PolicyWatch

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

CUTS International

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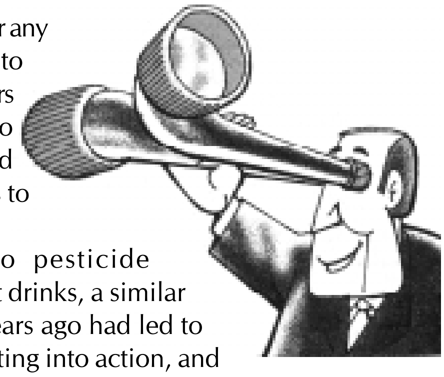
Creating Mountains out of Valleys

Three events of the recent past have really unnerved me, as if the nation has gone berserk and people have well and truly abandoned rational behaviour. Each of them has ramifications beyond what can be felt by all of us. This is happening mainly because of media hype, naively assuming that it is the citizen who wants it. Competition within the media is leading to this situation. It is, therefore, time for some introspection, and also a public debate as to a code of conduct for the media, so that it does not promote hysteria.

And, what precisely are these three events? The first was the coverage on Prince – the young boy who was rescued from a deep hole in Haryana. The second was the publicity of the test results of pesticide residues in soft drinks. While there is some merit in each of these two incidents, the same would not apply to the senile about-turn by Jaswant Singh in identifying the mole in the Prime Minister's Office (PMO).

One SMS that I received in Hindi, after the glorious recovery of Prince just about sums up what many others and I too felt. An English rendering: "The whole nation watched the recovery of Prince from a deep hole, but none seem to be bothered about the whole nation, which is in a deep hole". Many rushed to offer all types of rewards and compensation to the brave young child, including the Haryana Chief Minister, but none said anything about hauling up the negligent digger who had dug out the hole and left it unprotected.

Prince and his family deserved this not because of his bravery, but as compensation for the agony they went through, and the digger and not the taxpayers should have paid the money! In any case, thousands of people continue to drop into thousands of proverbial and actual manholes etc, but do not even get a line in the media. I wonder if the Prince episode had occurred in a place near Dindigul in Tamil Nadu, would the Delhi electronic media rushed their OB vans, or could have. Furthermore, one did not hear any rewards given to the brave soldiers and others who actually risked their own lives to save Prince.


The Economic Times

Coming to pesticide residues in soft drinks, a similar report three years ago had led to Parliament getting into action, and as usual, there was a flurry of reactions. The Rajasthan High Court had asked the soft drink companies to write on their containers, whether they do or do not contain pesticides. The Supreme Court did not stay the order, but the matter is still pending before it. Anyway, even then it was asked that we continue to consume harmful pesticides and what have you through the whole food chain, water and air, but can do little, except raise some noise (cannot we have a long-term policy and plan to stop indiscriminate and excessive use of pesticides that go into the ecosystem?).

In both water and food, persistent pollutants cannot be removed, even with the best technology. If tests are done for any food item or even for any air or water source, one will find an abundant cocktail of undesirable elements, which one is forced to consume. Take the other example of banned and spurious drugs, which continue to be sold in the Indian market, and the government does not do anything. This, despite several efforts made by advocacy groups, government committees, parliamentary debates, etc. Granted that soft drinks are a non-necessity, and that targeted children are more vulnerable to suffer from toxins.

We are currently having another, though relevant debate, on the drug pricing regime. The Fertiliser and Chemicals Ministry is trying to bring in an irrational

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HIGHLIGHT

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ALSO INSIDE

"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*

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discipline, which has been opposed by both the Commerce & Industries Ministry and the Health Ministry, on various grounds. One of the arguments by the Industries Department is that it will shy away investment, which is quite valid, if we get into unnecessary and excessive regulation. The brouhaha over soft drinks could send a wrong message that we are singling out some companies, because they are MNCs and would also scare away foreign investment, in general. Personally, I exercise my choice not to consume soft drinks when there are so many better thirst-quenching substitutes available in the market. This is already happening due to boycotts of soft drinks by many. I would not mind people stop taking soft drinks, as they are not particularly healthy in any case, but not because of pesticides when we continue to take them, i.e. pesticides, through other foods and drinks!

Now to the third event, which certainly calls for a boycott for being a misleading plant to sell a book, and that is what I have done – refused to buy a copy of 'The Call to Honour'. Firstly, its author Jaswant Singh told the country that he would name the mole to the Prime Minister, and created a huge suspense. As a result, the respected scientist V S Arunachalam was incarcerated by an irresponsible media report. As is the wont, when one media channel reports an incident, the others follow blindly – like the mice that followed Pied Piper. Who will compensate Arunachalam for the agony that he and his family suffered?

Now we are given to understand from the PMO and Jaswant Singh himself that there is no mole that he can name, except some unsubstantial report based upon an imaginary exchange of correspondence with the then US ambassador. Whether it is Jaswant Singh's idea or his publisher's, controversies always help promote a book. This is one case that people have also started boycotting; reportedly, the sale of the book has started falling. One will not need to take this case to the MRTP Commission to stop the sale of a book being promoted through misleading claims.

My dear friends in the media, it is time to address responsible news generation and self-regulate; otherwise the government will, and that can be worse.

Pradeep S. Mehta

THEME: MEDIA HYPE

Mired in Sin

Whatever the virtues and pleasures of Coca-Cola, its sins have caught up with it. In India, at least, it has been unable to escape its *karma*.

The controversy over Coca-Cola arose earlier this month when the Center for Science and Environment (CSE), a highly reputable NGO in New Delhi, released a study that documents extraordinarily high and dangerous levels of pesticides, including banned carcinogens such as Heptachlor and Malathion, in all tested samples of Coke and Pepsi. CSE's scientists tested 57 samples of both colas from 25 different bottling plants across most of India, and in some cases found pesticide residues 24 times higher than standards adhered to by the European Union and proposed by the Bureau of Indian Standards.

cocaine.org/coca-cob

In early 2003, CSE found nearly the same level of pesticides in a large number of samples of both Coke and Pepsi, and a joint committee of both houses of the Indian Parliament affirmed in 2004 its corroboration of CSE's findings. The Joint Parliamentary Committee, over the next two years, laboured to set new standards, which still await acceptance by the Indian Government.

But the inescapable fact remains that Coca-Cola consumes increasingly scarce water resources. Among farmers in India, Coca-Cola and PepsiCo are known as *pani chor* or water thieves. The water table has fallen precipitously in many parts of India, and hundreds of struggles between the beverage giants and local people have been documented around the country.

(*AsiaMedia Online, 01.09.06*)

Vulgar Game

Following allegations by former foreign minister Jaswant Singh that someone in the Prime Minister's Office during the P V Narasimha Rao-led Congress government had been leaking nuclear secrets to the US and that the country is still being snooped, media speculations pointed towards, V S Arunachalam as being the US mole in the PMO.

In the context, Arunachalam, rubbished reports and threatened to file a defamation suit in the wake of media reports in this connection.

Earlier, Singh had stated that he came to know about the alleged mole a decade ago but remained quiet so far, as he did not want to sensationalise the issue.

When asked to elaborate on his contention that there was a mole in the PMO of the previous Congress government, Singh contended to have evidence, a letter that gives graphic details.

Consequent to reports that suggested Arunachalam as the mole referred to in Singh's book *A Call to Honour — In Service of Emergent India,* Arunachalam said he was then (during the period in controversy) Scientific Adviser to the Defence Minister and was never in the PMO.

In a later development and at a press conference, when Singh was queried about his statement at a press conference that the mole no longer lived in India, he stated that he had said the same about the person who had written the letter (to a former US Ambassador in India), adding that the media had misinterpreted.

(*TH, 27.07.06 & HT, 05.08.06*)

Rejecting Plea

The Appellate Tribunal for Electricity has rejected the power trading companies' Reliance, Tatas and PTC India plea against the Central Electricity Regulatory Commission's (CERC) decision to impose trading margins at four paise per unit.

The three companies had challenged the validity of CERC regulations, 2006, and wanted the tribunal to set aside the regulator's order.

In its judgment, the tribunal accepted CERC's arrangement and observed that the regulations were not just determination of margins for a single licensee.

Besides, the rules were in the nature of a subordinate legislation and as such the tribunal had no jurisdiction over them and therefore the appeals were not maintainable.

(BS & FE, 09.05.06)

Warned of Stringent Action

In order to avoid power overdrawls, CERC, the power regulator, has warned that stringent penal action would be taken against state electricity boards and distribution utilities who in case violate the Grid Code and disobey the instructions of the Regional Load Dispatch Centres (RLDC).

Recently, the regulator has imposed a fine of Rs 15 lakh on Uttar Pradesh Power Corporation Ltd. (UPPCL) and Rs 1.5 lakh on its Chairman for overdrawing power from the northern grid.

The central regulator has further notified RLDCs and asked to file the instances of undisciplined over drawls. *(ET, 28.04.06 & BL, 04.05.06)*

In the Wings

Corporate giants Tata group, Essar, Reliance Energy, and L&T are among the companies bidding to be the first fully independent private power transmission lines in Gujarat and Maharashtra at an estimated investment of Rs 1, 500 crore.

The State-run transmission monopoly Power Grid Corporation of India Ltd. (PGCIL) that had invited bids for the independent grid lines associated with western region strengthening scheme, will select the private company soon so as to complete the projects by 2009.

A total of 28 bid documents were purchased and of those 12 companies participated in the pre-bid conference.

The two-transmission project is part of PGCIL's Rs 4, 700 crore western grid scheme. *(FE, 07.04.06)*

Encouraging Competition

The Union Power Ministry is planning to set up an empowered committee to be chaired by a member of CERC, to encourage competition in the development of transmission projects and determination of tariff through a competitive bidding process for transmission of electricity.

Besides, the committee will have representatives from the Ministry of Power, Planning Commission, Central Transmission Utility (CTU) and two experts from the power sector to be nominated by the Ministry of power.

To facilitate smooth and rapid development of transmission capacity in the country, some transmission projects will be identified for tariff-based competitive bidding, in which private investors and utilities can participate.

The new guidelines for private sector participation in transmission also have to be reviewed.

(HT, 03.05.06)

Tackling Power Theft

The government of Rajasthan has established anti-power theft police stations in 15 districts to deal with the increasing cases of theft of electricity and tampering with power network. These will be opened in all the districts of the state in the second phase.

The police stations would also be evolved as information centres to apprise the consumers of methods to save electricity besides registering the cases of power theft. This will help speed up investigations and keep a control over the rising graph of power-related crimes.

The government is also considering introduction of 100 percent automatic metering or remote metering at the users' end.

The authority of regular police stations to register such cases remains unchanged. *(TH, 03.04.06)*

Trading in Power

CERC is in the process of setting up a power exchange in the country, which will allow buying and selling of electricity like shares and commodities.

This exercise was found necessary to create a power market in the country and to bring in more discipline among buyers and sellers of electricity.

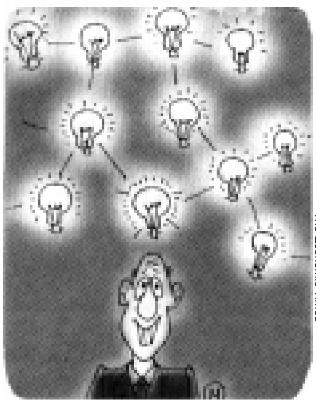
The Commission has finalised the guidelines and a draft note for the purpose but will take some time to be operational.

The proposed system would function on the same line of commodity exchange and will provide a platform for buyers, sellers and power traders to enter into contracts.

(BL, 19.04.06)

For Rural Electrification

The Centre proposes to evolve model schemes to encourage large investment and to boost rural electrification, in consultation with the Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD).

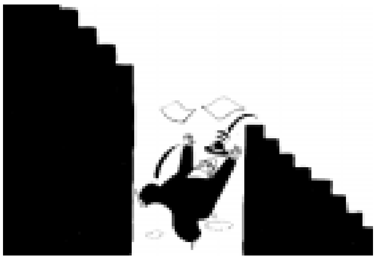


The Economic Times

The draft rural electrification policy has made a strong case for deployment of franchisees for management of local distribution in rural areas. The policy aims at providing access to electricity to all households by 2009.

Also, the draft policy emphasises the need for seeking least cost options after taking into account full life cycle costs and explicit and implicit subsidies in different delivery options and mechanisms. *(FE, 03.04.06)*

Falling by the Way



It has been reported that there exists a dark side to the otherwise upbeat story of India's telecom sector. On one hand, subscriber additions have been taking place at a scorching pace. And on the other, enlisting of large number of subscribers who end up being either defaulters or churners has also continued to show an upward trend.

Due to the keen competition, with about five to six players in most circles, and in an attempt to target new subscribers across new market segments with lower disposable incomes, telcos offer various plans with extremely low tariffs which lure low end users, who often do not even have the capacity to make monthly payments on a sustainable basis, thus resulting in defaults.

Of late, Reliance Infocomm wrote off liabilities arising out of, among other things, bad debts by subscribers. The company stated that after having attracted a large number of subscribers, by offering low tariffs, it was found later that majority were unable to pay off the monthly payments towards rentals and usage charges. *(ET, 15.04.06)*

Several information relating to tariff/services are not disclosed to consumers in a right way, which has led to consumer dissatisfaction and the credibility of the service providers is being questioned.

Further, with the service providers moving outside metros, a large proportion of new subscribers would be from non-urban areas and the socio-economic standing of this population calls for further strengthening of the consumer protection measures. *(BL, 24.05.06)*

Illegal, Because…

The Telecom Dispute Settlement Appellate Tribunal (TDSAT) ordered that long distance calling card sold by Videsh Sanchar Nigam Ltd. was illegal, as VSNL was getting direct access to the consumers and it was not permitted under its licence.

The decision comes after Tata-owned VSNL challenged an order by the Telecom Regulatory Authority of India (TRAI) asking it to stop selling the calling cards.

According to TDSAT, this service can only be provided under the basic service operator or unified access service licence.

VSNL, on the other hand, said that it had stopped offering calling cards long back and therefore there would be no impact on its finances.

(BL, 27.05.06)

Hauled Up

The Department of Telecom (DoT) has hauled up mobile operators, both GSM and CDMA, for not adhering to stipulated procedures for verifying subscribers before allotting a connection, which is leading to difficulties in tracking down subscribers.

It has been observed that operators are not adhering to the instructions given from time to time regarding verification of a customer before enrolling them as a subscriber.

DoT has asked the operators to come up with measures to help adhere to the instructions on subscriber verification.

The operators on their part have joined hands to form the Apex Advisory Council for Telecom in India to help make the mobile subscriber verification procedure foolproof as per the instructions of the security agencies. *(BL, 05.05.06)*

New Spectrum Allocation Policy

The Department of Telecom recently announced a new spectrum allocation policy without waiting for a group of ministers to study the matter and finalise a new spectrum allocation policy.

The new policy is based on the operator's subscriber base in a particular circle and retains the present 2:1 allocation for GSM and CDMA operators.

The additional allocation of spectrum is expected to decrease congestion in telecom networks and improved quality of services.

(BS, 31.03.06)

"Be More Transparent !"

The Telecom Regulatory Authority of India (TRAI) has asked operators to be more transparent in tariff offering and improve customer interface. It was felt that despite repeated directions, the service providers were not giving adequate importance to consumer transparency issues.

Quickly Integrating

It has been reported that the Indian telecom market is attracting investor interest like never before which is indicative by eight merger and acquisition (M&A) deals, valued at over US$2bn struck in the first three months, this year.

The increasing numbers of M&As in the sector are consolidating India's position globally. Foreign companies are bullish on the Indian telecom sector as there is a vast untapped customer base.

Investors are now putting money in the mobile gaming, m-commerce and mobile music segments in view of the potential of various companies to reach out to global customers.

(ET, 17.04.06)

Mobiles for Rural Consumers

Rural consumers will soon get access to mobile phones with the government proposing to make it mandatory for cellular operators rolling out services with the support of the Universal Services Obligation (USO) fund, which will be restricted to three operators.

The government has also proposed creation of infrastructure provider companies in rural areas with support from the USO fund.

Also, the government has invited expression of interest from global consultants to act as its advisors for both the financial and technical aspects of the project.

Bids will be invited in two parts. One will be for setting up the cellular infrastructure and the second will be for access service providers. The three operators will be allowed to share the infrastructure. *(BL, 22.04.06)*

With a Proposal at Hand

In a bid to retain and increase market share in the freight segment operations, Indian Railways came up with the formation of an organisational structure or SPV (special purpose vehicle) to construct a dedicated rail freight corridor.

In this context, the Railway Ministry has sent a proposal to the Cabinet for setting up the SPV.

The Railways is expected to have a majority stake in the proposed SPV. While the Railways will take care of maintaining the rolling stock, the SPV will be in charge of infrastructure including the tracks and signaling system.

Also, the revenues from the operation would accrue to Indian Railways, which in turn would give access charges to SPV for using infrastructure. *(BL, 23.05.06)*

For Navigable Waterways

The Inland Waterways Authority of India is reported to make investments up to Rs 300 crore to make the three national waterways in Uttar Pradesh, West Bengal, and Kerala fully functional by 2008.

Making the waterways navigable is a cornerstone to the shipping ministry's plans of developing waterways in the country, which have remained neglected.

The department, which has been allocated Rs 150 crore, may now seek additional support to take up some of the infrastructure related project.

The department would draw up a list of infrastructure needs. Apart from inadequate budgetary support, under-spending has also been a cause for concern in the department.

(BS, 15.04.06)

Overhauling Proposed

In a bid to regulate the highly unregulated commercial road transport sector, a Parliamentary Committee has recommended a slew of measures, aimed at effecting widespread reforms.

The Committee pointed out that despite the importance of the road sector, there is no definite information on several related aspects.

Among several measures recommended, the one bearing great significance is stringent punishment for overloading.

Other measures recommended include: issuance of detailed goods forwarding notes; mutual agreement on fixing liability in case the goods are damaged or lost; and single registration of all common carriers or booking agents. *(BL, 15.05.06)*

Urban Transport Policy

The Cabinet has approved the National Urban Transport Policy to ensure safe, affordable, quick, comfortable, reliable, and suitable access for the growing number of city residents to jobs, education and recreation.

Further, the cabinet also gave its approval to the recommendations of the Group of Ministers on the Metro Rail systems within municipal areas.

Accordingly, it was decided that the concerned state governments would legislate upon the operation and maintenance of metro rail systems within the municipal areas.

The choice of rails will also be decided by the states. *(BS, 07.04.06)*

Airline Takeover Policy

The government has accepted the recommendations of the Ministry of Civil Aviation's Aircraft Acquisition Committee (AAC) and the policy to be followed regarding the use of airport infrastructure in case of merger or takeover of airlines and sale or transfer of aircraft approved by the competent authority.

It has been decided that only the user rights over infrastructure that are given to an airline on a non-payment basis, such as parking bays and landing slots, would be allowed to be used by the airline that takes over the aircraft. For all other rights the terms of lease or sale agreement between the airport operator and airline will apply.

(BL, 12.05.06)

Regulating Metro Rail Operations

The government may soon introduce a common act governing all the metro rail transit systems in the country. At present, there is no common Central Act governing the operations of Metro rail.

The new act is expected to bring uniformity and standardisation in the mode of legislations needed to have a metro rail transit system on ground. Accordingly, all states would be required to adopt the uniform central law for the metro projects and go ahead with it.

Pretence of a uniform law for the metros will enable the projects merit more financial assistance from international financial institutions like World Bank, Asian Development Bank etc.

The Metro system cannot extend beyond the prescribed municipal boundaries without prior permission.

(ET, 14.04.06)

Showing the Way


The Economic Times

Gujarat has embarked on an explicit policy of port-led development. That has greatly magnified its ability to seize the new opportunities created by economic liberalisation.

Till the 1990s, Indian policymakers swore by self-reliance, neglected port development. However, Gujarat decided to go in the opposite direction.

Its port department was upgraded in 1982 into an autonomous Gujarat Maritime Board (GMB).

Ports need road and rail links. GMB hit on the idea of creating special purpose vehicles with the participation by the Railways, state government and private port players to build broad gauge links between the new ports.

The GMB planned the integrated development of several new ports, and also experimented with several forms of privatisation.

Gujarat thus set an example where policy initiatives taken helped turn the state's minor ports into the biggest ports of all. The port-led strategy, which yielded handsome dividends, helped make Gujarat India's fastest growing state. *(ET, 26.04.06)*

May Have to Wait

The Directorate General of Hydrocarbons (DGH) may have to wait for sometime, before becoming an upstream regulator. The Petroleum Ministry is in consultations with the Law Ministry for suitably empowering DGH as a regulator for the upstream sector.

The Petroleum Ministry is taking a fresh look at the role of DGH as a regulatory body. It opines that the role of DGH should be different from other regulatory bodies, which would regulate the technical aspects of the exploration and production companies.

According to official sources, while giving more technical autonomy to DGH, it would be ensured that the interests of the oil companies are protected. In terms of manpower, the ministry further proposes to create a separate cadre for DGH. *(BL, 15.06.06)*

Integrated Energy Policy

With the cost of oil and coal rising, and crude import growing, India is facing a huge energy crisis.

Consequently, to tackle the situation better, India is in the process of drafting an integrated energy policy to provide a road map to augment and meet its growing energy needs in an environmentally sustainable manner.

Sources report that India had crafted a multi-pronged strategy to counter the challenge of fueling economic growth and this strategy would include a conscious shift to promote larger public-private participation in oil and gas.

(BS, 06.04.06)

Committee on Coal

Coal pricing in the country may soon be under the purview of an independent regulatory body in case the government accepts the recommendations of the Expert Committee on Coal Sector Reforms.

As regards price determination, the expert committee has considered three options before arriving at the conclusion that current market realities favour regulation of coal price especially for the power sector, which consumes about 80 percent of the total coal production in the country.

For the success of pricing formula, the committee has suggested an increase in coal allocation under e-auction route. *(FE, 12.04.06)*

Recommendations Accepted

The Inter-Ministerial Group (IMG), headed by the finance minister, has accepted the Tariff Commission's recommendations on the pipeline transportation tariff of GAIL (India) Ltd. and on the marketing margin on the sale of re-gassified liquefied natural gas by GAIL, IOC and BPCL from the Dahej terminal.

The commission has recommended an indexation formula to take into account the variation in fuel cost, inflation, tax rates, and the actual volumes of gas transported.

Further, the revised marketing margin would be five cents per million British thermal unit, as against the current marketing margin of 12 cents.

(BL, 23.05.06)

Investment Planning

It has been reported that, in a bid to tap the huge natural gas potential in the Krishna-Godavari (KG) basin wells, Reliance Industries Ltd. is planning to invest about US$6-7bn. The project has the potential to add about US$20bn to the GDP and potentially support 10,000 MW of power generation.

It has been felt that there are certain areas of concern that needs to be addressed from a policy perspective before signalling green to the project, such as, independent regulator, code of grid connectivity, tariff rate issues and a pipeline policy.

(FE, 01.05.06 & BL, 13.05.06)

Strategic Move

With the Indian Oil Corporation Ltd (IndianOil) all set to transfer its equity share in Indian Strategic Petroleum Reserves Ltd (ISPRL), a special purpose vehicle, to the Oil Industry Development Board (OIDB), the ownership of strategic oil reserves will soon come directly under government control.

Thus, ownership of India's strategic oil reserves would be on a pattern similar to that in the US, Japan, and South Korea. According to sources, this would also facilitate easier funding of projects.

With the boards of the two companies having given their nod for the transfer of equity shares, IndianOil has initiated the move to transfer shares of the value of Rs 1 crore to the OIDB.

The government has decided to fund the creation of the reserves from the existing cess on domestic crude oil production and hence consumers have so far been spared of any additional price burden. *(BL, 02.04.06)*

Rationalised Duty Structure

The Standing Committee on Petroleum and Natural Gas has asked the Ministry for Petroleum and Natural Gas to consider rationalisation of the existing tax structure, excise and customs, on petroleum products to cushion the consumer from the impact of spiralling international crude price.

The committee opines that the ad valorem component of the excise duty makes the burden on the consumer more prominent and has hence suggested replacing the ad valorem component by a single specific component.

As regards customs duties, the panel observed that the customs duties levied does not actually add to the revenues of the government as product imports are almost nil owning to surplus refining capacity in the country.

In this context, the panel has recommended that the customs duty on products like petrol and diesel, be brought down to five per cent from 10 percent, to make it on par with the customs duty on crude, leaving no room for any differential at this level.

(BL, 31.05.06)

Need of the Day

In order to cope with the ever-growing demand of water, fast-track implementation of water resources development projects has become the need of the day. And to achieve this in a time-bound manner, more budgetary allocation and participation of private sector would have to be sought.

According to officials, the government of Maharashtra has put in place a comprehensive policy of private sector participation for the development of small hydro projects.

The government has received response from private developers and has already developed three small hydro projects through private sector participation and another 23 are at various stages of development.

(BL, 10.05.06)

Welcome Move

The government's proposal to enhance the powers of the Chairman and Managing Director (CMD) of a public sector bank (PSB) to sanction credit or write-off of bad loans has come as a welcome move.

Competition demands that lending decisions should be made at operational levels rather than by the bank board. Proponents of the proposal argue that granting greater autonomy in lending decisions should make PSBs more nimble.

On the other hand, it is contended that conferring greater powers to bank chiefs may also be fraught with the risk of subjecting them to greater pressure from the politico-bureaucratic-corporate cabal with all its implications for the health of the banking system. *(BL, 13.04.06)*

Changing Role

The Indian post office may transform into a full-fledged bank as part of the government's move to streamline the country's growing small saving collections.

Presently, the centre raises funds *via* small savings and post office deposit schemes and transfers them to the states. In future, this could be done directly by the post office acting as a bank.

This proposal will bring Indian post in sync with several other countries such as Germany, France, and South Africa, who have already graduated their post office savings banks into full-fledged banks.

The government has also allowed the Department of Posts (DoP) to invest up to Rs 10,000 crore from its life insurance schemes. The Government hopes to enable Department reduce its fiscal deficit of Rs 1,400 crore.

(ET, 06.04.06 & BL, 14.04.06)

Tightening Noose

The Insurance Regulatory and Development Authority (IRDA), while tightening the noose on those seeking to use insurance sector to park the ill-gotten laundered funds, has issued stringent guidelines, outlining its strategy against money laundering to be followed by the insurance companies.

The IRDA has made it mandatory for insurance companies to report all cash transactions beyond Rs 10 lakh per month to the Finance Intelligence Unit (FIU), and has directed not to accept individual cash premia over Rs 50,000, undertake due diligence of individuals whose premium is Rs 1 lakh per annum and above.

Further, as part of the comprehensive changes to the insurance law, IRDA has mooted differential FDI caps, varying the percentage of foreign participation in the paid up capital of an Indian insurance company depending on the category of the company. It has mooted a lower minimum capital of Rs 50 crore for stand-alone health insurance companies.

(ET, 31.03.06 & BL, 05.04.06)

Topsy-turvy

It has been seen that while the city mass transport systems and airports have found place in development plans, essential services such as roads, drinking water etc, have not yet come on the development radar.

The government is putting in place a policy framework under the Jawaharlal Nehru National Urban Renewal Mission, which would allow large infrastructure projects to come up on the Public- Private Partnership basis. By this, it aims at enhancing the quality and quantum of infrastructure services. The partnerships backed by the proposed India Infrastructure Finance Company (IIFC) and the Viability Gap Fund Scheme would go a long way in construction of large infrastructure projects. *(BL, 29.04.06)*

Rules for the Banks

Addressing concern over the Bank's service charges, the Reserve Bank of India (RBI) has proposed a standard set of rules to be made applicable across banks, in view of the inappropriate service charges levied by commercial banks on customers.

To this effect, RBI has decided to form a working group of the Indian Banks' Association (IBA) and bank customers to come out with the standard service charge scheme in accordance with the fair practice code.

RBI has also proposed to make it mandatory for all banks and financial institutions to put up the schedule of service charges on their website. The RBI would also carry the same details on its website. *(FE, 23.04.06)*

Joining In

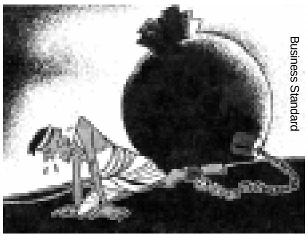
The Centre has decided to allow private sector insurance industry professionals to join the IRDA as full time members, as against the earlier policy.

The Economic Times

This move is subsequent to the voice raised by the private insurers that the IRDA cannot have only officials from public sector firms as its members.

The Centre has called for applications from private and public sector insurance firms for the post of member-life. Applications from 22 firms, including the private sector have been received. *(FE, 17.04.06)*

To End Farmers' Suicides?



The draft national policy for farmers presented to the government by the National Commission on Farmers (NCF), headed by M S Swaminathan, on April 13, 2006, calls for reforms in areas ranging from assets like land to marketing of produce for achieving four percent annual growth in agriculture.

The draft lays stress on ending a painful legacy of farmers' suicides by providing income, livelihood, nutrition, and health security to farmers and farm workers through well-conceived packages of technology, services, public policies, and domestic and external trade.

After discussing the draft report with state governments and others concerned, the Agriculture and Food Minister Sharad Pawar has got a plan approved for farmers in those 30 districts of the country that have been most afflicted by suicides. *(BS, 15.04.06 & 18.04.06)*

Currently in Probe

Investigative agencies are currently probing at least six World Bank (WB) assisted projects in the country that are possibly seeped in corruption.

While 53 development projects valued at US$11.9bn are being implemented by the Union government with WB assistance, the six projects are being subject to scrutiny on specific information relating to possible fraud, leakage of funds, and violation of standard bidding norms.

However, investigations do not rule out the possibility of involvement of WB officials in the 'leakage of funds'. Projects being investigated are under the ministries of health, transport and power. *(HT, 15.05.06)*

For Effective Implementation

The Centre is planning a new cadre of bureaucrats, the proposed name of which is District *Panchayat* Administrative Service (DPAS), for effective implementation of developmental programmes at the village level.

The proposed model of parallel administration system may give the Centre a direct access to rural India and help New Delhi to by-pass states while transferring funds for welfare programmes to about six lakh villages of the country. Besides implementing Rs 60,000 crore rural development programmes, DPAS members are also expected to help in decentralising the planning process. The move is expected to encourage local participation in development.

Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, emphasised that each district should have its own development plans and should be empowered to implement as per requirements. *(ET, 31.03.06)*

Allowing Entry

According to the proposal of the Planning Commission, the panel has asked the government to expedite the much delayed Coal Mines (Nationalisation) Amendment Bill to allow unrestricted private entry into coal mining. The Bill, when passed, will allow competitive bidding for captive coal blocks. In that case, the present system of allocation based on the recommendations of a screening committee headed by the coal secretary may not be required.

Companies that are allocated coal blocks can sell coal directly in the market, which is not the case under the captive block allotment process.

For allocations under the captive block route, the coal needs to be sold to the local Coal India Limited (CIL) subsidiary at a price determined by the government. *(BS, 01.05.06)*

No Longer Confidential

The Central Information Commission has turned confidential assessment orders of the income tax department into public documents that can be released to the world at large.

The decision was announced on March 30, 2006, under the Right to Information Act (RTIA). If implemented, it could mean that income tax assessment orders, which the department keeps 'private and confidential', would no longer be confidential or private.

It would be rather a public document that anybody can access, irrespective of who the assessee is.

The order is likely to generate intense heat and controversy and could well be vigorously contested before the higher courts by the income-tax department.

Assessment orders are documents of the income-tax department, which explain in detail the reasons behind certain decisions. They contain a great amount of information about the taxpayer. *(ET, 18.04.06)*

STATE BRIEFS

Health Insurance Scheme

The Andhra Pradesh government has announced that it would soon launch a health insurance scheme for the poor. The government is working on the modalities of the scheme, which is likely to be implemented in three months. The government would complete all the projects being taken up under the '*Jala Yagnam*' scheme and the Integrated Rural Development Scheme.

Aiming High

Aiming to become a leading player in agro-biotechnology in the country by 2014, Uttaranchal has launched a number of initiatives to achieve the objective. The State government is establishing a world-class bio-IT park in 500 acres of land. The work on the project is in full swing and will be completed very soon. These initiatives have been launched with a view of the fact that bio-technology was poised to make significant contribution in agriculture, human and animal healthcare, environment management, and process industries.

Sources: BL, 10.05.06, 11.05.06 & 16.05.06

Call for Reorientation

Acknowledging that civil servants continue to be the 'steel frame' of the country, Prime Minister Manmohan Singh has called for reorienting the civil services and training it to deliver better services to the people.

Dr Singh stated that government had taken several steps to ensure the security of tenure and depoliticisation of appointments and transfers.

In order to restore to the all-India services the prestige they were meant to enjoy and a sense of pride in their professionalism, the government has brought in new procedures for evaluation and promotion with greater transparency.

Dr Singh also posed a few questions as regards the appropriateness of the method of recruitment and performance assessments and appraisal methods.

(BL, 22.04.06)

Investor Protection Fund

The Forward Markets Commission (FMC) has directed the commodities exchanges to constitute an Investor Protection Fund.

According to a FMC press release, all fines and penalties collected by the exchange should form a part of the fund. The release further stated that the detailed guidelines for the constitution of fund would be issued separately.

The corpus would be utilised to safeguard the interests of investors, particularly the small investors.

FMC has also decided to reduce the special mergins by 15 percent in *urad* (black matpe) and *tuvar* (pigeon pea) after reviewing price and trade positions. *(BL, 29.05.06)*

In Need of Approval

It has been reported that a draft National Standards Policy for quality norms for goods and services has been submitted to the ministry of food and consumer affairs for approval.

The draft policy provides for a uniform national standard for each product and service. It also prescribes code of practice, uniform methods of tests and conformity assessments.

Further, the draft policy provides that Bureau of Indian Standards would be the apex national standards setting body and work in co-operation with other sectoral bodies. It will act as an accreditation body for other standard developing organisations in the country.

The draft policy also proposes formation of a small group to act as a watchdog to monitor changes in technology, new developments and in areas of health and environment safety.

It will forewarn concerned sectors and authorities on the implications of trade and technical changes for initiating necessary corrective action.

(FE, 19.04.06)

Meeting Needs and Protecting?

The latest draft of the Unorganised Sector Workers' Bill proposes benefits such as health cover, sickness allowance, maternity benefit and life insurance cover, pension for all workers in the unorganised sector with a salary of less than Rs 6,500 per month.

The Bill is intended to cover around 362 million workers in the informal sector, including small and marginal farmers, agricultural workers and domestic workers, and informal workers in the organised sector. Once the Bill is approved, apart from other benefits, it would provide for a provident fund cover with an assured return of 10 percent for workers above poverty line. For those below poverty line, an old age pension of Rs 200 per month is suggested to be provided.

(BL, 16.05.06)

Issuing Notice

The Monopolies and Restrictive Trade Practices Commission (MRTPC) has issued a notice to Telco Construction Equipments, a Tata Motors-Hitachi joint venture (JV), for supply of faulty machineries to an export firm.

The Commission, acting on a plea seeking compensation by granite mining and exporting company, GK Granites, has granted six weeks time to Telco for filing its reply.

GK Granites, which had recently won a prestigious contract to supply stones for the construction of a memorial at Buckingham Palace in the UK, through its German subsidiary GK Steine, found that the machines supplied did not meet the benchmark.

(FE, 17.04.06)

May be Dumped

Dozens of infrastructure projects that have witnessed severe time delays, cost-escalation and have not been implemented may no longer see the light of day. The government may decide to junk them completely and clean up the balance sheet.

According to official sources, a review exercise had been initiated at the highest level in various ministries of the various backlogged projects. The main aim is to weed out those projects that cannot be implemented and are not needed in the changed circumstances.

As per government statistics, there were 605 central projects under implementation. Of these, 22 projects were proceeding ahead of schedule at that stage, 140 were on schedule, 250 behind schedule and 149 projects had not even been assigned a definite date of commissioning. Analysts opine that the exercise will not only result in some free space in office cupboards, but also redeployment of any manpower attached to a project, better and streamlined functioning, and greater accountability.

Sources report that the factors that contributed to the delays in the project include fund constraints, legal wrangles including law and order problems, high cost of environmental safeguards and rehabilitation measures, change in the scope of the project, and under-estimation of original cost etc.

Several, other reasons have also been put forth for the delays, which include lack of supporting infrastructure facilities, delay in finalisation of detailed engineering works, technology related problems, and geological surprises etc. *(BS, 12.04.06)*

Legislative Changes On Cards

Boosting Food Industry

The Food Safety and Standards Bill 2005 after being vetted by the Parliamentary Standing Committee has been re-introduced in *Lok Sabha*.

The Bill seeks to set up a Food Authority to deal with all regulations concerning the food industry. The proposed authority will put in place food standards and regulate manufacturing, import, processing, distribution and sale of food products.

It will formulate mechanisms and guidelines for the accreditation of bodies engaged in the certification of food safety management system for the food business.

(BL, 16.05.06 & FE, 22.05.06)

Turning Point!

The Micro, Small & Medium Enterprises Development (MSMED) Bill 2006, passed by the parliament recently, addresses and streamlines the key governance and operational issues being faced by the micro, small and medium industry in India.

In order to provide a hassle free environment, the MSMED Bill addresses issues related to inspector visits, labour laws that interfere with daily operations and also suggests measures to check delayed payments and encourage flow of credit by banks and financial institutions to the micro, small and medium industry.

(FE, 23.05.06)

A Leading Proposal

In a bid to give a legal validity to the MCA-21 project – a major e-governance initiative of the Ministry of Company Affairs (MoCA), of late the parliament passed the Companies (Amendment) Bill 2006.

The MCA-21 project is expected to bring about more efficiency in the administration of the Companies Act. Officials report that the Bill would facilitate reducing interface between the government department and public.

This Bill was necessary as the Companies Act 1956 did not contain adequate enabling provisions to support certain online processes, which are essential for the successful implementation of the MCA-21 project. *(BL, 15.05.06)*

Separate Autonomy

It is reported that a draft Bill on Broadcast Content Regulation Authority (BCRA) would be soon tabled in the Parliament.

The Bill deals with the formation of a separate autonomous body to regulate programme content aired on television and on the Direct-to-Home (DTH) platform. It will also include new programme guidelines for cable and satellite television.

Official sources relayed that DD's DTH service has been getting a very good response and the ministry is planning to fix fees for its fresh applications. *(FE, 16.05.06)*

Stratagem for Health

According to the Ministry of Health and Family Affairs changes in the National Health Policy (NHP) and Drugs and Cosmetics Act and Medical Council of India (MCI) Rules, 1940, are on the cards to make them more effective, people friendly and transparent.

The NHP would include a continuous medical education system for doctors and amendments to the Clinical Establishment Act with thrust on rural postings of doctors.

The Ministry is further planning to amend the Drugs and Cosmetic Act to firmly deal with those involved in sale and supply of spurious and plans to take stringent penal action against the offenders.

A Bill seeking to amend the Act is likely to be introduced in the monsoon session of the parliament.

(FE,14.07.06)

Sharper Teeth

It has been reported that the new SEBI Amendment Bill, with a comprehensive set of amendments entailing sweeping changes in the existing SEBI Act are on the anvil and is likely to be introduced in the Parliament, in the winter session.

The Bill proposes that the twin functions of enforcement and adjudication should be separated. Another vital amendment deals with the empowerment of SEBI to ensure the quantum of fines and penalties and proposes it to go directly to the investor protection fund. The Bill also provides for increasing the penalties substantially

After discussing the contents of the amendments to the Bill in greater detail, the SEBI Board has passed them onto the conveyor belt.

(HT, 13.04.06)

Parliament Digest

Agri-competitiveness

The Ministry of Agriculture, informed the parliament that in order to enable the Indian agriculture to face the global challenges in the agriculture sector and to increase higher productivity and improve the competitiveness of Indian agriculture, the government has adopted a multi-pronged strategy for addressing specific segments of agriculture, which include promotion of diversification of agriculture, special emphasis on promotion of horticulture, improvement in marketing and storage systems and encouragement of food processing.

Gravely Concerned

In response to concerns expressed whether mergers and acquisitions are escaping the desirable scrutiny (Jet Sahara and Holcim-Ambuja Cements) because of the delay in the constitution of full Competition Commission of India (CCI), the ministry of company affairs stated in the parliament that while it would be possible to examine such mergers from the competition angle once the Competition Commission of India is fully established and operationalised, acquisition, transfer of shares, reconstructions and amalgamations can be dealt with under the provisions of the Companies Act, 1956.

(Compiled from questions raised in the Budget Session, 2006)

Champions of Another Kind

E-champions for e-governance is the new slogan. E-governance is about citizen-centric services, not just computers. It is a complete transformation, not mere transition. And to make this possible, committed officers with appropriate training are required

In this context, the government has launched a programme to train 100 civil servants as e-champions over the coming years.

The Hyderabad-based National Institute of Smart Governance (NISG) – a non-profit organisation – in collaboration with Department of Personnel and Training (DOPT), has trained the first batch of 13 e-champions.

DOPT is sponsoring 75 percent of the project costs and the relevant state governments are funding the remaining 25 percent. *(ET, 09.05.06)*

Stockholm Challenge Award

ITC's *e-Choupal* programme, which enables over 3.5 million farmers to access crop-specific and customised information in their native village habitat and language, has won the Stockholm Challenge Award 2006 in the Economic Development category.

According to ITC, *e-Choupal* is playing a transformational role in turning rural communities into vibrant economic organisations, by fostering inclusive growth and enhancing their wealth creation capabilities.

Likewise, the programme also creates a two-way direct marketing channel for rural India, eliminating wasteful information and multiple handling, thus significantly reducing transaction costs and improving logistics efficiency.

Earlier in 2004, the project was awarded the ICC-UNDP-IBLF World Business Award, for furthering the United Nations' Millenium Development Goals, and the Development Award in 2005.

(BL, 14.05.06)

Connecting Rural Areas

By the end of December, the MP government has plans to set up 8,700 information kiosks at block headquarters with broadband Internet facility in an attempt to reach out to rural areas through e-governance.

For the purpose, the state government will join hands with Bharat Sanchar Nigam Ltd.

According to official sources, these kiosks will ensure the availability of electronic copies of electricity bills, revenue documents and certificates required for official formalities.

It was further added that plans are afoot to float e-tendering process in departments of public works, public health engineering, and water resources departments. The department of public works will soon start e-tendering system. *(BS, 24.05.06)*

Lakshwadeep Logged On…

The island of Lakshwadeep may lack basic facilities, for instance, milk for tea, but when it comes to bandwidth, each of the ten islands has two Mbps available through VSATs.

Since the number of users is low, this bandwidth is adequate to meet the requirements, which includes educational purposes, a telemedicine project and PORTNET, an e-governance project that interconnects all port offices in the islands.

Like other parts of India, Lakshwadeep islands too have had a taste of digital technology. Four islands – Kavaratti, Amini, Andrott, and Minicoy – have a telemedicine project of Indian Space Research Organisation (ISRO), connecting them to the Amrita super-speciality hospitals in Kochi. Thirteen schools have access to the Edusat project of ISRO.

In a bid to tackle the problem of network which is a big issue in the islands, a proposal to set up a Wide Area Network is pending before the government. *(BL, 06.05.06)*

e-liquidation

It has been reported that the Ministry of Company Affairs will soon issue a tender for enabling e-liquidation of companies.

The tender will possibly be as big as the MCA 21 e-governance project, which took 60 weeks to implement.

According to official sources, there are 7,000 companies in India under liquidation. The process of insolvency usually involves a huge amount of documentation.

Consequently, in wake of the above, the government has decided to address the issue with the initiative to issue tender for e-liquidation of companies. *(BL, 26.04.06)*

'Smart Governments'

Most of the better-run states in India have experimented with, and perhaps accepted, the virtues of running 'smart governments' – a terminology for the e-governance that has enhanced the government-to-citizen (G2C) and government-to-business (G2B) interface.

The country's National e-Governance Action Plan (NEGAP) has identified 22 projects to be implemented over the next three to four years by both central and state governments.

As per the NEGAP, there would be a three-tier structure starting with the State Wide Area Network (SWAN), data centers and then, finally, the Citizen Service Centres (CSCs). The citizen centre would be the end user point.

Currently, there are a large number of e-governance projects under the aegis of the Central government and it is necessary for the states – the implementing agencies – to keep tabs and quantify their progress.

Bangalore One, MCA 21, and ESeva are the prominent e-governance projects aiming to provide G2C and G2B services to citizens across the country.

E-governance is no longer an experiment for the government. With the increased realisation of the fact that e-governance helps states to function more efficiently and smartly, states have gradually become more serious about it. *(ET, 06.04.06)*

Order to Revise

The government has issued an order to amend the Drug Price Control Order of 1995. The order would require pharmaceutical companies to sell drugs at maximum retail price (MRP) including all taxes, instead of the present system wherein drugs are labelled as 'retail price' and 'local taxes extra'.

The new MRP system has been hanging fire for sometime due to the lack of uniformity in sales tax in various states. A section of the industry observed that there are several anomalies in the draft notification. Further, the industry has pointed out that as drugs are covered under the Essential Commodities Act, it will be difficult to arrive at the right MRP inclusive of all taxes without clear guidance on calculation of the various elements of tax in different states.

The industry has also drawn attention to implementation problems as the move will involve calculation of prices inclusive of all taxes for thousands of packs sold all over India and reprinting of innumerable cartons and labels with the revised declaration, causing losses to the industry.

The consumers are however, expected to be the biggest beneficiaries from the new system as it would do away with inconveniences relating to miscalculation and payment of extra charges.

(BS, 01.05.06, ET, 02.05.06 & FE, 05.05.06)

For Investing Big

In a bid to attract large doses of investment, the government is planning to develop special economic regions (SERs) which would house more than one special economic zone.

The Centre and states would provide critical infrastructure in these regions for the private sector to set up manufacturing and service units.

Though the proposal is still on the drawing board, the government hopes to develop five to six SERs in the country.

According to officials, SERs would have mother industry that will make the initial investment and spur downstream activities. The region would then develop around this industry with the center providing rail, road and port connectivity and the states providing electricity and other basic amenities. *(FE, 25.04.06)*

Scope and Potential

It is reported that the Medical Transcription (MT) industry in India currently employs around 20,000 people and compared with other BPO activities such as call centre jobs, the attributor rate in MT sector is less.

Sources also report that MT work is moving from the US to India, not because of any cost advantage, but due to the growing shortage in the availability of medical transcription personnel in the US.

There was an estimated 10 percent annual decline in transcriptionists' capacity every year in the US because of retirement and inadequate number of new recruits joining the profession there. In the backdrop of the above, analysts opine that there is tremendous scope for better business prospects in the sector in the country, today. *(BL, 18.05.06)*

Larger by the Day

The number of substantial acquisition of shares and takeovers in the Indian corporate world is constantly growing every year with the corporates maturing and the country's economy strengthening. India at large is looking forward to aggressive growth through the mergers and acquisitions (M&A) route.

According to the Securities & Exchange Board of India (SEBI), around 104 companies had filed applications before the regulator either for a change in control or substantial acquisition of shares in other companies in the financial year 2005-2006.

Similarly, in an exclusive survey done by Grant Thornton India, it was found that 81 percent of the respondents said that their company is exploring M&A to grow in future.

M&A had been rising in India and it seems to get bigger and better in future. It has become the new *mantra* and the latest trend.

(FE, 11.04.06 & ET, 23.05.06)

Yet to Complete

India has not completed rule changes that will allow large investors to buy and sell commodities to achieve the objective of getting overseas investors and local mutual funds (MFs) to trade commodity futures to boost volumes.

The commodities boom has prompted the government to promise access to overseas funds, currently only allowed to trade futures through local companies. India plans to allow overseas investors and MFs to trade oil and gold only.

According to the Forward Markets Commission, which regulates Indian commodity markets, they are eager for this to happen at the earliest and that the approval may come in a few months. *(FE, 31.05.06)*

Smaller in Size

The government has notified de-reservation of 180 items from the small-scale industries (SSI). Pharmaceuticals and organic chemicals account for bulk of the de-reservation with 68 items having been knocked off the exclusive preserve of SSIs.

According to the SSI ministry officials, the rationale behind the de-reservation exercise is the presence of large players in a particular category and the propensity of the industry to scale up operations, due to increased demand.

Further, the officials stated that as most of the units under these sectors have already grown in size with large doses of capital being invested, there was no need to keep them under reserved category.

The SSI reservation is being progressively diluted for the last few years. The idea is to provide opportunity to small sectors to grow and meet demands. *(FE, 31.05.06)*

Recommending So…

The Commerce Ministry has recommended imposition of provisional anti-dumping duty on imported *saccharin* from China.

Saccharin is used in a host of industry such as food and beverage, personal care products, plating brighteners, and pharmaceuticals and it is more than 500 times sweeter than sugar.

The All India *Saccharin* Manufacturers Association held that the subject goods had been exported to India from China below its normal value and the domestic industry has suffered material injury.

It was recommended that *saccharin* exported by Shanghai's Fortune Chemicals Co either on its own or through its export outfit would invite anti-dumping duty of US$1643.92 a tonne. *(BL, 17.04.06)*

Two New Schemes

With an eye on rural jobs and urban youth, and to boost exports of employment generating sectors like leather stationery and fireworks, the government has announced two new schemes – Focus Product Scheme and Focus Market Scheme – in the foreign trade policy.

The new schemes will replace the existing Target Plus Scheme and will incentivise exports of notified products to Africa and Latin America.

According to sources, the objective of the new schemes would be to provide a thrust to employment generation, particularly in semi-urban and rural areas.

Details of both the schemes are still being worked out. Sources stated that the items covered under the Focus Product Scheme include leather, fishery, gems & jewellery, *khadi* items, fireworks and stationery.

While under the Focus Market Scheme, exports of all products to markets like Africa and Latin America would be covered. *(BS & ET, 08.04.06)*

Still not Fully Convertible

The Finance Minister does not expect the rupee to become fully convertible before 2009. The minister opines that until the revenue deficit is wiped out and the fiscal deficit is brought down to three percent, the country cannot be ready for full convertibility of rupee.

A full convertibility of the rupee would eliminate the obstacles to India's integration with the global economy. It would also enable Indian individuals and businesses to invest more freely overseas, thereby allowing large companies easier and cheaper access to foreign debt currently limited to US$500mn per company per year.

Earlier this year, Prime Minister, Dr Manmohan Singh had suggested that in the light of the changes that have taken place over the past two decades, there is merit in moving towards fuller capital account convertibility.

Currently, the rupee is only partially convertible and India has in the past set out benchmarks for full capital account convertibility, including levels of fiscal deficit and foreign exchange reserves, inflation and non-performing assets of banks.

(BS, 07.04.06)

Single Investment Window

The government is looking to set up a single investment window to approve economic zones for agriculture, food processing, horticulture, medicinal plants, and rural business hubs to push exports and job creation in the country.

Official sources reported that a single investment window for the aforementioned zones, would simplify the procedure for setting up these zones, which is quite complicated due to the involvement of five ministries - the ministries of commerce, agriculture, food processing, *panchayati raj*, and health.

(BL & FE, 10.04.06)

Trading Carbon Credits?

Over the next two months, about 37 Indian projects including a host belonging to big corporates such as Reliance Industries, Birla Corporation, Tata Sponge Iron, ACC Gujarat Ambuja, and JSW Steel are likely to be registered at the United Nations as projects that can potentially trade carbon credits.

These projects would be registered at various dates up to June 1, 2006, provided there are no requests for review. Registration is a prerequisite for issuing certified emission reductions (CERs) or carbon credits that are tradable. *(BL, 12.04.06)*

Promoting Real Estate

Singapore investors in the private sector have taken the initiative to form a consortium to promote real estate projects in India.

Indicating this the Chairman of the Singapore Indian Chamber of Commerce & Industry (SICCI) M Rajaram said that the mandatory "approval is awaited" from the relevant authorities in the City-State for the 'fund' that was proposed for this purpose.

If approved, the planned consortium of Singapore's private-corporate players would enter the Indian real estate sector to develop the layout and infrastructure without participating in the actual construction of the buildings.

(BL, 14.04.06)

Fresh Promotional Package


Business Standard

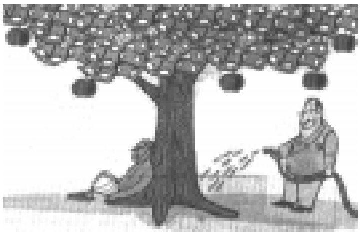
The Ministry of small-scale industries (SSIs) is drawing up a fresh promotional package that would comprise the restructuring and fine-tuning of a host of existing schemes.

In addition, two schemes, including the National Entrepreneur Development Board (NEDB) scheme, are set to be fully revamped.

The scheme covers collateral free credit facility extended by eligible lending institutions to new and existing SSI units.

The Ministry is also considering enhancing credit flow to small-scale entrepreneurs by giving more teeth to 'credit guarantee fund scheme for small industries'.

It is also working to augment the energy conservation programme and market-accessibility of SSI sector. *(FE, 26.04.06)*



The Economic Times

Fertile Benefits

Farmers who had planted Bollgard cotton earned an additional income of Rs 2,100 crore (approx US$477.8mn) based on a 3.125 million-acreage penetration for the 2005 crop.

IMRB International interviewed 4,799 farmers across 31 cotton-growing districts in Punjab, Haryana, Rajasthan, Andhra Pradesh, Karnataka, Tamil Nadu, Madhya Pradesh, Maharashtra, and Gujarat.

This survey reconfirms that for the fourth successive year, the benefits of Bollgard cotton to Indian farmers included better yields, reduced pesticide use, and higher profits.

The survey estimates that there has been a 64 percent or 4.16 quintals per acre increase in Bollgard yields, when compared with conventional cotton. The net profit increase for the farmers using Bollgard is Rs 6,727 per acre or over 118 percent.

Another key finding is the reduction of an average 2.4 pesticide sprays against bollworm that translates to a 25 percent reduction in the total pesticides spend. (*FE, 04.01.06*)

Happy with Moratorium

Indian farmers have hailed the decision of the Eighth Conference of Parties (CoP-8) of the UN Convention on Biological Diversity (CBD), to continue the global moratorium on terminator technology.

They are also happy at the outcome of the Third Meeting of Parties (MoP-3) to the Cartagena Protocol agreeing on identification and documentation of shipments of genetically modified organisms (GMOs).

India is a member of both the MoP and CoP, and is in the process of introducing mandatory labelling of GM foods. Sources quote that Genetic Use Restrictive Technology (GURTS), otherwise called the terminator technology, is dangerous.

GURTS produces seeds, which will not germinate in the next generation, and therefore farmers cannot save seeds for the next season. Worse is the possible pollen flow from the crops of terminator seeds to other crops in the vicinity, and when this happens it would make other crops produce terminator seeds.

(*FE, 04.02.06*)

Stringent Disclosure Norms

In an effort to prevent bio-piracy and to protect its diverse biological resources and traditional knowledge, India has called for stringent disclosure norms for patents applicants under the trade related intellectual property rights (TRIPS) Agreement of the World Trade Organisation (WTO).

Together with Brazil, Peru, Pakistan, Tanzania, and Thailand, India has submitted an informal text to the WTO on disclosure of origin requirement, suggesting how it could be woven into the TRIPS Agreement.

According to the paper, when the subject matter of an application for patents is derived from biological resources or associated traditional knowledge, applicants should disclose the name of the country providing the resources or traditional knowledge.

They should also reveal the country of origin and details of persons providing the matter.

(FE, 04.06.06)

Road Map for Future

The finance ministry is reported to soon present a road map for reducing the overall subsidy burden on food, fertilisers and petroleum to the Cabinet Committee of Economic Affairs.

The ministry is currently reviewing the Rangarajan committee report on petroleum subsidies while the YK Alagh report on fertilisers is being examined to finalise the third stage of urea price mechanism.

Earlier, the Rangarajan committee had favoured removal of subsidy for domestic gas through a one-time increase of Rs 75 per cylinder followed by a gradual phase out of the subsidy.

It had also recommended that the subsidy for kerosene should be limited to those below the poverty line.

(BS, 11.04.06)

In the Interest of the Industry

The Federation of Gujarat Industries (FGI) has demanded that the government should take a decision, keeping in mind the interest of the industry in the state.

The decision centers around the extension of the benefit of value-added tax (VAT) to the fuel used for captive power plants that have the capacity to produce 1,200 watts of electricity.

The demand has been raised after the government made it clear that any fuel used by captive power plants will not be given relief under VAT.

Citing an example, FGI officials pointed out that power of assessment in VAT regime would remain with bureaucrats — which is an issue that requires immediate attention.

They also said that there are number of captive power plants having capacity to produce more than 1,200 mw of electricity, which require relief under the new VAT regime.

Apparently, unit owners will not be reimbursed taxes paid for fuel, as it is not covered under VAT. As a result, production costs will increase.

(*FE, 04.01.06*)

Entering the Capital Market?

The government is likely to clear the path for public broadcaster Prasar Bharati (PB) to raise capital from the market, in order to become financially independent.

The Group of Ministers (GoM) in its first meet on Thursday deliberated on the issues. The first was to take the necessary steps for allowing PB to borrow capital from the market, and the second was to allow the smooth transition of government-owned DoorDarshan and All-India Radio assets to the direct control of PB.

PB is currently being funded by loans and grant-in-aid. Sources report that the GoM is likely to endorse the view of allowing PB to borrow capital from the market and all the physical assets should be moved under its direct control.

The GoM is also likey to clear a financial assistance package for PB to improve the service conditions of the existing employees as well as to attract future talent, sources added.

(*FE, 18.05.06*)

Matter of Transparency

When a company undergoes merger or restructuring, lack of transparency involved in the procedures often causes shareholders to get affected to a large extent.

Small investors remain clueless as to the companies' assets, earning potential and market value when companies opt for mergers, amalgamations and de-mergers.

Keeping this in mind, the company affairs ministry has appointed two panels for creating independent professional valuers who would undertake mandatory valuation of all corporates going for merger or restructuring with due consideration of the stakeholders.

The idea behind establishing these panels is to protect the interests of stakeholders, particularly minority shareholders, by making the valuation process more transparent.

(ET, 21.05.06)

Tightened Check

The Securities and Exchange Board of India (SEBI) and the central government plan to hire professionals to investigate and monitor the compliance of Clause 49 meant for corporate governance.

Further, in order to assess the quality and independence of the independent directors, it has been reported that SEBI will look into the composition of the board of directors of companies.

The regulator was also in the process of addressing some of the loopholes and inadequacies of Clause 49. This includes coming out with a definition of Independent Director.

SEBI's chief opined that formal education was not a necessary requirement for becoming an independent director. What mattered was the new perspective that an independent director could bring to the company.

(FE, 07.04.06 & BL, 29.06.06)

Model Code of Conduct

It has been reported that a model code of conduct for board directors is on the cards, being finalised by the corporate governance committee of the Institute of Chartered Accountants of India.

Sources relayed that this is a basic document that would come in handy for both directors and the company, especially in view of the revised clause 49 of the listing agreement.

It would help directors comply with various laws in the interest of the company and also protect their independence in the expression of their views at board meetings for the benefit of stakeholders

Further, besides promoting healthy discussion and debate in board meetings, the model code is also intended to guide directors' functioning in audit, ethics or grievance committees. *(BL, 11.04.06)*

For Enhanced Flexibility

A Bill that aims at enhancing the flexibility of board of directors of banks with a view to improve corporate governance may be soon introduced in the parliament for approval.

Earlier, the Cabinet had approved amendments proposed by the parliamentary standing committee on the Banking Companies and Financial Institutions Laws Amendments Bill.

Once the bill is approved and proposals made take form of a law, it would help improve corporate governance, increase corporate fairness, transparency, and accountability. *(FE, 18.05.06)*

Recommendation

The Ministry of Company Affairs has urged the offices of Registrar of Companies (ROCs) to adopt a new look, physically as well as in functioning and attitudes to meet the requirements of the corporate sector in the new economic environment.

The Ministry emphasised that ROCs and Regional Directors were the interface where interaction with the corporate sector, professionals and other stakeholders took place, and hence this interaction should be facilitative and efficient.

The Ministry also advised ROCs to put in place internal systems to enable them to get early warning signals and alerts regarding any unhealthy practices by companies so that developments that affect the interests of stakeholders could be nipped in the bud.

(Indlawnews, 07.06.06)

Self-monitoring

In order to make the corporate sector more efficient and competitive, the government has underlined the need for bringing before the parliament a comprehensive and modern bill to amend the Companies Act.

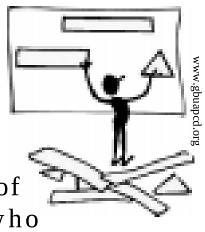
The Minister of State for Finance, Pawan Kumar Bansal, recommended self-regulation as a potent force to embrace ethical standards beyond the requirement of government regulation and adoption of a preventive approach to manage market irregularities rather than a reactive policy after the outbreak of a crisis.

If all companies maintain their ethical standards, then things would be much clearer and markets would witness a fair play. This way, critical conditions can be avoided and there would be no outbreaks that would require additions and further changes to the Companies Act.

Strengthening self-regulatory organisations is essential for safeguarding markets and setting harmonious condition to prevail, the minister added. *(FE, 03.05.06)*

Changing Over

Amul might go over a changing phase from a co-operative to a producer company. This change will be reflected in its standing in the market.



It would now have an unlimited number of members who will have the right to invest in the shares of the company while non-members would be restricted from doing so.

The company would become more flexible as compared to a co-operative wherein it can easily opt for branching out and investing in other companies.

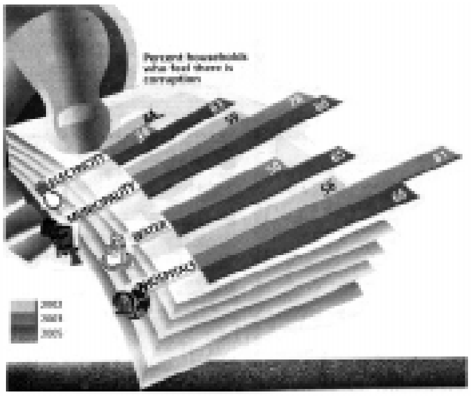
The producer company would become more liberal under the Companies Act as compared to a co-operative that requires permission from the state government for everything.

(BL, 16.05.06)

Some Interesting Results

The latest Centre for Media Studies survey on corruption across the country throws up some interesting results.

In most sectors, the proportion of the household that thinks there is corruption has gone up. What's interesting, however, is that the number of households that have actually paid bribes is lower. In the case of electricity, for instance, just 21 percent of households paid bribes in 2005, as against 63 percent who felt there was corruption.



An even more interesting finding was that only 10 – 35 percent of the households were aware that there was a redressal mechanism in these services, as a result of which usage of public services was poor. *(BS, 30.03.06)*

Cautioning Against

Recent survey findings by the United Nations Economic and Social Survey of Asia and the Pacific (ESCAP) has cautioned that if oil prices rise further by US$10 a barrel, the Gross Domestic product (GDP) growth of a developing country such as India could drop by 0.5 percent, inflation could rise by one percent and current account deficit could widen by 0.3 percent of GDP.

After several years, India has posted a current account deficit, and hence, against this backdrop, the ESCAP report bears great significance.

The report also underlines that to tackle the problems of unemployment and poverty, comprehensive package of policies and programmes is needed.

It also recommends that greater public and private spending for upgrading critical areas of India's infrastructure. *(HT, 01.04.06)*

Pat on the Back, Yet

The latest World Bank report has praised the Indian state governments for implementing large-scale reforms of the public service delivery mechanism across the country despite a poor overall outcome in service delivery and systematic problems that are yet to be resolved.

Systematic obstacles include over-staffing, frequent transfer of public servants, weak anti-corruption enforcement mechanism, and the need for electoral financing reform.

The report is an in-depth analysis of Andhra Pradesh's *e-Seva model*, Kerala's FRIENDS programme, computerisation of land records in Karnataka, Gujarat's computerised interstate check posts, computerisation of stamp and registration offices in Maharashtra, *e-Chaupal*, and other such initiatives. *(FE & ET, 18.05.06)*

Still, Not Good Enough

Based on statistics provided by the Asian Productivity Organisation, Japan, India ranks seventh among 18 Asian countries in Labour Productivity Indices Labour productivity growth in India was 5.38 percent in 1998, 4.41 percent in 2001, and 5.85 percent in 2004. The indices, have thus recorded a rising trend in India since globalisation.

Meanwhile, in terms of Environmental Performance Index (EPI), India is under-performing in many of the indicators related to environmental performance and protection of natural eco-system, ranking at a low 118th position among 133.

The study by the Centre for Environment Law & Policy analysed indicators such as child mortality, indoor air pollution, drinking water, sanitation, regional ozone, water consumption, wilderness protection, timber harvest rate, agricultural subsidies, energy efficiency, renewable energy, and carbon dioxide per GDP.

(ET, 05.04.06 & BL, 15.04.06)

Most Attractive Market

India has once again been declared the world's most attractive market for mass merchant and food retailers.

An annual study of retail investment attractiveness among 30 emerging markets called 'Global Retail Development Index 2006', carried out by management consulting firm AT Kearney, has found that China has further declined the ladder, falling to the fifth position, as against its fourth position last year.

According to the study, Asia has overtaken Eastern Europe as the dominant region for global retail expansion, with 40 percent of the top 20 markets, as against 35 percent for Eastern Europe.

Indian government's move to open up to 51 percent foreign direct investment to single-brand retailers has triggered market-entry announcements from some retailers and has signalled to international retailers that India is serious about opening up the sector, the study added. *(ET, 29.04.06)*

Demographic Scenario

The Indian demographic scenario has thrown up a few interesting trends, with population growth rates in the two southern States of Tamil Nadu and Kerala slipping below the one percent mark.

A similar declining trend in growth rates is observed in Andhra Pradesh and Karnataka. Ashish Bose, Honorary Professor at the Institute of Economic Growth, said, "Both Tamil Nadu and Kerala have had good social policies and have successfully communicated to their members the need for family planning. The growth figures are a result of these initiatives".

Analysts point out that there may also be statistical discrepancies in the available data. The sample is replaced every 10 years based on the latest census frame. It had been a practice to stagger the replacement process over two-three years. *(BL, 18.05.06)*

Trade Liberalisation not Enough

According to a new report presented by the World Bank's (WB) Independent Evaluation Group (IEG), WB's strategies on trade were successful in helping countries liberalise trade, but impact on employment and poverty was less than expected.

If developing countries are to reap larger gains from trade liberalisation, reforms need to be complemented with investments and institution building and measures to mitigate adverse affects, the report said.

The evaluation confirms that liberalising trade alone is not enough to generate growth and fight poverty.

The report recommends that the WB pay greater attention to address distributional outcomes, and to cushioning shocks associated with trade policies. *(BL, 16.05.06)*

"It is Realistic"

Raghuram Rajan, Chief Economist, International Monetary Fund (IMF), opines that India's medium-term goal of growing its economy 10 percent a year is realistic if it can boost infrastructure and job creation.

Rajan stated that India excelled at high-skilled industries but needed to work on developing more labour-intensive sectors and also the infrastructure needed to accommodate them.

IMF economic counsellor further pointed out that the two areas where India has faltered is infrastructure and employment growth. The government needs to work much harder on getting employment growth to pick up, as infrastructure is not difficult to deal with, if there is a will. *(BL, 20.04.06)*

Espousing Overhaul

The National Knowledge Commission (NKC) has recommended an overhaul of the system of governance before attempting large-scale computerisation.

E-governance efforts are primarily based on computerising age-old processes. Simply digitising the existing government processes merely adds an additional layer of expense, complexity, delay and confusion, observed NKC Chairman, Sam Pitroda.

Pitroda noted that India had a lot of software talent, but is busy solving the problems of the West while the problems of the poor do not get good talent.

To make an immediate impact on the citizens, it is critical to identify and simplify 10 to 20 important processes and services such as birth and death certificates, proof of residence and host them as web-based services.

(TH, 13.05.06)

Inclusive Growth Needed

Upsurge in investments, low inflation rate, and ample foreign exchange has accelerated the Indian economy, said Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission.

He maintained that while there had been a 'good' growth for the economy, it was not 'sufficiently inclusive'. He added that if economic growth was to be inclusive, it had to factor in agriculture while concurrently addressing the issue of regional disparity.

Similar views were expressed by Ravi Venkatesan, Chairman of Microsoft India, who stated that inclusive development is the key to sustained growth in the country.

Venkatesan argued that while India's economic growth has been phenomenal, there are challenges that need to be addressed – those of education, creating jobs, helping small and medium businesses to be more competitive, and economic growth for those living in rural India.

In this context, Ahluwalia added that the priorities of the government looking to next generation reforms are the areas of health and education with the public sector playing a major role and the development of infrastructure, including irrigation.

(BL, 20.04.06 & TH, 23.04.06)

Impact Assessment

The world spends more than US$330bn each year on different programmes to improve health, educational and other social sectors, but very few get evaluated for their impact on people's lives.

This was highlighted in a consultation workshop jointly organised by the National Council for Applied Economic Research (NCAER) and the Centre for Global Development (CGD). Citing instances from India that it has spent US$1.3bn on primary education as part of the DPEP programme, NCAER said a comprehensive and systematic assessment of the impact of the programme on educational attainment was not available.

It added that the evaluations, which were conducted, were mostly of poor quality. Further, the gaps in the evaluations lead to wastage of money and allow many decisions about social sector expenditure to be made on political grounds.

To deal with the situation, CGD has proposed the setting up of an independent international facility to provide flexible funding for evaluation opportunities. *(FE, 15.04.06)*

Need to Take a Second Look

The chairman of the Economic Advisory Council to the Prime Minister, C Rangarajan, has called for revisiting subsidies, dividend distribution tax and tax exemptions.


The Economic Times

Rangarajan added that a relook at the subsidies has also become essential because these are the days of 'big ticket' expenditure. He further said that there is a need to revisit taxing dividend distribution at the hands of corporates instead of shareholders. Various tax exemptions also need to be relooked at.

Likewise, international rating agency Standard & Poor's has suggested that India should work on fiscal consolidation to help it bring deficits below the eight percent level on a sustained basis. This would put the high debt burden on a steady decline.

(FE, 21.04.06 & BL, 06.05.06)

An Indian Role in Africa

The 'one model fits all' approach of international funding agencies and the dominance of consultants from developed Western economies have frequently resulted in policies that are unsuited to the stage of the economies and the institutional and skills capacities in Africa.

S L Rao*

I was in Addis Ababa, Ethiopia, in March for a conference to discuss the findings of a research project on the environment for competition in Africa. It was organised by Consumer Unity and Trust Society of Jaipur, a consumer activist and research organisation, perhaps the only Indian non-governmental organisation with offices in Nairobi and Lusaka, collaborative African research institutions and a substantial information base about laws and practices in competition. Also engaged in research, advocacy and consulting, CUTS had local research teams in many African countries to study competition law, policy and regulation.

The last time I visited Africa and Ethiopia was on an export trip I undertook in 1968. I was keen to see what changes had taken place since then. Foreign exchange allowances for travel by Indians then were very limited. So many African countries had appeared prosperous compared to India. Most of my prospective buyers were Indian traders. Indians in East Africa were sending as much money as they could out of the country.

Today, most of Africa is the dismal continent, heavily dependent on charity, in the grip of aid agencies and consultants, with governance almost non-existent as politicians seek to perpetuate their power

The Economist has its outgoing editor saying in his farewell editorial: "It is true that Africa is the continent that has tragically had regress, not progress, because of war, the ravages of disease, and decisions by too many governing elites to stick to kleptocracy".

In 1968, East Africa, Ethiopia, Sudan and Egypt seemed unsafe and unstable. There was extensive corruption at high levels and tribal animosities. But one could hope that these countries that had only a little while back achieved independence from foreign rule or influence, would soon get down to the business of development. Jomo Kenyatta, Julius Neyrere, Léopold Senghor and many of the surviving great leaders of the African independence movements could lead them to prosperity.

Unfortunately, most African leaders emerging with independence were tribal and not national in their loyalties, money-hungry and corrupt, and with little ideological base or vision for their country. Honest leaders like Neyrere were woolly-headed, with illusions about the virtues of socialism. For instance, he nationalised internal trade. Such measures took Tanzania into economic disaster.

No African country at independence had the good fortune of India in its leadership. Mahatma Gandhi, Jawaharlal Nehru and Vallabhbhai Patel as well as many others provided a vision for India and a thrust for its economic development. Centralised planning then created an industrial and infrastructure base. Continuation of central planning and allocation of resources under Indira Gandhi in the Seventies and early Eighties put back India's development clock by at least a decade.

But in Africa, the colonial powers had done little to unify the nations whose boundaries had been drawn without regard to homogeneity. Aid funds were squandered on expensive consultants, stolen by politicians and administrators. Little was spent to improve the condition of the people. Almost every country went through years of fratricidal fighting between tribes, civil wars, and some even saw secession.

Unfortunately, this situation continues into the present day in almost all African countries except some like Botswana or South Africa. Tribal rivalries spill over frequently into the streets. Bombs, frequent shootings, kidnappings, 'car jackings', dacoities, and theft are common.

The 'one model fits all' approach of international funding agencies and the dominance of consultants from developed Western economies have frequently resulted in policies that are unsuited to the stage of the economies and the institutional and skills capacities in Africa. Sensible policies are introduced but without creating the necessary enabling environment of laws, institutions, identifying, recruiting and training suitable people, building an adequate and recurring base of data and information.

African countries vary greatly in land area, resources, population, resources, and education. When it comes to infrastructure services like electricity, telecommunications, railways, roads, and airlines, there is even less attempt to join together to create more viable market sizes. It would make eminent sense for contiguous countries to join to form a common electricity grid or a common telecommunications system. It would enable more entrants who could compete. Electricity availability and quality could improve. But countries fear loss of sovereignty and little has been done.

Competition is possible if there is an enabling framework in place. Not only must this enabling environment exist but there must also be means to identify and punish anti-competitive behaviour.

For many reasons such as small market size, dominance by one or more suppliers, poor information to consumers, competition may not exist. It is possible to enable the consumer to enjoy some benefits by simulating the effects of competition. But this requires independent and transparent regulation for issuing licences, determining tariffs, punishing anti-competitive behaviour and improving quality. In much of Africa such regulators either do not exist or are subservient to ministers and governments. We have similar problems of fissiparous tendencies, venal politicians, corruption and waste, but we have made progress, though very slowly. Africa's hope is in its youth, who must be given guidance and training. With a much better image, and having gone through similar problems, India can help. We should set up a programme that offers training to young educated Africans in socio-economic research, policy studies, methodologies for tariff determination, maintaining data bases, and so on.

We should also offer journalists in Africa exposure and training in independent regulation and governance by exposing them to regulators in infrastructure, pharmaceuticals, education, and transport. The impact of such exposure on Africa could be out of proportion to the investment.

**The author is former director-general, National Council for Applied Economic Research and is on the International Advisory Board of CUTS C-CIER. The article was published in the Kolkata-based English daily, 'The Telegraph', on April 10, 2006*

Public 'Sinking' Undertakings

Slow growth, inefficient management, low productivity, inadequate R&D, lack of marketing and shortage of working capital

A report by the Comptroller and Auditor General of India (CAG), on review of accounts of commercial undertakings, has uncovered how 'Public Sector Undertakings' have eroded a gigantic amount of 'Public' money. Unable to the face competition of a liberalised environment, as many as 88 PSUs have eroded net worth due to heavy accumulation of losses till March 2005, according to the report.

The simple causes responsible for this state of affairs are slow growth, inefficient management, slow productivity, inadequate R&D, lack of marketing, and shortage of working capital. The report contains a number of anecdotes to illustrate the causes.

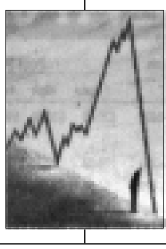
CAG rapped GAIL India for the faulty implementation of its ambitious telecom business, the GAIL Tel project, which resulted in a projected revenue loss of Rs 442.19 crore. CAG has also pulled up Air-India Ltd for making losses of Rs 101.25 crore during 2002-05, due to 'avoidable expenditure' incurred due to non-procurement of certain equipment. The flagship carrier lost Rs 8.21crore on outside repairs in the past three years, because it did not acquire some equipment despite fund availability. Besides, the company carried out a number of aircraft checks outside the country at a cost of Rs 57.37 crore during the same period, in spite of having in-house capabilities.

The report further brings out the government's negligence for not exercising care in negotiating huge armament deals with Russia, which even today is one of the major weapons and systems supplier to India.

Be it the Rs 6,500 crore deal for the purchase of Sukhoi, 30 multi-role fighters signed in 1996, or the Rs 3,000 crore deal to buy T-90 Main Battle Tanks concluded in 2001, or even the earlier agreement to acquire T-72M tanks, the country's financial watchdog said that all were flawed. Coming down heavily on the railways, CAG reported sanction of certain unviable projects without adequate justification. The CAG noted that of 137 gauge conversion and new line projects for which the rate of return was available, 133 projects were taken up on various commercial and socio-economic considerations. 46 of these projects had a negative rate of return. 61 projects were unremunerative and had a rate of return less than the required rate of 10 percent.

MONEY DOWN THE DRAIN

Bleeding Units **88**
Losses **Rs 82,001 cr**
Investment **Rs 14,469 cr**



Aggregate Net Worth **(-) Rs. 65,800 cr**
Amount to be Recovered **Rs. 34,295 cr**

Closure/winding up/sale **19 Units**
Revival package **14 Units**

CAG has documented glaring deficiencies in the six gas based power plants of National Thermal Power Corporation (NTPC) from concept to commissioning. The ensuring performance audit showed that "availability of committed supply of primary fuel was not ensured at the time of conceptualisation of the plants and actual supply was much lesser than the quantity assured by the Government of India". The NTPC has also been criticised for expansion of four projects without ensuring availability of primary fuel, despite having the experience of failure in getting the assured supply of primary fuel in the past.

Out of the 88 PSUs, 52 have been referred to the Board for Industrial & Financial Reconstruction.

The CAG report further stated that out of the 276 PSUs where data has been analysed in audit, only 164 PSUs could earn profits during 2004-05 and 101 PSUs suffered losses where the Centre reimbursed the shortfall by way of subsidy.

The challenges facing these PSUs are to cut costs, increase productivity, market their products and services aggressively and increase profitability. To summarise, what is needed of the PSUs is to 'Do or Die'.

(FE & BL, April-June 2006)

Indian Post Office (Amendment) Bill 2006

The postal system of India dates back to 1837 when postal services were first opened to the public. Since the Indian Post Office was reorganised as an institution in 1854, postal services have grown both in terms of the extent of the postal network and its scope and the variety of the services it offers. From being simple providers of mail facilities, DoP today has branched out into money transfer services, banking facilities, small savings services, insurance services, utility payment services, and even mutual funds and bonds.

The statute governing the postal services in the country is the Indian Post Office Act 1898 which vests the government with the exclusive privilege of collecting, carrying and delivering letters within the country. The Act is more than a century old. Over the past one and a half century of postal services in the country, the operating environment of the services has seen many changes. With the entry of courier services and fall in letter writing trends among the public, due to technological interventions, the country's overall postal department's business has come down substantially.

The pressures of a changing environment presented enormous challenges before the traditional postal business. As such, with a view to meet the twin challenges of technology and competition, attempts were made on the part of government to carry out amendments in the Indian Post Office Act, 1898, the latest being the one introduced in Parliament earlier this year.

Salient Features

- As per the existing Law, the central government is vested with the exclusive privilege in conveying letters and providing other incidental services thereto. Through this amendment, the Central Government proposes to liberalise and confine its exclusive privilege to carrying letters up to 300 grams
- Establishment of a Universal Service Obligation (USO) fund to offer subsidised postal services in economically unviable areas. Courier companies with revenues of over Rs 25 lakh would be made to contribute 10 percent of their annual revenues towards the USO fund.
- To regulate the largely unorganised courier industry and to bring about more accountability on the part of courier companies, the bill proposes all courier companies to get registered with the DoP.
- Establishment of an independent Mail Regulatory and Development Authority for creating a level-playing field for all mail service providers including the DoP and for safeguarding interests of consumers.
- Setting up of a Mail Disputes Settlement Tribunal for adjudication of disputes between the registering authority and registered service providers; among service providers; and between service providers and a group of consumers.

Panorama Across

In Short, this is Essential

The monopoly over a specific part of the letter mail up to a specified weight limit is essential, as the Department of Posts is required to fulfill the Universal Service Obligation (USO), which involves postal coverage to financially non-viable areas at affordable rates for the common man.

The courier companies operate only in creamy areas and big business centers with the sole motive of profit without a corresponding responsibility towards the deprived class of people residing in rural, remote, hilly, tribal, and inaccessible areas of the country. Hence, the large couriers only are expected to share at least to some extent the USO.

A multi-member Regulatory and Development Authority will work towards creating a level playing field and protect the interests of consumers in mail sector. This would facilitate entry of more operators in the market.

A multi-member independent dispute settlement Tribunal envisaged under the proposal would lead to opening up of mail sector and employment opportunities in the country, thus leading to economic development.

In a nutshell, the Rule of Law would prevail ending unethical business practices like cherry picking, prevailing as of now in the mail sector.

It will benefit consumers through implementation of quality standards. It will help couriers through the opening up of the letter market. It will help the postal department through healthy competition.

FAQs Answered, *Department of Post*

Have More Options on the Table

We appreciate and welcome the decision of the government to amend the 108 years old act, pushing for sensible reforms, but would request the government to uphold the right of consumers to choose from more options. Preserving government monopoly in areas where competition is feasible is not welcomed.

Let postal services compete by improving efficiency and innovativeness leading to good and personalised services to consumers. Postal department must undergo technological modernisation and diversification into other services. While India is opening up various public services to competition, why not in Indian post? Universal postal service obligation must also be enforced to service remote areas and villages by courier companies, through payment of compensation from USO funds and/or through stiff and clear-cut penalties.

The government's plan to setup a Mail Regulatory and Development Authority of India (MRDAI) for postal and courier services worth over Rs 3,500 crore is most welcome. The authority shall be an independent entity and not under the Department of Post. This hopefully would promote competition and efficiency in the operation of mail services by laying down quality of service standards. But the single man regulatory authority is not welcome. The MRDAI can be assisted by a group of consumer advocacy members who can conduct periodical surveys to investigate Quality of Service Parameters.

Dr T. Balachandran

President, Kerala Consumer Service Society

Stepping Back, not Forward

If the proposed amendments are enacted, it would imply consumers are denied a choice. Even if they have important, urgent, time-bound documents, they will have to perforce use Post. It will further wipe out a vibrant segment of our service sector economy and with it, over a million jobs.

The government's move to tax the express companies additionally (10 percent of turnover) is without any basis. Express companies are not in competition with the Post on the basic letters segment. Express companies offer vastly different service to what is offered by the Post. So why should the industry fund the Post to develop rural networks?

Further, a regulator is required where the service providers are limited and where the consumers could get affected due to cartelisation and quality of service offerings. But that is not the case with this industry, where over 2500 companies operate and customers have a choice to use number of alternatives based on quality, price etc. So, where is the need to bring express companies under a regulator?

The proposed legislation is a retrograde step. India needs an open, competitive courier/express structure to help it achieve its objective. It also needs a modern efficient competitive postal service. Each can survive very well in the deregulated environment that the government is developing overall.

Vijay Kumar

Chief Operating Officer

Express Industry Council of India

(Information in this article has been gathered from a host of website sources)

CUTS' Perspective – Need to Think out of the Box

CUTS, in a submission made to the government observed that the proposed amendments to Indian Post Office Act (1898), granting monopoly to Department of Post (DoP) in carrying letters weighing under 300gms is a retrograde measure - far removed from current market realities.

The proposed amendment to create a monopoly for the postal department to handle all mails below 300gms seeks to ensure a secured source of revenue to make good losses incurred by the department and is not the right strategy.

In the current scenario, there already exists a segmentation of market for postal services – ordinary mail vs express, thus leaving the choice of use entirely on the consumers. Through the proposed amendments, the government seeks to further segment the market, which would leave no choice for consumers in sending letters weighing less than 300gms.

On the matter of a USO type of fund to enable the post office to meet losses suffered in providing services in financially non-viable areas, the submission notes the experience of a similar fund in the telecom sector. Almost two thirds of the USO fund in the telecom sector i.e. Rs 7189 crore is still waiting to be used (the forecast for 2010 is Rs 25000 crore). In the light of this revelation, what is the viability of setting up another similar fund and how will the proposed fund ensure timely provision of mail services in rural and remote areas?

Competition can do wonders and can help increase efficiency in the DOP.

Instead of relying on USO fund, the DoP should focus on leveraging its nationwide network to provide non-mail services (e.g. insurance service, utility payment service, saving schemes etc) and raise additional revenues in the process.

It was recently reported that private cellular operators have struck a deal with the DoP to promote mobile services, especially in rural areas. Similarly, insurance and other financial service providers are being allowed to sell their products through post offices. DoP should explore such other avenues in the non-mail services where there is a huge potential.

The setting up of a Mail Regulatory and Development Authority is a welcome move. It would help in promoting competition and efficiency in the operation of mail services. But, the proposed body should be independent of the government.

For more: http://www.cuts-international.org/pdf/Indian_Post_Office_Bill.pdf)

Rainwater Harvesting

Rainwater harvesting can be initiated by anyone, in his or her own home, at one's own space and convenience. Clichéd and banal as it may sound, rainwater harvesting attunes us to wisdom, common sense, with a responsibility towards oneself and the environment.

Introduction

A poor, illiterate woman, Janaki is from Kepulakodi – a village in Karnataka that faces perennial water scarcity. Janaki came up with the idea of using her *saree* to meet her drinking water needs, to avoid a kilometre-long slippery walk down the hill during the monsoons. She first fixed bamboo rods firmly to the *saree* to keep it stable against heavy rains and winds. Then, the four corners were tied to bamboo poles, giving the *saree* a funnel-like shape. Thus, water could sieve easily into the pitcher.

The user-friendly applicability of Janaki's method of capturing rainfall impressed a local non-governmental organisation, Maithri Trust, to actively promote the same.

What Janaki did to deal with the lack of potable water is something that our ancestors have been doing, since a long time in history – adroit water management by harvesting rain in separate eco-regions of the country that simultaneously served as proactive catalyst for community development. Janaki's innovation is a continuation of a legacy termed 'rainwater harvesting'.

The Meaning

So, what does rainwater harvesting essentially mean? It simply means catching and holding rain where it falls and using it. This 'harvest' can be stored in tanks for immediate use or can be used to recharge groundwater.

But, needless to say, modern civilisation is a civilisation of waste; it is a civilisation that breeds want and deprivation. It is a civilisation that fails to fulfill basic human needs. Rainwater harvesting takes us to the roots of what constitutes conservation and a technology that follows Nature's way, instead of opposing it – a technology born of a knowledge of the earth and of the movement and the flow of water, embedded in theprinciple of frugality.

The Linkage – Past and Present

The simple, ingenious process of harvesting rain has fallen by the way. But, as water scarcity becomes increasingly apparent with taps going dry, the age-old practice of rainwater harvesting is on a revival with modern means. The tenuous link with the past persists, as India evolves contemporary means of harvesting rain.

Among the many traditional methods that bear a continuation to this day are the *Virdas*. *Virdas* are found in the Banni grasslands, part of the Great Rann of Kutch in Gujarat and are shallow wells dug in low depressions called *jheels* (tanks). They are systems built by the nomadic Maldharis, who used to roam these grasslands. Now settled, the Maldharis continue using the *virdas*.

There are many such traditional means like the *virdas* across the country, from the mountainous reaches of Northern India to way down South – each with their own wonderfully unique structure and method. Such means of harvesting rain is currently on a revival at the behest of micro-initiatives – either undertaken by the community or initiated by local voluntary organisations. A point of note is that the revised and updated National Water Policy of India adopted on April 1, 2002 advocated for resettlement and rehabilitation, financial and physical sustainability, private sector participation, and most importantly, a participatory approach to water resources management as core areas of focus and action.

Swajal encapsulated the participatory approach, thus initiating a paradigm shift in delivery of sustainable water supply and environmental sanitation facilities in the state of Uttar Pradesh.

The project was rooted in its strength of being demand responsive, facilitating active community partcipation, attuned to gender sensitivity, while meeting the need for water – focusing on higher supply-service levels, bearing in mind quantity, quality, equity, reliability, coverage, and access. The project came to its closure in the 2003-2004 fiscal, and an outcome of the endeavour was the "Uttaranchal Rural Water Supply and Environmental Sanitation (*Swajal*) Project Management Unit", under the department of Drinking Water Supply, Government of Uttaranchal with the twin objectives to co-ordinate and monitor the implementation of *Swajal* and to implement Sector Reform Project and other projects sponsored by the Government of India.

Alternately, crawling, metropolitan India is a story of woe. Skewed, disproportionate development is more than apparent in that the cities are flooded during monsoons, yet there is acute scarcity of water. Subsequent to the short, intense spells of rainfall, much of the rain falling on the surface tends to flow away rapidly, leaving very little for recharge of groundwater. Unlike in the rural areas, traditional water harvesting systems have been neglected and fallen into disuse. In the context, rainwater harvesting offers a viable alternative wherein the run-off is captured – and this is a reality that modern cities like Delhi and Bhopal are waking up to.

Conclusion

A conclusive statement could perhaps be that the many separate illustrations draw a common line in that rainwater harvesting is a blessing combining as it does cost-effectiveness, adaptability, and saving on that fragile resource – water, in which life first trembled to being.

Information in this article has been collated from CSE's www.rainwaterharvesting.org, www.swajal.org and the publication, 'National Water Policy'.

How to Enhance Growth and Competitiveness*

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Government policies need to be framed and implemented in harmony with the market process and not in a manner that stalls it.

- Pradeep S Mehta

The Prime Minister, Dr Manmohan Singh, has lately been talking about the goal of his Government to raise the GDP growth to 9-10 percent. But to do this, it is not sufficient to focus on the 'hardware' component of economic management (that is, development of infrastructure), but equal emphasis must be given to 'software' (policies and practices of the government which shape the general economic environment). Alas, the latter is most often ignored. Despite the several wide-ranging economic measures from the early 1990s, the economy has grown at a rate well below its potential. Even the Tenth Plan targeted growth rate of eight percent is going to be missed. Expressing concern over the low share of manufacturing in the country's GDP, the Prime Minister called for increasing this share.

Lessons from Abroad

Faced with a similar situation, the UK and the European Community had brought out white papers on competitiveness in 1994. Both emphasised the need to ensure fair competition in the market as an essential ingredient for enhancement and maintenance of competitiveness. These prescriptions apply to India as well.

To derive the full benefits of its economic reform agenda and ensure the development of a competitive economy, Australia framed a National Competition Policy in 1995 comprising a set of policy reforms adopted by the federal and provincial governments. The objective was to ensure that the same competition principles applied throughout the economy. Not surprisingly, studies have shown that the Australian economy has garnered an annual gain in real GDP of about 5.5 percent.

In the case of India, even after liberalisation, government policies continue to be framed and implemented such that more often than not they thwart the market process and competition. There are several examples of such policy-induced anti-competitive outcomes.

For instance, despite trade liberalisation, certain elements of trade policy measures are anti-competitive in nature, such as anti-dumping that favours domestic firms.

Hurting Market Process

In several instances the government has fallen short of taking adequate measures to ensure fair market process and competition. The highly desired competitive neutrality is missing. Recently, the Railways opened up container transport to private operators, who will have to compete with Concor, a wholly-owned subsidiary of the Railways, and be dependent on the Railways to access tracks and engines to keep their rolling stock moving. This calls for a transparent and non-discriminatory access regime to ensure that the Railways do not squeeze out the private competition. But this framework is missing from the Railway Minister's announcement!

Not Right Instruments

Often, policies that deviate from competition principles are framed to address some socio-economic concerns. However, the instruments used to achieve what are otherwise laudable objectives are not the best ones.

Currently, the food subsidy policy uses the MSP-PDS operations to serve the 'conflicting' objectives of ensuring remunerative price to farmers and providing the foodgrains so procured to the poor at affordable prices. By implication, this entails a huge gap between the purchase and the issue price, and consequently a larger subsidy bill. The need of the hour is to separate the procurement of foodgrains through MSP mechanism from the PDS operations. Procurement of foodgrains for distribution to poor through PDS could be done through competitive bidding, which would minimise the cost of procurement.

Systemic Distortions

Most of the time, as policy outcomes are sought to be generated, it is a practice in India to do so without bearing in mind that policies need to be framed and implemented in harmony with the market process and not in a manner that stalls it. There is a lack of coherence in various government policies, highlighting the state of 'policy vacuum'.

What is required is the need to acknowledge the institution of the market. It is, therefore, time the Government adopted a National Competition Policy as the *mantra* for implementing economic reforms in the country.

It would help rationalise the role of the Government so that its intervention facilitates the functioning of markets and leads to higher levels of growth. Only then will a 10 percent growth be possible.

Issues for Discussion

- Would the adoption of a National Competition Policy be sufficient enough to redress lack of coherence in various government policies?
- What about the upgradation and fine-tuning of the regulatory mechanism? Can its importance be underscored?

**This is the first in a series of three articles that were published in The Hindu Business Line. The other two will be published in the subsequent issues of PolicyWatch.*

REGULETTER

The latest issue of ReguLetter (April – June 2006), the flagship newsletter of C-CIER, in its cover story, makes an attempt to bring forward the pros and cons of privatisation of public utility services in the light of the experiences in Latin American countries. The article tries to capture the debate surrounding the issue worldwide in an effective manner.

A special article by renowned professor, Alan Fels deals with the complex relationship between competition and regulation policy and administration, showcases how regulations in different countries have both hindered competition and economically efficient outcomes. The article concludes that in practice, relationship between competition and regulation is a complex one and not capable of easy generalisation.

About a Competition Law examines the competition law and institutions in Egypt. The article observes that Egypt, like other developing countries, has lacked the necessary pillars to have an effective competition law. It also observes that a number of regulatory measures have impeded competition in the country.

Feedback on Publications

We are pleased to announce the results of a feedback survey that CUTS had carried out on how the publications of the organisation are received by the readers. The purpose of carrying out the survey was to review CUTS' publications and outreach policy in order to make it more effective and useful for its target readers.

CUTS had prepared a Feedback Form for this purpose. In response to the question as to the 'frequency of reading' the publications, the survey revealed that 55 percent of the respondents read it usually and 33 percent read them more than 50 percent of the times. Only about two percent responded that they never read it. The survey revealed that 88 percent of the readers in total read our publications most of the time, thereby acknowledging our hard work in developing and disseminating these publications.

In response to the 'extent of utility' of our publications for our readers in their work, it was found that 45 percent of the readers found our publications useful and relevant most of the time.

To the question as to the 'quality of the publications', about 58 percent of the respondents found the publications to be good. There were about 28 percent who rated the quality as excellent. Only six percent found it of average quality and there were no responses at all to the below average option.

With regard to the 'unique features' of publications, majority of the respondents suggested our publications as being simple and reader friendly, useful and practical, and informative. There were a few who suggested that our publications are analytical and deal with issues left out by others.

The survey targeted civil society organisations, government agencies, inter-governmental agencies, academia and others, who actively participated in the survey.

For more on the survey, please access:
http://www.cuts-ccier.org/pdf/feedback-analysis.pdf

India Competition Perception Survey

CUTS has recently undertaken a research project with the support of the British High Commission, New Delhi to prepare a biennial report, christened as the 'India Competition and Regulation Report (ICRR)'. The project has been undertaken against the background that while India has embraced market-oriented economic reforms for the past 15 years, there is, as yet, no periodic review to assess functioning of markets in the country. ICRR is an attempt to fill this vacuum. For more please visit: http://www.cuts-international.org/icrr.htm

The report includes a survey component designed to gauge perception of informed stakeholders on competition and regulation scenario in the country. We seek your valued co-operation to provide your response on the questionnaire that has been enclosed with this issue. The questionnaire has 25 questions (all objective-type) and it would take about 30-40 minutes of your time to fill in the questionnaire. We would be grateful to receive your response on the questionnaire.

You may please return the filled questionnaire at the address given on the front page. Alternatively, you may submit your responses online.

The questionnaire is available at the following link:
http://www.cuts-international.org/ICRR_Survey1.htm

SOURCES

ET: The Economic Times, **BS:** Business Standard, **TH:** The Hindu, **BL:** Business Line, **FE:** The Financial Express, **HT:** Hindustan Times

The news/stories in this Newsletter are compressed from several newspapers. The sources given are to be used as a reference for further information and do not indicate the literal transcript of a particular news/story.