "substantially" from the airline industry, earning an estimated \$121 billion in tax revenues this year alone, but the aviation sector's importance was "not well understood" by many of them, global airlines' body IATA has said. This has forced the International Air and Transport Association (IATA) to appeal to the governments, including the Narendra Modi-led dispensation in India, to slash taxes, restrain private airport operators from levying high charges and relax "excessive" regulations in the aviation industry to maximise its full potential to generate economic growth. The governments have "gained substantially from the good performance of the airline industry. Airlines and their customers generated an estimated USD 121 billion in tax revenues this year", IATA's Chief Economist Brian Pearce said at the just-concluded World Air Transport Summit in Doha.

PTI

istry is a part of the transport and communication group, which also has shipping, road transport and highways.

The other points in the presentation would include a focus on regional connectivity, development of cargo facilities at airports, rationalisation of taxes to support maintenance, repair and overhaul, plus development of low cost airports. The ministry has in its 100-day agenda also identified as priority the clearance of the Bill for establishment of a Civil Aviation Authority and restoration of India to category-I status by the US aviation

regulator, the Federal Aviation Administration (FAA).

FAA had in January this year downgraded India's safety oversight mechanism to category-II status. This barred Indian airlines from commencing additional flights to the US and from code-sharing with American counterparts. The Directorate General of Civil Aviation (DGCA) is working towards recruiting and training 75 flight operations inspectors (FOIs) to address the FAA concerns. DGCA has 11 FOIs presently and another 13 are expected to join soon.

Plan, non-Plan distinction for expenditure might go

Could be recommended in Finance Commission's Oct report and be accepted

VRISHTI BENIWAL
New Delhi, 8 June

A major expenditure reform is possible in the near future, by abolishing the distinction between Plan and non-Plan expenditure from the next financial year.

This could reduce the role of the Planning Commission, with the finance ministry deciding all allocations.

The 14th Finance Commission (FC) might propose elimination of the distinction to the ministry when it gives its report in October.

These recommendations have always been accepted by the Centre; if states and the Comptroller & Auditor General are also on board, the changes could get reflected in the Union Budget of 2015-16, followed by state budgets.

Earlier, the Rangarajan committee had proposed to remove the distinction but the Planning Commission opposed it. Since the FC is a Constitutional body, its recommendations will have more weight than the Rangarajan committee, said a finance ministry official, requesting anonymity.

Plan expenditure, originally meant as development expenditure, is spent on government programmes and flagship schemes, while non-Plan expenditure includes spending

BLURRING THE LINE

- Plan expenditure, originally meant as development expenditure, is spent on government programmes and flagship schemes
- Non-Plan expenditure includes spending on defence, subsidies and devolution to states
- In 1998-99, the then finance minister, Yashwant Sinha, had advocated the elimination of Plan and non-Plan distinction
- The Rangarajan committee also recommended the same in 2011
- The government wants to remove the distinction between the two as it has become dysfunctional and an obstacle in outcome-based budgeting
- Once the distinction is removed, the Planning Commission might look at guiding the overall development priorities, setting of outcome targets and review of performance of departments
- Budgetary allocations, Plan and non-Plan, will be handled by the finance ministry

on defence, subsidies and devolution to states; the latter is the major part of government spending. The government wants to remove the distinction as it has become dysfunctional and an obstacle in outcome-based budgeting.

"The finance ministry in its terms of reference (ToR) had not asked us to restrict to non-Plan expenditure. For earlier Commissions, they said look at non-

Plan revenue expenditure. So, we are supposed to look at all spending, Plan and non-Plan," said an official with the FC.

D K Srivastava, executive director, EY, and a member of both the 12th FC and the Rangarajan panel, said: "If they interpret their task to also cover Plan spending, they have to make a comprehensive assessment of the needs of states for various services provided through the

Plan grant route."

The estimates of Plan allocation are decided by the Planning Commission; the finance ministry decides non-Plan expenditure without reference to the Commission. "Once the distinction is removed, the Planning Commission, as suggested by the Rangarajan panel, might look at guiding the overall development priorities, setting of outcome targets and review of performance of departments. Budgetary allocations, Plan and non-Plan, will be handled by the finance ministry.

The Planning Commission can evaluate schemes and suggest sectoral expenditure, the ministry official added.

The new government has yet to reconstitute the Planning Commission.

In 1998-99, Bharatiya Janata Party leader Yashwant Sinha, later the finance minister, had advocated elimination of the distinction. It had led to excessive focus on so-called Plan expenditures, with a corresponding neglect of items such as maintenance, which is classified as non-Plan, he'd said.

In the first two FCs, too, this distinction was not made and they used to give grants for development purposes. A reference to non-Plan was made in the ToR of subsequent Commissions.

Prez Address to focus on Inflation, Economy

To also talk about streamlining working of govt

NISTULA HEBBAR
NEW DELHI

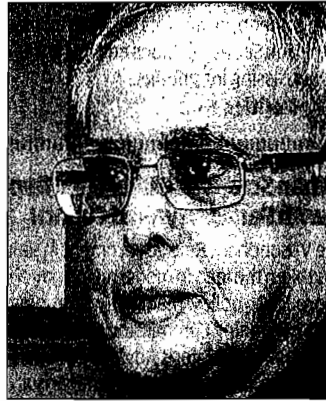
Inflation, revival of the economy and streamlining working of the government would be focus of President Pranab Mukherjee's address to both Houses of Parliament on Monday. The joint address usually sets out the agenda of the government. The Union Cabinet had met on Friday to ratify the address.

Running into 35 pages, the address would mention slowing down of economy and what should be done to revive it. Heavy investment in infrastructure and governance reforms, especially speedy clearance of files, would feature prominently among remedial measures, according to top government sources.

A paragraph on zero tolerance towards corruption and possible amendments to the Prevention of Corruption Act may be mentioned in the address which will stress a lot on streamlining government processes, especially in infrastructure projects, a prime reason seen as reason for slow down of the economy.

An important part of the address will be on a special plan to clean the Ganga and development of its riverfront. The matter was a major campaign theme of Prime Minister Narendra Modi who represents Varanasi. Minister for water resources Uma Bharati has already announced an action plan and devolution of funds for the project.

There would, however, be no spelling out of time frame for governance goals. The address would focus on how the government would remove red tape from the system. Cabinet



PLAN ON GANGA

An important part of the address will be on a special plan to clean the Ganga

secretary Ajit Seth has already asked secretaries in all government departments to identify ways to simplify procedures and reduce the common man's hassles when he has to engage with the government.

Sources said that the government may remove the need of a gazetted officer attest documents; self attestation could be considered. "Original documents are required while finalising anything, so what is the point of this additional hassle," said a senior bureaucrat said. The Gujarat government is already following the rule for several governmental departments.

Focus More on Skill, Scale & Speed: PM

Narendra Modi calls for substantially enhancing intellectual input for better policy frameworks

OUR BUREAU NEW DELHI

Prime Minister Narendra Modi has said the nation needs to think big and focus on skill, scale and speed to revive India's growth story and called for substantially enhancing the "input of intellectual think-tanks" for better policy frameworks.

Speaking at a function to release a book edited by Bilbek Debrov, Ashley Tellis and Reece Trevor titled "Getting India Back on track - an action agenda for reform", the PM also called for universities to actively analyse the developmental process in the country and contribute in making more informed policy-related decisions. Modi released the book, published by Carnegie Endowment for International Peace, at his Race Course Road residence on Sunday.

"The need of the hour is to think big. The more we focus on skill, scale &

speed, it will increase India's growth trajectory," the PM later tweeted.

"Sadly, role of think tanks has not increased to provide critical inputs to policy making," the PM said, possibly referring to bodies like the Planning Commission that he had been extremely critical of, during his annual visits to Yojana Bhawan to discuss state allocations. India's infrastructure building efforts, the PM said, need to shift from highways to "i-ways" and optical fibre networks. "Cities in the past were built on river-banks. They are now built

ON THINKING BIG

Need of the hour is to think big. The more we focus on skill, scale & speed, it will increase growth trajectory

along highways. But in future, they will be built based on availability of optical-fibre networks and next-generation infrastructure," Modi said, adding that urbanization should be treated as an opportunity instead of a problem.

Earlier, minister of finance, corporate affairs and defence Arun Jaitley said there could not have been a more appropriate time for such a book to come out.

"Governments should not only have the will to rule, but also the credibility to rule. The international community is once again looking at India, and it is an opportunity that we cannot afford to miss," Jaitley said.

"If we have to generate employment and change for the better, we plan to build 100 smart cities," the PM said, according to an official release.

The PM suggested agendas for 'future-tic growth' based on the colours of the Indian flag. "We need to bring about a second green revolution - focusing on

increased agro-productivity, value addition, agro technology, and decentralization of warehousing... a white revolution on increasing milk productivity, and developing a support system for ensuring cattle health," he said.

Equating saffron with energy, he also called for a focus on renewable energy sources such as solar energy, to meet India's growing energy demand. Inspired by the blue colour of the Ashok Chakra, he called for a blue revolution that focuses on the fisheries sector, including ornamental fish. Modi also underscored the need for water conservation and the importance of micro-irrigation, which would lead to "more crop, per drop."

The PM also slammed attempts of developed nations to foist their views of global warming and climate change on developing countries. "A civilisation that treated rivers as mothers, does not need to learn about environment protection from a western mindset."



POWER PLAY

Electricity Act may be Amended to Fast-track Power Reforms

Piyush Goyal led team of bureaucrats from energy ministries to Gujarat to learn from the state's performance in the sector; hints at possible changes in the RPO of states

MITUL THAKKAR & SHREYA JAI
NEW DELHI

The government is open to amending the Electricity Act 2003 and sorting out issues related to quality and transportation of coal in an attempt to fast-track power reforms, Piyush Goyal stressed on Friday, as he led a dozen top bureaucrats from the ministries of power, coal, and new and renewable energy under his charge to Gujarat for a day to learn from the state's stellar performance in the sector.

"Goyal emphasised on amendments to the Electricity Act as soon as possible to help the sector tackle grid connectivity and power transmission issues," said a senior official, who was present at the meeting that lasted from 11:45 am to 4:30 pm, breaking for just an hour-long lunch, at the new sachivalaya building in Gandhinagar.

It was an interactive session, with state government officials sharing achievements and concerns of Gujarat while Goyal's team took a look at both, said the official, who did not wish to be identified. The official added the Gujarat officials requested the Goyal-led group to sort out the state's conflicts with the public sector monopoly miner Coal India, while the minister



Piyush Goyal

expressed his interest in replicating the state's Jyotigram Yojana for rural electrification across the country.

Goyal also hinted at possible changes in the Renewable Purchase Obligation (RPO) of the states to promote renewable energy, the official said.

ET had on Friday reported that the government might expand the scope of the Electricity Act to push for higher utilisation of renewable energy and that the power ministry was keen to fast-track rural electrification projects.

After the meeting, Goyal said he and his officials had a fruitful session with the brass of Gujarat's

Goyal studied the working of discoms in Gujarat and how they were able to turn around their profits while maintaining good supply. The state has shown success in installing large-scale renewable projects. He took cues from it as well

SENIOR OFFICIAL

Who travelled with Goyal to Gujarat

electricity sector. The Centre's priority is to eliminate bottlenecks in decision-making and ensure supply of reliable power to all, the minister told the media.

Following the meet, Gujarat's energy and petrochemicals minister Saurabh Patel wrote on microblogging site Twitter, "Discussed what Gujarat did in power sector in the last 10 years with Piyush Goyal. Also discussed pending issues with GoI."

Patel had promptly invited Goyal after the latter expressed interest in learning from the 'Gujarat model'.

During the previous UPA government, the governments at

the Centre and Gujarat remained at loggerheads over issues such as coal allocation and trade of surplus solar power. Former power minister Jyotiraditya Scindia had even cancelled felicitation of officers of Gujarat's power sector that emerged as most creditworthy in the country two years in a row. However, with the BJP-led NDA government in place, Gujarat is hoping for a mutually productive relationship with the Centre.

On Friday, Goyal was the only minister who was not present at the Lok Sabha session that was held for appointing the Speaker.

Goyal expressed his intention to keep all the three key energy sectors in tandem. "He enquired about synchronising renewable energy with the grid and what kind of transmission infrastructure needs to be in place for the same. For steady growth of the clean energy sector, the minister proposed immediate amendments to the Electricity Act to make way for better alignment of renewable power and its purchase obligation," said the official cited earlier.

The group from the Centre also included an official from Coal India that lost a crucial case against Gujarat before the Competition Commission of India.

DIPP Seeks Rectification of Inverted Duty Structure

Says FTAs with Japan, Seoul, Asean have made locally-produced goods less competitive

DILASHA SETH
NEW DELHI

The department of industrial policy & promotion (DIPP) has sought rectification of anomalies in the inverted duty structure, arguing that they are undermining domestic manufacturing by making imported finished goods cheaper.

In its budgetary consultations with finance minister Arun Jaitley, the department has said that signing of free trade pacts with Japan, South Korea and the 10-nation Asean has made locally-produced goods less competitive in the Indian market.

An inverted duty structure emerges when import duties on finished products are lower than those on parts/ raw materials, effectively incentivising imports of goods rather than imports of parts and inputs for local manufacturing.

India's manufacturing sector growth contracted 0.7% in 2013-14, first time since 1991-92 when the country embarked on economic reforms.

The commerce department, which has been under fire for a while for agreeing to lopsided free trade agreements (FTAs), says nothing can be done on the FTAs already signed since they are agreements between two sovereign governments.

It has instead suggested forming a small committee to identify those raw materials for which the 'most favoured nation' rate could be reduced without impacting the domestic market of those prod-

FTAs Killing India's Manufacturing?

Inverted duty structure impacting domestic manufacturing

| % annual growth | |
|-----------------|------|
| 2012-13 | 1.1 |
| 2013-14 | -0.7 |

- What is inverted duty structure?**
An input used for manufacture of a product attracts higher import duty than the finished product.
Example: Basic Customs duty on Imported rubber 20% duty on imported tyres 10%
- How does inverted duty impact manufacturing?**
It makes sense to import the final product rather than import the input and manufacture the product locally.
- Why is the problem arisen?**
Many FTAs India has signed have created inverted duty regime.
- What can be done about it?**
India is forming a model pact for future FTAs to protect industry. Commerce dept suggests a committee can identify raw materials where duties can be cut.

ucts. "We agree in principle that there should not be any inverted duty structure. But cannot do anything with the free trade pacts already signed. If duty inversion has to be remedied, it has to be through adjustment of MFN duty on the raw materials," said a commerce department official.

He said certain inversions are necessary to protect the domestic industry, so there is a need to identify where a higher duty on raw material is necessary.

Defects in India's duty regime are also responsible for duty inversion, with basic Customs duty on raw material higher than that

on finished products.

DIPP has circulated a study on inverted duty structure conducted by industry body Ficci, seeking comments and suggestions from various departments to address the matter in the upcoming budget.

"It is complex as reducing the duty on a particular raw material may open import route from another country. We have suggested that a committee be formed to give recommendations in a month's time to identify those raw materials where duty could be significantly reduced without it affecting the domestic produc-

tion," said the official quoted earlier.

The complexity arises from the fact that the raw material of a particular finished product (identified for duty inversion) is also a part of input for some other sector. For example, several components in a steam boiler are also used in other industries.

One example of the inverted duty structure is the 10% basic Customs duty imposed on tyres while the Customs duty on its key input—natural rubber—is 20%.

"Tyre imports enjoy preferential duty under India-Asean FTA, Sri Lanka FTA, Singapore CECA...which leads to imports at concessional rates from various countries ranging from 0% to 8.6%, increasing the incidence of inversion," said the Ficci report.

Duty on rubber is high to protect the 12 lakh rubber growers of the country.

Ficci, in its study, has identified nine manufacturing sectors—aluminium products, capital goods, cement, chemicals, electronics, paper, steel, textiles and tyres—which have duty inversions, flagging these as being inimical to the domestic industry.

India and South Korea signed a comprehensive economic partnership agreement, which came into effect in 2010, where India agreed to eliminate duties on 75% products imported from South Korea on a Customs value basis. CEPA with Japan came into effect in 2011. Korea has already sought a review of the FTA signed to shorten the tariff reduction time and reduction of the sensitive list.

India likely to see over 5% power shortage this fiscal

NEW DELHI: India is projected to see a power shortage of 5.1 per cent compared to demand in the current financial year with southern and north-eastern regions anticipated to witness high deficits.

"A capacity addition of 17,800 MW during the year 2014-15 comprising 14,958 MW of thermal, 842 MW of hydro and 2,000 MW of nuclear power stations has been considered," according to the latest annual Load Generation Balance Report of Central Electricity Authority (CEA), the planning body for the power sector.

CEA comes under the Power Ministry.

According to CEA, the country is expected to see a power shortage of 5.1 per cent this fiscal even as the deficit is projected to be very high in the Southern Region.

"... Country is expected to experience a peak shortage of 2 per cent and energy shortage of 5.1 per cent, despite very high shortages likely to be experienced by Southern Region," the report said.

Going by the projections, the shortfall in Southern Region would be 12.7 per cent, North Eastern (17.4 per cent), Eastern (3.4 per cent) and Northern (3.1 per cent).

Advise CIL to supply fuel at notified price: PowerMin to CoalMin

NEW DELHI: Cautioning that an increase in the cost of coal would result in more expensive electricity, the Power Ministry has asked its coal counterpart to advise CIL to supply fuel at the company's notified price.

"Projects of 4,660 MW capacity and other similarly placed projects are being offered coal by CIL (Coal India Ltd) on 'as is where is' basis under the MoU route. Lifting such coal involves additional handling and transportation cost on the part of power project developers," Power Secretary Pradeep K Sinha said in recent letter to Coal Secretary SK Srivastava.

In addition, coal companies (CIL subsidiaries) are charging project developers 40 per cent premium over CIL notified price for supply of coal. Coal companies are also charging a premium of 20 per cent over CIL notified

price for coal supplies to tapering linkage holders, Sinha said.

However, Western Region is expected to see a marginal surplus of 0.3 per cent.

Energy deficit/surplus has been calculated on the scale of million units while

price for coal supplies to tapering linkage holders, Sinha said.

"Power companies are already facing difficulty in scheduling power due to high cost of power and any increase in cost of coal would only aggravate the problem leading to increase in the cost of power supplied to the common consumer," the Power Ministry said.

Sinha asked the Coal Ministry to advise CIL to issue suitable instructions to its subsidiaries so that coal may be supplied under FSA and MoU routes at CIL notified price only, "to the extent of valid long term PPAs (Power Purchase Agreements) with Discoms."

"Similarly, the linkage holders as well as tapering linkage holders should also be charged CIL notified price only for coal supplied to the extent of valid long-term PPAs with Discoms," it said. PTI

peak deficit/surplus is in terms of 8mega watt (MW).

The anticipated power supply scenario for the current fiscal has been prepared after considering electricity available from various stations in

operation, fuel availability as well as anticipated water availability at hydro stations.

"The peaking shortages are likely to prevail in the northern, southern and north-eastern regions to the tune of 1.4 per cent, 22.2 per cent and 12.9 per cent, respectively.

"Surplus energy is anticipated in the order of 1 per cent and 14.5 per cent in the eastern and western Regions, respectively," the report said.

For this fiscal, CEA said the gross energy generation in the country has been assessed as 1,023 billion units from the power plants in operation and those expected to be commissioned during this period.

The assessment has been made in consultation with generating companies as well as State Electricity Boards (SEBs) and also took into account the proposed maintenance schedule of the units during the fiscal.

"There would be surplus energy in some of the states of Northern Region having predominantly hydro systems during the Monsoon months while shortage conditions would prevail during winter season," the report said.

The Government is already working on ways to improve overall power situation in the country. PTI