PolicyWatch

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

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HIGHLIGHTS

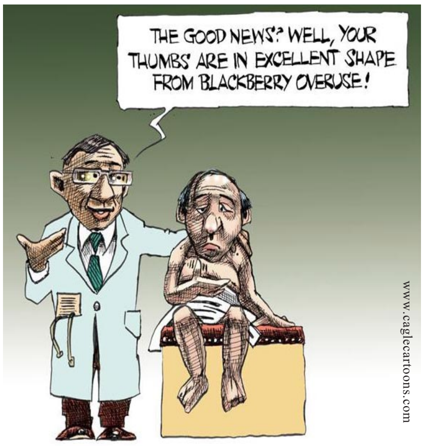
"The reformer has enemies in all those who profit by the old order and only lukewarm defenders in all those who would profit by the new." **Machiavelli** in *The Prince*

When Doctors Go Downhill

Household out-of-pocket expenditure constitutes 69 percent of overall healthcare expenses in India, of which cost of medicines constitutes a big chunk. Unethical practices by some healthcare providers contribute much towards holding household medical expenses at such high levels.

One expects that malpractices will only get worse, given the surge of restructuring in Indian pharma. A large number of Indian pharma companies have been acquired by multinational pharma giants and experts believe that such phenomena would only send drug prices northwards. It is also feared that a majority of these merged pharma companies would gradually promote their patented, specialised and super-specialised segments at the cost of the low-cost generics. This would adversely affect the overall availability of low-cost drugs.

It is a widely known fact that doctors are influenced by pharma companies to prescribe their medicines. For example, when Piramal Healthcare in Mumbai took some 200 diabetologists and a batch of oncologists to Turkey, some of these travellers were investigated by Medical Council of India. Dr Reddy's Lab in Hyderabad paid for about 200 doctors to visit Hyderabad. Given such a trend, doctors would be under a great pressure from these firms to prescribe their products.



The government's recent plan to clamp down on doctors' practice of prescribing unnecessary drugs or overprescribing is an extremely timely step in the right direction. Further, the Union Health Ministry's inclination to have doctors put on record reasons for a specific medication or diagnosis is likely to create more pressure on medical professionals to act in *bona fide* fashion. All these steps would be part of the Clinical Establishment Bill, 2009, which the Union health minister Ghulam Nabi Azad is pushing for adoption by the Parliament.

By its very nature, the delivery of health services is marked by decisions taken by the physician treating a consumer, and not the consumer himself. While a consumer can choose the brand of soap he wants, he cannot do so for the medicine that the doctor has prescribed. This unique phenomenon can encourage deception by doctors, pharmacists and hospitals to profit at the expense of the consumer.

Geeta Gouri, Member, Competition Commission of India (CCI) at a recent CUTS seminar stated that CCI would take all necessary steps to address competition concerns in social sectors such as health and education. The seminar witnessed the launch of a new CUTS-Oxfam India project that aims to evolve a national discourse for addressing collusive or deceptive practices by combining effective regulatory enforcement with informed consumer actions.

We hope that CCI would be equally effective in dealing with perpetrators of collusive practices in the Indian healthcare sector and ensure that the Indian consumer is not ripped off.

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COMMUNICATION

Goodies for Panchayats

In a bid to woo villagers to supporting the broadband infrastructure roll-out in the rural areas, the Department of Telecom (DoT) proposes to offer a slew of freebies at the *panchayat* level. This includes giving three broadband connections to every *gram panchayat* free of charge for three years along with free installation of computer and printer; three telephone connections and one cable TV connection without any charge.

The sops will cost about ₹2,000 crore, which will be funded through the Universal Services Obligation fund. The move is aimed at helping the rural people experience and relate to benefits of broadband in a better way. The DoT is also hoping that the freebies will also soften up villagers to give unobstructed right of way to rollout the infrastructure. *(BL, 13.07.10)*

Google Pushes for Net Neutrality

Internet giant Google has written to the Telecom Regulatory Authority of India (TRAI) pushing for Net neutrality which will enable consumers to access services and products irrespective of the operator.

Net neutrality is a major issue being debated in countries such as the US where some service providers want to promote content where they get higher revenue share and block content offered by rival operators. The Internet has more or less remained neutral because no one entity, government or corporate, owns it. But off late telecom companies want a share of the revenue earned by content providers and therefore put restrictions on the services available to consumers. *(BL, 01.08.10)*

No. Portability to be Extended

After three extensions since 2009, India's telecommunications regulator has asked the DoT not to move the deadline for implementing the mobile number portability (MNP) system any further. MNP will allow users to change their telecom operator without having to change their mobile phone number.

The system was supposed to be implemented in a phased manner from December 31, 2009. MNP requires every operator to set up a so-called data gateway, which will store the numbers that have shifted to another operator and forward calls on those numbers to the new operators. The telcos need two months to test the gateway before launching the service. *(Livemint, 23.07.10)*

No to Unwanted Calls, SMSes

The DoT and the telecom industry are working towards a consensus to resolve the issue of unwanted calls and messages on mobile phones. This may include imposing criminal liability on telemarketers and allocation of a distinct number series for them, so that customers can recognise the source of the call.

DoT is considering a view of the operators that there should be a criminal liability on the defaulting telemarketer after a warning, penalty and disconnection if it continues to make unsolicited calls to customers who are registered under the national do-not-call registry. *(BS, 19.08.10)*

TRAI to Cap Cable Fee at ₹250

The TRAI informed the Supreme Court that it plans to cap the monthly cable TV charges at ₹250 across the country, except in areas where conditional access services are available. The TRAI is considering limiting the monthly cable charge to ₹100 per month for a minimum of 30 free-to-air channels.

Moreover, TRAI said for those subscribers opting for a basic package with up to 20 pay channels, the monthly bill will be fixed at ₹200. Customers choosing a basic package with over 20 pay channels will have to pay ₹250 per month. TRAI filed the affidavit after the Apex Court had directed it to formulate a comprehensive pricing mechanism for cable services in non-CAS areas after consulting various stakeholders. *(FE, 21.07.10)*

Digital TV by 2013

Cable television viewers will have to invest in set-top boxes if the regulator TRAI has its way. TRAI has suggested that by December 31, 2013, analogue television, which is currently offered by most cable operators in the country, should be completely phased out.

The implementation of the TRAI recommendation could put an additional financial burden on both viewers and service providers. While viewers may have to shell out anywhere between ₹7,500 crore and ₹15,000 crore, the service providers may have to invest approximately ₹55,000 crore in upgrading their infrastructure. Service providers setting up digital distribution networks before December 2013 will be eligible for a tax holiday from April 2011 to March 2019. *(BL, 05.08.10)*

More Telecom Gear to Face Security Check

Import of telecom equipment into India could face further delay as the Centre has just expanded the list of 'core equipment' that will now require mandatory security clearance. The Telecom Ministry has just classified the all-important mobile operator billing systems, servers and user workstations as "critical core equipment" in the final draft of proposed network security norms.

This takes the total number of items classified as 'core' or requiring security clearance for their imports to 18. The Home Ministry and the DoT believe billing systems, servers and user workstations can be prone to subversive activity, and therefore, have made it mandatory for security agencies to check them for any embedded malware, spyware, trapdoors or trojan horses before allowing a mobile operator to import them. *(ET, 09.07.10)*

TRANSPORT

Mass Rapid Transport System

Keeping in mind the increased requirement of mass rapid transport system (MRTS) in urban areas, the government has proposed to support MRTS in million plus cities. Saugata Roy, Minister of State for Urban Development said that whether bus based or rail based, in all million plus cities in the country as per 2001 census. However, he said all the proposals must be supported by Comprehensive Mobility Plan and if required, by Alternatives analysis report also.

He said proposals for 'bus rapid transit system' have been received from states like Gujarat, Maharashtra, Rajasthan and West Bengal. Proposals for expansion of Delhi metro service to neighbouring towns have also been received.

(BL, 26.08.10)

PPP for Major Ports

The concept of public-private partnership (PPP) in major port projects is more than a decade old. However, 80 percent of the projects on this mode were awarded between 1997 and 2004. It was only last year when the Ministry of Shipping awarded 13 more projects to various private enterprises, most of which are in various stages of implementation.

Under the National Maritime Development Programme, the country's port sector requires an investment of ₹55,000 crore. Out of this, ₹34,000 crore is expected from private sources, mainly in commercially viable projects like development and operation of berths and terminals, among others.

(BS, 07.07.10)

DFC-dedicated Freight Corridor

The work toward ambitious dedicated freight corridor (DFC) of Indian Railways might not have covered much ground in the last five years but the total project cost has escalated more than twice during this time. Railways planned to build the corridor, which is pegged to ease freight movement and contribute to the industrial development of the country at ₹28,000 crore.

However, the cost has now increased to nearly ₹73,000 crore, according to officials of Dedicated Freight Corridor of India (DFCCIL). DFCCIL is a special purpose vehicle (SPV) created by railways to develop the corridor by financial year 2016-17.

(FE, 17.08.10)

Air Safety at a Price of ₹12

Air travellers may have to pay a safety fee of ₹12 per head to fly safely within and from India under the watchful eye of an effective aviation regulatory agency that would replace the rusty Directorate General of Civil Aviation (DGCA) in not so distant future. India had asked the Montreal-based International Civil Aviation Organisation (ICAO) to finalise the blueprint of autonomous civil aviation authority (CAA) that is capable of maintaining a hawk's eye for air safety here.

This fee has been suggested along with a 20 percent hike in current licensing, certification and other fees to meet the revenue requirements of the "not-for-profit" Indian CAA that would be under the 'supervision' of the aviation ministry. All capital expenditure has been proposed to be financed by the central government, along with the setting of a CAA India Fund.

(ToI, 05.08.10)

Uniform Law to Govern Ports

The shipping ministry has kick-started an exercise to bring in a comprehensive law that will subsume existing Indian Ports Act, 1908 and Major Ports Act, 1963. The measure comes in the backdrop of severe criticism of the present archaic laws even as ports are undergoing significant capacity expansion.

The proposed law would remove duplication in provisions of the two Acts. Indian Ports Act applies to all ports, major or minor, while Major Ports Act is applicable to the 13 major ports of the country. In addition to this, what adds to the confusion is that major ports are governed by Central Government and minor ports by states – with the two having different approaches to development.

(FE, 05.08.10)

Revert to Old Bid Rules

In a further twist in the controversy over the new bidding norms for the roads sector, the Finance Ministry has asked the country's apex highways body, the National Highways Authority of India (NHAI), to revert to the previous regime of awarding contracts.

At the core of the controversy is the new guidelines set by the NHAI that bars a company from bidding for new projects if it has already won three road projects but not achieved financial closure.

The new rules also impose restrictions on sub-contracting, saying that only those contractors that have completed at least one project of more than 20 percent of the cost of project being subcontracted or ₹500 crore, whichever is less, will be eligible.

(ET, 02.08.10)

No Commercial Use of Land

Following protests over the Yamuna Expressway – a 165-km state government project connecting Delhi to Agra – in Uttar Pradesh, NHAI has dropped its plan to allow developers to use land along expressways for commercial purposes instead of seeking viability-gap funding (VGF).

To make unviable expressway projects viable, NHAI had planned to give land along expressways to the developer for commercial utilisation. The government provides viability-gap funding of up to 40 percent of the total project cost in a normal road project executed in private participation.

(BS, 22.09.10)

OIL & GAS

No Diesel Decontrol Yet!

The government ended the confusion over pricing of saying the fuel has not been decontrolled like petrol, but reiterated its commitment to cutting wasteful subsidies. It said that it was deregulating prices of petrol and diesel, but limited the increase in the case of the latter to only ₹2 a litre.

The impression was that diesel prices would be made market-based gradually but the lack of clarity over how soon that would happen suggested that the government may have developed cold feet after a huge uproar over the fuel price increase.

(ET, 21.07.10)

Gas Policy Tweak to Help NTPC

The government may amend its gas allocation policy to get around the rule that state-owned companies cannot start project before securing fuel linkage, allowing National Thermal Power Corporation (NTPC) to start work on its numerous stranded power plants.

Several of NTPC's proposed gas-based power projects are stranded because of a Department of Public Enterprise guideline that says state-owned companies cannot order equipment and begin construction activities before securing fuel linkage for the projects. Instead of reworking the guidelines that seem to discriminate against the state-owned companies, the government is trying to fix it through a tweak in the gas allocation policy. *(ET, 02.08.10)*

IndianOil Hikes Petrol Price

From September 21, 2010 petrol will become costlier by 27 paise at over 18,600 retail outlets of Indian Oil Corp, building it the first state-run oil company to work out the pricing freedom proclaimed by the government on June 26, 2010.

Other public sector fuel retailers like Hindustan Petroleum and Bharat Petroleum will follow the market leader by raising petrol price between 28 and 26 paise. The move will promote private oil companies like Reliance Industries, Shell India and Essar Oil which could not price petrol and diesel at market rates due to below-cost pricing by public sector firms. The three state-run oil companies control India's fuel retail business with over 90 percent market share.

(www.topnews.in, 21.09.10)

Ethanol Price not Final

The contentious issue of ethanol pricing could be back on the drawing board again despite a ministerial panel endorsing a ₹27 per litre price only. And sugar companies may have to refund extra payment made by oil marketing companies, if an expert panel constituted to look into the issue suggests a lower price.

The expert panel will deliberate on a "fair and remunerative" price for the commodity. The expert panel will propose ethanol price based on a formula/principle that is "transparent" and takes into account "the dynamics of pricing of sugarcane and petroleum products, so that it could be applied in the future as well". *(ET, 04.08.10)*

PNGRB Authorises Piped Gas

The Petroleum and Natural Gas Regulatory Board (PNGRB), the country's gas regulator, will now get powers to authorise gas pipelines and the city gas distribution (CGD) networks, as the government has finally decided to notify a crucial Section in the PNGRB Act of 2006.

Section 16 authorises the regulator to lay, build, operate or expand a city or local natural gas distribution network. The notification comes after Delhi-based natural gas retailer Indraprastha Gas Ltd (IGL), which claimed a pre-PNGRB authorisation for CNG operations in Ghaziabad, and Voice-of-India, a non-government organisation, had challenged PNGRB's power to issue authorisation for a CGD network for Ghaziabad in the Delhi High Court. *(BS, 15.07.10)*

Royalty Regime for Shale Gas

The government is planning to adopt the royalty system for raising revenue from hydrocarbon reserves, just as it does now in the case of minerals like iron ore and graphite. It is looking at replacing the current production-sharing framework with a royalty regime when it invites bids early next year for exploration and production of shale gas.

The royalty regime would enable the government to get its share of the value of gas produced from the first unit itself without any uncertainty. The production-sharing regime gives the producers the flexibility to share profits with the government after recovering costs through a competitive bidding mechanism.

(FE, 06.08.10)

Get LPG Cylinder at Your Time & Day

Working couples without other family members or a domestic help need not worry anymore about who will take delivery of that cooking gas refill when they are at work. For a few rupees more, consumers can specify the day and time of delivery while booking a refill.


Times of India

Oil minister Murli Deora launched the 'preferred time delivery' scheme as part of the ministry's efforts at improving customer service. A delivery either before 8 am or between 6 pm and 8 pm will cost an additional ₹50. In Delhi, it would mean paying ₹395 instead of ₹345. Deliveries between 8 am and 6 pm, but on a specific day, will cost ₹25 extra. The additional payout will be ₹25 in cases where a customer is specific about getting the cylinder on a Saturday or a Sunday.

The flexitime delivery service for cooking gas could also prompt others such as courier services and banks to follow suit as the problems faced by consumers are similar. *(ToI, 14.07.10)*

POWER

ERCs to Fix Power Tariffs

The Supreme Court has ruled that the electricity regulatory commissions are vested with the powers to fix tariffs for electricity. The court set aside the order of the Appellate Tribunal for Electricity which had ruled that Andhra Pradesh has no such power.

The apex court, however, asked AP Electricity Regulatory Commission to examine the issue of whether the private power developers could be permitted to sell the electricity to third parties other than the state-owned utilities.

The tribunal in its order passed on June 02, 2006 had said that AP Electricity Regulatory Commission has neither the power nor jurisdiction to compel the developers to sell the power generated by them to APTRANSCO and/or DISCOM.

(ET, 19.07.10)

CERC Allows Grid Connectivity

The Central Electricity Regulatory Commission (CERC) has advised the Union Power Ministry to achieve the level of renewable purchase obligation (RPO) by states to 10 percent by 2015. RPO is the percentage of electricity to be procured from renewable energy sources.

According to CERC, in order to meet the 10 percent RPO level by 2015, about 45,482 mega watt (Mw) of renewable energy capacities would be required. The commission has noted that in some states the impact of including renewable energy could be relatively higher than other states.

This would be typical for states which have fuel resources and therefore the cost of conventional energy is less. At present, renewable energy accounts for about 4 percent of the country's overall electricity generation. *(BS, 10.08.10)*

Fund for Power Projects

The Power Ministry is considering setting up of a ₹50,000 crore fund for financing projects and may rope in state-run lenders Power Finance Corporation and Rural Electrification Corporation for the same. The proposal for setting up the debt fund is at a nascent stage and the ministry is yet to work out the final modalities. It is also in constant dialogue with the Planning Commission for working out a blueprint of the proposed fund.

The proposed fund is expected to finance the various power generation, transmission and distribution projects and also refinance those projects, i.e. providing funds to the smaller lending institutions or the companies for funding the projects. *(BS, 04.08.10)*

Competitive Bid Rule for Power

The state-owned companies like NTPC and NHPC may have to compete with private firms for distributing power, a move that could lead to lower consumer tariffs, as the sectoral regulator CERC has called for competitive bidding for electricity supply from 2011.

The Power Ministry had sought CERC's advice on the proposal of NTPC for amendment in the Tariff Policy to permit continuation of the cost plus tariff structure for PSUs beyond the deadline of January, 2011. At present, PSUs like NTPC and NHPC charge cost plus tariff – a lump-sum fee as well as a per-unit charge from the distribution companies or discoms. Currently, Tariff Policy 2006 allows PSUs to adopt the cost plus tariff structure.

(ET, 22.09.10)

Power Deficit Rises to 13.8%

The country's power deficit in the first quarter of 2010 increased to 13.8 percent, against 12.8 percent in the same period a year ago, despite around six percent improvement in power supply, according to figures released by the Central Electricity Authority (CEA).

The peak demand (provisional) for power was 119,437 Mw in April-June 2010, about seven percent more than peak demand (provisional) of 111,662 Mw in the same period in 2009-10. The gap in the demand and supply of power widened to 16,434 Mw in the April-June 2010, compared to a deficiency of 14,307 Mw in the same period in 2009. *(BS, 25.07.10)*

Contracts on Power Exchanges

To address the issue of uncertainty in getting power on exchanges on a daily basis, an advisory committee of the CERC proposed introduction of monthly contracts on the exchanges. At present, monthly contracts through the traders are done at much higher prices, compared to prices discovered on the Indian Energy Exchange (IEX) and the Power Exchange India (PXI).

The month-ahead monthly delivery contracts would be regional contracts traded a month in advance and for a delivery period of one month. Currently, IEX and PXI have launched contracts in intra-day, day-ahead, month-ahead and weekly ahead markets. The scheduling of power would be similar to the bilateral transactions scheduling.

(BS, 21.09.10)

Open Access Reworked Upon

The Union Power Ministry has decided to rework a Cabinet note on hastening the implementation of open access, where large consumers of power will be allowed to choose their supplier. An inter-ministerial task force on open access, headed by Planning Commission member B K Chaturvedi, had given an earlier report. Post this, the Prime Minister's Office had asked the Cabinet Committee on Economic Affairs to finalise a policy on the matter.

Apart from ensuring state governments' compliance, another point of contention is an earlier proposal by the Planning Commission to allocate a portion of power generated from centrally-owned utilities for open access to large consumers. The Power Ministry had opposed the proposal, fearing loss of its control over allocations from the central quota. *(BS, 22.09.10)*

MIXED BAG

IRDA's Stand on Excess Funds

The Insurance Regulatory and Development Authority (IRDA) along with other regulators will adopt a common stand on the issue of parking excess funds with the government.

The Finance Ministry ent a directive to IRDA and the Securities and Exchange Board of India to deposit their surplus funds with it, following a recommendation from the Comptroller and Auditor General of India. As per government estimates, total surplus fund with the financial regulator was about ₹1,800 crore. The sources of income for regulators are mainly fines and fees besides allocation made in the Budget.

(BS, 22.08.10)

Farmers in Agri-insurance Net

With global warming now becoming a permanent fixture in the Indian agriculture landscape, state governments and insurance firms are rushing to provide crop insurance for farmers. The cover would be mandatory for those who grow notified crops and have availed seasonal agriculture loans.

The Economic Times

The scheme will be on a compulsory basis to loanee farmers. For the non-loanee farmers, the scheme is optional. The indemnity level for maize, paddy, potato and ginger crops has been kept at 80 percent of the average yield. High awareness level about agri-insurance in northern states makes this market attractive but that distribution is a key challenge in a country like India. *(ET, 08.07.10)*

Cap on Traditional Plan Charges

In a move that would provide relief to insurance policyholders and help curb mis-selling by agents, India's insurance regulator plans to cap charges on all traditional life policies, extending a clean-up that began with the controversial unit-linked insurance plans (Ulips) in July 2010.

Under current norms, agents are entitled to a commission of up to 35 percent of the premium paid in the first year on traditional policies, which include endowment, money-back and term assurance plans. Agents of insurers that are less than 10 years old are allowed to pay as much as 40 percent; state-owned Life Insurance Corp. of India is the only insurer older than 10. *(Livemint, 16.08.10)*

Capital Inflows May Rise

The Reserve Bank of India (RBI) said there was a possibility of return of another phase of capital inflows, indicating this might pose a challenge for currency and interest rate management.

While a stronger growth could help absorb higher foreign capital within the limits of sustainable current account deficit, excess inflows would entail the risk of exerting appreciation pressure on the rupee, which in turn could weaken the competitive advantage of Indian exports.

Excess capital inflows would continue to pose a challenge for the exchange rate, the interest rate and the inflation environment and might weaken the beneficial impact of capital flows on economic growth.

(BS, 25.08.10)

DJB to Outsource Operations

The Delhi Jal Board (DJB), the capital's water utility, is planning to outsource operations and management of one of its seven zones to a private contractor to curb high leakage rates and improve performance. The plan is in its initial stages and the utility has asked Infrastructure Leasing and Financial Services Ltd to prepare a detailed project report for privatising the operations and management of the Nangloi zone, which includes a water treatment plant with a capacity of 40 million gallons a day and supplies water to some 700,000 residents in the national capital's western suburbs.

The project report is expected by January 2011, after which the government may look to get funds under the ₹50,000 crore Jawaharlal Nehru National Urban Renewal Mission to part-finance the project. The zone has 300,000 metered connections, making it one of the smaller administrative zones under DJB. *(Livemint, 04.08.10)*

Water Efficiency Norms

Washing machines may soon sport a water efficiency label just like that for energy efficiency on your refrigerator and televisions. Industries may have to initiate water audits, while farmers could need to tweak their irrigation practices for efficient water use.

All this could become a reality with the government keen on initiatives to increase efficiency in water usage. The Ministry of Water Resources has initiated talks with various stakeholders, including non-governmental organisations (NGOs) and state governments, on the possibility of setting up a Bureau of Water Efficiency on the lines of Bureau of Energy Efficiency (BEE).

(BL, 30.09.10)

No Interference with Regulators

The Finance Minister, Pranab Mukherjee, said that the government will not interfere with the autonomy of financial market regulators. The Minister's remarks assume significance in the context of the RBI Governor expressing concern over the recent ordinance which could undermine the autonomy of the regulators.

The government had passed an ordinance last month bringing Unit-Linked Investment Products solely under the jurisdiction of IRDA. The ordinance also said that any such hybrid product in the future will be reviewed by a joint committee. "The ordinance says clearly that if there is a conflict between two regulators in respect of jurisdiction of hybrid products, then this joint mechanism will interfere." he added. *(BL, 13.07.10)*

Assessing Public Private Partnerships

– Geethanjali Nataraj*

Despite significant development over the Plan period, the current level of infrastructure falls short of the requirement. The visible signs of inefficiencies and shortfalls include increasingly congested roads and power failures. But India's economic performance in the recent two decades has emphasised the urgency of accelerating its infrastructure development. India's Eleventh Five Year Plan has laid great stress on infrastructure development and aims to raise investments in the core infrastructure sectors to an estimated US$500bn, compared to the actual investment of US$198bn in the previous five years.

Besides the significant scaling up of investments, the substantial increase in share of investment assigned to the private sector is a distinctive feature. The share of private sector investments in the seven core infrastructure sub-sectors has been projected at 30 percent, though it was not realised. The sharp increase in the share of the private sector points to the perceived urgency of infrastructure development and the growing international experience in PPP in its supply. Considering that funding is a major constraint in public sector budgets, the foremost benefit of adopting the PPP route is the ability to access capital funding.

Several initiatives have been taken by the government to create an enabling framework for PPPs, of which opening up more sectors to private investment, promoting levy of user charges, setting up regulatory institutions, extending fiscal incentives to infrastructure projects, standardising contractual documents and streamlining approval mechanisms are some. The government has also taken steps to address the financing needs of these projects through setting up the India Infrastructure Finance Company Ltd (IIFCL) and the Viability Gap Funding scheme. The World Bank and Asian Development Bank are also providing technical support for the capacity building requirements in the sector.

Given government budget constraints, Public Private Partnerships (PPPs) are the only way forward in infrastructure

www.images.com

The use of PPPs for delivering infrastructure services now has 12 years of experience in India, with the majority of projects coming in the last five-six years. There have been about 460 such projects costing about ₹2,25,000 crore. PPP gathered momentum in sectors such as national highways, major ports, power generation, civil aviation, etc. Road projects account for 60 percent of the total number and 45 percent of the total value of PPP projects since the average size of road projects is relatively small. Ports account for 10 percent of the total number of projects but contribute 30 percent in terms of total value due to a relatively larger average project size.

PPPs have compensated for the budgetary and borrowing constraints of the governments. They also imply efficiency gains, efficient use of resources, availability of modern technology and better project design. They have also led to faster implementation, reduced lifecycle costs and optimal risk allocation. The private sector has welcomed the Central Government's attempts to encourage private sector-led growth and investment.

The Economic Survey (2008-09) notes six key hurdles faced by PPPs: policy and regulatory gaps; inadequate availability of long-term finance; inadequate capacity in public institutions and public officials to manage PPP processes; inadequate capacity in the private sector – both developer/investor and technical manpower; inadequate shelf of bankable infrastructure projects that can be bid out to the private sector; and inadequate advocacy to create greater acceptance of PPPs by the stakeholders.

To make PPPs a success, state governments need to establish full-fledged PPP departments mandated with developing the core competencies, policy framework and public discourse. Lessons and experiences of other emerging markets in this context would also be helpful. PPPs are here to stay and have a big role to play in catering to India's gargantuan infrastructure needs.

* *Fellow/Senior Economist, National Council of Applied Economic Research. Co-authoured with Pooja Ramavat Goel. Abridged from an article that appeared in* The Financial Express *on July 07, 2010.*

No Need to Raise MSP

The Department of Consumer Affairs suggested the Agriculture Ministry not to tinker with the minimum support price (MSP) and try the direct subsidy method instead. The Department is of the view that direct subsidy in terms of monetary benefits could be given to the farmers when the harvest is sold to the government procurement agencies.

MSP acts as a benchmark for the market prices. Currently, most of the market prices are ruling much higher than MSP. This price mechanism is set for crops twice a year kharif and rabi, the winter crop. The Agriculture Ministry is of the view that MSP acts an incentive for the farmer to grow more pulses, which is not a very preferred crop. An alternative to counter price rise is to subsidise crop distribution at the consumer end through state intervention, they added. *(BS, 04.08.10)*

Govt Plans Monitor for GM Crops

The Centre is planning to set up a special authority to evaluate and regulate genetically modified crops (GM) and food. Solicitor General Gopal Subramanium has informed a bench headed by Chief Justice S H Kapadia that the proposed authority will look into the grievances of the anti-GM crop activists.

The bench was hearing a PIL filed by environment scientist Vandana Shiva, who wants the court to strike down a government notification that allows import and manufacture of GM foods and crops without mandatory tests. He claimed there was no regulatory and legal framework to assess, evaluate and regulate GM food products and their effects on human health. *(PTI, 01.08.10)*

Indian Economy Moving Fast

The Indian economy would grow to US$1.72tr in 2011-12, moving closer towards the US$2tr mark, according to an assessment by the Prime Minister's Economic Advisory Council (PMEAC). The country's gross domestic product (GDP) at the market and current prices was measured at US$1.31tr in 2009-10 and is estimated to be US$1.52tr in the current fiscal.

Pegging the GDP growth at nine percent, the economy would reach a level of US$1.72tr in 2011-12. If the nine percent growth trend is maintained, India would become US$2tr economy in 2013-14 fiscal. According to experts, services and manufacturing sectors will remain the key drivers pushing the coveted growth to US$2tr mark. *(ET, 02.08.10)*

Govt. Rejects GST Models

The Centre has rejected alternate models of the goods and services tax (GST) proposed by state governments, dashing the hopes of ending a stalemate that is holding up the rollout of this key indirect tax reform. The government is now in favour of implementing both the GST and the new direct taxes code (DTC) at one go. The DTC is proposed to be rolled out from April 01, 2012.

The GST aims at creating a seamless pan-India market by replacing a number of levies at the national and state levels by a single tax. The proposed single levy will have two equal components, one levied by the Centre and the other by states. This will need some constitutional amendments, which need to be passed by both the houses of Parliament and at least 15 state assemblies. *(ET, 30.09.10)*

Welcome Takeover Proposals

The new takeover regulation proposed by the C Achuthan committee is welcome. They seek to bring global benchmarks to Indian takeover regulations and will both enhance efficiency in the market for corporate control and ensure fairness between large and small stakeholders in a company being targeted for takeover. One implication of what the committee proposes is to vastly enhance the funding required to carry out a takeover, to an order of magnitude that is currently beyond the capability of India's stunted market for corporate debt.

The suggested norms, open for public comment at present, change the threshold level at which an open offer is triggered, the size and price of the open offer and, in the process, also facilitates delisting of the acquired company. The threshold level is proposed to be raised to 25 percent from the present 15 percent.

The proposals also bring out the haziness in extant regulation such as the gap between the minimum public holding threshold for a listed company (75 percent) and the delisting threshold (90 percent). We need speedy adoption of the suggested reform, to raise overall levels of efficiency. *(ET, 20.07.10)*

Multi-brand Retail FDI Back

After deregulating petrol prices and cutting subsidies on other fuels, including kerosene, the UPA government seemed to take the bull by the horns, pushing the politically sensitive proposal to allow unrestricted foreign direct investment (FDI) in the retail sector.

www.nepalitimes.com

Calling FDI in retail an efficient measure to address the concerns of farmers and consumers, the Ministry said in the paper that it would not only help farmers earn more but also keep the price-line under check. At present, FDI in multi-brand retail is prohibited in India. In multi-brand retail, a retailer can sell different brands under the same roof. However, the government allows 51 percent FDI in single brand retailing and 100 percent in wholesale trade. *(FE, 07.07.10)*

Why Economy is Growing despite Jholawalas and Wall Streeters?

– R Vaidyanathan*

The economic policies of UPA-2 are afflicted by a condition called multiple personality disorder. The diagnosis requires that at least two personalities routinely take control of the behaviour of a person with an associated memory loss that goes beyond normal forgetfulness

The economics of UPA-2 is caught in a pincer attack between *jholawalas* and Wall Streeters. The uber economic ministry – the unaccountable National Advisory Council – is flooded with *jholawalas* whose idea is that the state should spend till it bleeds. And still spend after that.

Programmes like the National Rural Employment Guarantee Act (NREGA), *Sarva Shiksha Abhiyan*, and the mid-day meal scheme are implemented through parallel channels of PPP along with NGOs and *panchayati raj* institutions. The Centre transfers assistance directly to state and district-level autonomous bodies, and these transfers are outside state budgets. And such accounts remain unaudited and mostly unaccounted for.

Herein comes the bonanza for the *jholawalas*. In the name of "inclusive growth", a loot of government funds has been begun by NGOs who claim to represent civil society. Expenditure on welfare schemes is skyrocketing, but not accountability. For instance, the latest estimates are: Ministry of Rural Development (₹58,732 crore), Ministry of HRD (₹12,727 crores), Ministry of Health & Family Welfare (₹7,468 crore), and Ministry of Agriculture (₹3,191 crore).

The jewel is the Rural Development Ministry's NREGA, named after Mahatma Gandhi. When there are nearly 500 schemes named after Indira and Rajiv Gandhi, this also could have been named after them instead of involving that poor old man. This is

Times of India

the tyranny of the unelected and the unelectable. These NGOs have also become "unaccountable".

The *jholawalas* want to create a society of entitlements wherein there are only rights and no duties. Unfortunately, many of them come from dysfunctional families and do not know the role of family and community in our system. They depend significantly on foreign sources of funds but now have found a milch cow in the "inclusive" economic policies of this government. They are not institutional builders or value adders.

The *Jholawala* Emeritus is Amartya Sen, who says no timeframe should be set for starting the Nalanda University of which he is in charge.

On the other side, the government is pushed by the Wall Streeters, whose claim to fame is crony capitalism. In their scheme of things, we need foreign capital for everything. The only *bhajan* chanted by the Wall Streeters is FDI and FII. They think this will solve all the ills of our economy. When small businesses cry for credit, the Wall Streeters offer credit derivative swaps. Recently, the crony capitalists have proposed that business houses can own and run banks. The reason is inclusive growth. The jholawalas pretend to take care of the bottom 20 percent and the Wall Streeters the top 10 percent. What about the middle 70 percent? They are our growth story.

The good news is that we are growing in spite of these two albatrosses. The fastest growing sector is services. These sectors have grown due to domestic household savings and not due to government policies or FDI.

And all of them are predominantly partnership and proprietary family-ownedfirms. They get little credit from banks and government employees extort bribes from them. These are the sectors which are eyed by global predators since they are the fastest growing areas. Interestingly, they are supposed to be the traditional base of the main opposition party, the BJP.

But they are neither aware of their base nor its growth. The most productive, hard-working segments carry on the growth story unsung.

The ultimate irony is that UPA-2 is headed by an economist and advised by many economic experts.

* *Professor, Indian Institute of Management, Bangalore. Abridged from an article that appeared in the* Daily News Analysis*, on August 17, 2010.*

Pool Resources and Reinvent Global Aid

– Jeffrey Sachs*

We need a major change of funding toward pooled donor funding. Bilateral aid would remain, but mainly to promote demonstration efforts and innovations. The core of assistance would use pooled mechanisms to scale up what has been proven to work, avoiding fragmentation and poor accountability

The traditional system of bilateral development assistance is broken. In New York, the UN millennium development goals summit will agree on many important priorities. But these will need to be financed, and the lesson of the past decade is that bilateral aid rarely reaches the needed national or regional scale. So we must replace the fragmentation of bilateral programmes with a new strategy based on multi-donor pooled funding that has clear timelines, objectives and accountability.

There have been two important aid stories over the past 10 years. In the first, a series of large pronouncements – at Monterrey in 2002 (to reach 0.7 percent of GNP in development aid), Gleneagles in 2005 (to double African aid by 2010), L'Aquila in 2009 (to direct US$22bn over three years to raise productivity of smallholder farming) and Copenhagen in 2009 (to add US$30bn over three years for climate change adaptation and mitigation) – were easily made but not delivered. Indeed, high-income donor countries, taken together, have fallen short on every big headline pledge they have made.

Why? Commitments have come without clear mechanisms for fulfilment. Most aid has remained bilateral, making it hard to monitor and largely unaccountable. Shortfalls are attributed to problems in recipient countries. Even when aid is disbursed, these programmes are scattered among many small efforts rather than a unified national plan, and include an endless spectacle of visiting dignitaries from donor countries, politicised negotiations, and countless headline announcements of support that all too often fails to materialise.

The second story is vastly more positive, and has come when aid operates on a different model – one that scales up investments in smallholder agriculture, health, education and infrastructure, complementing the rising flows of private capital entering the developing world. The most exciting example is the Global Fund to Fight Aids, TB and Malaria. The fund pools resources from many donor nations, with an independent review board approving national programmes according to scientific and management criteria rather than bilateral politics. The fund thereby provides aid in a scaled, systematic and predictable way. And while a decade ago all three diseases were running out of control, now all are being reined in with millions of lives saved.

Of course the fund is not perfect, but the programmes it supports are transparent and easily monitored – meaning that when corruption occurs, as it sometimes will, a programme can be halted and the malefactors removed. The fund's design is a profound improvement over traditional donor aid. But it and efforts like it are chronically underfunded, largely because the US and European donor countries keep too much of their aid budgets in bilateral programmes.

Responding to the shortcomings of traditional aid, donors are making small reforms, like co-operating among themselves in committees in many recipient countries. But the process remains too slow, too political and too often swayed by donor's concerns for commercial contracts, arms deals and diplomatic issues only tangentially related to development.

Bilateral aid would remain, but mainly to promote demonstration efforts and innovations. The core of assistance would use pooled mechanisms to scale up what has been proven to work, avoiding fragmentation and poor accountability. Indeed, there are moves in this direction: a new maternal and child health initiative to be agreed this week saw African leaders specifically request that the support should come through the Global Fund. Similarly, infrastructure funding could be scaled up through new public-private financing pools for roads, rail and power, via the World Bank and African Development Bank.

The new UK government has shown exceptional leadership in keeping promises to increase aid towards 0.7 percent of income despite budget austerity. This is heartening, and can set the stage for an even bolder move: a new global system that builds on pooled donor funding, and that leaves the politics behind. If we continue with the existing haphazard arrangements, the millennium goals will not be met. But if we move decisively to pooled, transparent and mutually accountable financing, the world can still achieve them by 2015.

* *Director, The Earth Institute, Columbia University. Abridged from an article that appeared in* The Financial Times*, on September 20, 2010.*

IMF Projects India's Growth

The International Monetary Fund has projected the Indian economy will grow by 9.7 percent in 2010 and 8.4 percent in the next fiscal, driven by robust industrial production and macro-economic performance.

Advanced economies, on the other hand, are projected to grow by just 2.7 percent in 2010 and 2.2 percent in 2011, the IMF report said, adding that global trade is forecast to expand by 4.8 percent in 2010 and 4.2 percent in 2011, with a temporary slowdown during the second half of 2010 and the first half of 2011. *(BS, 08.07.10)*

India 3rd Most Powerful Nation

India is listed as the third most powerful country in the world after the US and China and the fourth most powerful bloc after the US, China and the European Union. The new global power line-up for 2010 also predicted that New Delhi's clout in the world will further rise by 2025, according to "Global Governance 2025" jointly issued by the National Intelligence Council (NIC) of the US and the European Union's Institute for Security Studies (EUISS).

Using the insights of a host of experts from Brazil, Russia, India and China, among others, and fictionalised scenarios, the report illustrates what could happen over the next 25 years in terms of global governance.

(ToI, 21.09.10)

Inflation Over Growth

High inflation may upset the growth projections for the economy that range from 8.5 to as high as 9.4 percent for 2010. Headline inflation may stay as high as eight percent in December despite the high base effect, a poll of economists conducted by Federation of Indian Chambers of Commerce and Industry (FICCI).

The spill over effect of inflationary tendencies in the food and fuel items is beginning to get reflected in the manufactured items also. Thus, if inflation persists at the current levels for a long time or if there is a sharper than anticipated pick-up in inflation then consumption demand could get dampened. *(FE, 21.07.10)*

Least No. of Poor in India

Amidst acute poverty across South Asia, the five states of Delhi, Kerala, Goa, Punjab and Himachal Pradesh have the least number of poor people in India, according to a new measure of global poverty developed at the University of Oxford for the UNDP. The new measure, called the Multidimensional Poverty Index (MPI), has been developed and applied by the Oxford Poverty and Human Development Initiative (OPHI).

The MPI reveals that South Asia and sub-Saharan Africa have comparable intensities of poverty. In terms of human lives, South Asia has the world's highest levels of poverty.

(BL, 15.07.10)

Absentee Rate of Doctors at 36%

Absentee rate among health officials is as high as 27 percent, a survey has found. While the rate was 12 percent for male nurses, doctors and medical officers topped the survey with 36 percent. The survey was conducted by an NGO, Consumer Unity & Trust Society (CUTS) in 30 out of 40 Primary Health Centres (PHCs) in Tonk district of Rajasthan.

The NGO has launched a project in 2009 to improve health services after realising the need for community-based monitoring of National Rural Health Mission (NRHM), which has seen a sizeable increase in budgetary allocation from ₹92crore in 2005-06 to ₹1,280crore in 2009-10 but no corresponding improvement in healthcare. *(HT, 30.07.10)*

Middle Class Takes Wings

Even as innovative and cheaply priced products targeted at India's booming middle class are helping to spur domestic consumption and growth, this segment of the population remains vulnerable to economic shocks and carefully calibrated policy measures will be needed to sustain income gains in the longer-term, the Asian Development Bank (ADB) said.

In a special chapter of 'Key indicators for Asia and the Pacific 2010' report – ADB's flagship annual statistical publication – the multilateral lending agency said that the ranks of India's middle class, defined as those consuming between US$2 and US$20 a day, grew by around US$205mn between 1990 and 2008, second only to China.

(TH, 20.08.10)

Fruits of Reform Have Failed to Reach the Poor

The top 20 percent of India's population has a more than 50 percent share of the national income in 2009-10, up from 36.7 percent in 1993-94, says a study by the National Council for Applied Economic Research (NCAER). This would seem to confirm the charge that income disparities have increased in the reform years, 1991 onwards, and the rich have got richer as a freer economy has created more opportunities.

The reforms have thrown up the opportunities that those with resources have been able to exploit better, creating the distortion in income that would suggest that the rich have benefited more from the reforms. An increase in income inequality was understandable as those with access to resources or equipped with skills would be in a position to make use of the opportunities better or command a better price. However, over time, a larger share of population should have been able to benefit from the near double-digit growth of the Indian economy. *(ET, 10.08.10)*

Cos Must Set Aside Specific CSR Spends

Corporates above a specified threshold would have to clearly spell out the quantum of money earmarked for philanthropic activities in their annual reports once the new company law takes effect. The Corporate Affairs Ministry had "agreed" with the recommendations of the Parliamentary Standing Committee (PSC) to "mandate" companies to shell out at least two percent of their average net profit for corporate social responsibility (CSR) activities.

Corporate law experts said the ministry move stops short of making it compulsory for companies to shell out such funds for CSR, but would indeed cast a far greater CSR obligation on companies under government scrutiny. This is tantamount to a new impost on corporates and looks rather coercive. Industry chambers vocal in their support to voluntary CSR activities, said they saw no reason for making CSR spending obligatory in any sense.

Government sources opined that details of the proposal – whether to make it compulsory for companies or not and the possible penalty to be imposed for non-compliance – are still being worked out. Giving some leeway to companies, the government, however, would not open company books to the inspection by the registrar of companies (RoC) for non-compliance with CSR. *(FE, 10.09.10)*

CAG REPORTS

Loopholes in VAT led to tax evasion

Loose ends across the Value-added Tax (VAT) system had led to tax evasion in states and such deficiencies should be avoided while introducing the GST, said Comptroller and Auditor General of India (CAG).

The performance audit, conducted in 23 states for the post-VAT period between April 2005 and March 2009, found shortcomings in the automation process, scrutiny of returns and tax audits, input tax credit mechanism, cross verification, incentive schemes and monitoring post implementation. The report recommended a road map for the resolution of issues from the legacy system be drawn up before switching to GST. *(BS, 25.07.10)*

Regulatory Performance under CAG Scanner

The CAG of India may soon extend its ambit to evaluating not just the accounts of certain regulators, but also their performance. It has asked for a replacement of the CAG Act of 1971 to widen its scope of audit, besides acquiring more powers to gain timely access to books.

Under the Companies Act, 1956, the CAG can audit the books of only those companies in which the government owns more than 50 percent. If the bill goes through, PPP projects and other regulators like Pension Fund Regulatory and Development Authority could also come under the CAG scanner. *(ET, 01.08.10)*

Holes in Industrial Safety

Ever since Orissa embarked on a fast-paced industrialisation about half-a-decade ago, many up-and-coming industrial premises have turned into death traps. CAG says inspections, a vital tool for ensuring enforcement of safety rules, in industrial premises have been inadequate.

CAG says as per Rule 5 of Orissa Factories (Control of Major Accident Hazard) Rules, 2001 and instructions (September 1997) issued by Director of Factories and Boilers, inspectors were to inspect factories at least once in a year and enforce the rules and procedures. Factories with hazardous processes and dangerous operations need to be inspected at least four times in a year by the field information. *(TH, 31.07.10)*

Spectrum Allocation Rates Unjustifiable

The 2008 2G spectrum allocation 'scam' is unravelling. The CAG has found communications and IT minister A Raja's involvement in virtually all key decisions on allocation. The CAG audit found the decision to alter 2007 TRAI recommendation that there be no cap on number of licences was never sent back to the regulator for approval.

The CAG has also faulted Raja's contention that spectrum was allotted at 2001 rates. Allotting spectrum in 2008 at a price fixed in 2001 cannot be justifiable. In 2001, there were only 4 million mobile subscribers and it rose above 300 million in 2008, the audit said. *(ToI, 30.08.10)*

Flaws in Indian Railways

The CAG of India has expressed concerns about delay in implementation of the ambitious dedicated freight corridor project and several other capacity expansion projects undertaken by Indian railways. Major freight terminals handling more that 30 rakes in a month suffer from inadequate infrastructure. Land acquisition problems delay capacity expansion projects.

The CAG report also indicated that Indian Railways must bear in mind the wear and tear of rolling stocks and rails and therefore invest in capacity augmentation to continue generating high levels of traffic. It also stated that instability of rakes and lack of efficient interchange commitments between the zones have disrupted freight services to a great extent.

(www.shippingbiz360.com, 09.08.10)

Planning for a Decade of Innovation

– Arun Maira*

www.faqs.or

The government is considering a 'fund of funds' for innovations. This will help provide financing to small innovators so that their business ideas may be scaled up

India needs wide-spread innovations to realise its aspirations. Faster and more inclusive growth requires people who are educated and healthy so that they can contribute to the economy's growth. Therefore, the country must provide high quality and low cost health and education services to its people. So far its performance in these regards has been unsatisfactory.

There are islands of high quality but expensive healthcare and education accessible to richer people, not to the poorer masses. But even educated and healthy people can be poor if they do not earn incomes. The fact is that while India's GDP has been growing well, at around nine percent per annum, the benefits have not been reaching all sections of its population and all parts of the country.

Therefore India's pattern of progress must change, to provide accessible services, of health, education, sanitation, water, and transportation, at low cost to hundreds of millions of people. And also to generate wide-spread opportunities for people to earn incomes, through good employment or in self-owned enterprises.

For more inclusive and more sustainable growth, India must have innovations for the people, produced by enterprises of the people. High-tech, patent protected, block-buster devices such as the I-Pad for people who already have an I-Pod and an I-Phone are admirable innovations. However the innovative industries of rich countries are not interested in, and are not able to produce the innovations that India needs to fulfill the needs of its people.

Fortunately, since necessity is the mother of invention, and since constraints spur innovative solutions, Indians can be very innovative. Indians are producing frugal innovations for their requirements – even low cost heart and eye surgeries at the best international standards delivered at a small fraction of international prices. Such innovations are not being produced with the expensive, Western, innovation process of large laboratories, many scientists, and patent protections. Nor are they delivered only by large corporations.

Rather many innovations, like the healthcare solutions mentioned, are produced and delivered by engaging large numbers of people on the ground in extended enterprises. These are 'innovations by the people, for the people'.

In view of the centrality of innovation for India to achieve its goals, in its run-up to the Twelfth Plan the Planning Commission is focusing on strengthening the Indian innovation eco-system to produce more innovations and spread their benefits around more rapidly. It has examined successful innovations, including those at the grassroots, and has also examined the obstacles such innovators face.

The Planning Commission is considering 'a fund of funds' for innovations to induce funds to flow to small innovators so that their innovations may be scaled up. It is also creating an information exchange platform designed for the needs of potential innovators.

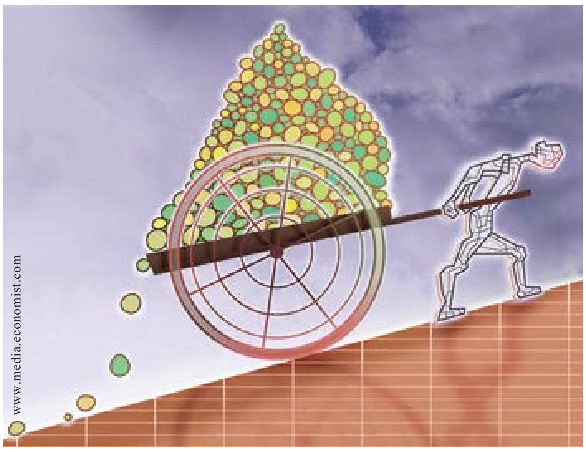
Innovators respond to challenges. The Planning Commission is highlighting the opportunities for innovators in India's growth story. These include those in health and education mentioned before, as well as opportunities in urban and rural infrastructure for transport, energy, water, and sanitation, where India needs high quality, frugal, and widely accessible solutions. The rewards for those who invent these solutions will be a huge market in India and across the world too.

Finally we need innovations in policies and designs of public programmes. Old theories of 'implementation' and 'scaling up' that require large, top-down, organisations must be replaced with ways to stimulate wide-spread action on the ground. A democratic, socio-capitalist India needs benefits for the people, by the people, in enterprises of the people.

* *Member, Planning Commission. Abridged from an article that appeared in* The Economic Times, *on July 28, 2010.*

Where will Our Food Come From?

– Sunita Narain*



It is important to design policies to pay farmers the real cost of growing food if we want to build local food sufficiency

Vijay Jawandhia is a farmer in Vidarbha, the region which brought home to us the crisis that is compelling farmers to kill themselves. He is also a farmer leader. Recently, he spoke of new challenges: "In our village, we are hiring vehicles and bringing people from cities to work in the field." Sounds bizarre, but news stories from across farming regions suggest a similar trend.

What does this mean for food security? The fact is, labour shortage, in part, is about the wages farmers can pay. It is for this reason that the Mahatma Gandhi National Rural Employment Guarantee Scheme has often been accused of taking away labour from farms. But, the scheme pays a subsistence wage at best for hard work involving digging ponds and breaking stones for making roads. So, it provides alternative work, thereby improving farm labourers' bargaining power.

Moreover, if the assets – ponds, check dams, soil conservation structures and roads – being built under the scheme are indeed built, they will improve farm productivity and incomes. It is another matter that as yet the quality of rural assets is poor because the scheme focuses on jobs, not work.

The reasons for the growing shortage of farm labour are not understood adequately but implications are obvious: Higher prices will have to be paid for farm work. This is good news, for it will increase the income and purchasing power of the poorest in the country, as market economists will tell you. Market economists will also tell you that this will place more money in the hands of poor farmers, who themselves are consumers of food. So, everyone will grow richer. This is begging the question.

The bulk of Indian farming – over 60 percent – is rain-fed. Farmers have no option but to depend on an increasingly erratic rainfall. They grow crops for subsistence; their very existence is threatened. One bout of poor rain or flood, or rain at the wrong time can push them down the vicious spiral of poverty and destitution. They cannot afford expensive food.

So, there is no easy way ahead. It is time policy-makers recognised two critical facts. One, growing food will cost money; and two, we cannot afford expensive ways of growing food. If the Western world has flooded the food market, it is not because its ways of farming are more efficient or its farmers are more learned, but because governments there pay obscene amounts as subsidy to underwrite the costs of growing food.

But as yet, Indian policy has been caught between a rock and a hard place. On one side are the poor farmers who need to be paid for growing food, on the other side are a vast number of people (also farmers) who cannot afford the price of that food. So far, the policy has been to subsidise food, not pay farmers.

The public distribution system is designed to buy vast quantities of foodgrain and supply them to people. This system depends on keeping the price of procurement as low as possible. That's what the minimum support price is all about. This will not work in the future.

India will have to design policies to pay farmers the real cost of growing food, and to pay them directly.

India has to find ways of valuing agriculture, which is low-input but gives relatively low yields. It is here that policy must be innovative. We must invest big time in marginal agriculture. This means carrying out watershed development to recharge groundwater and decentralised water harvesting to improve irrigation. This also means better seeds and procurement of locally grown food at good prices for food distribution programmes. This will build local food sufficiency.

These are real game-changer steps. Let's try them for once.

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* *Director, Centre for Science & Environment and Editor, Down To Earth. Abridged from an article that appeared in* Down To Earth, *on August 13, 2010.*

Global Prize for Cleanest Stove

In a bid to improve the health of women in rural areas, the government plans to institute a global prize for the cleanest and most efficient cooking stove in collaboration with a US-based non-profit agency and the Indian Institute of Technology (IIT), Delhi. The website of XPrize Foundation, which works on education and innovation, said the partnership will help create a global competition to develop affordable and clean-burning cookstove technologies.

The move is part of the new and renewable Energy Ministry's National biomass cookstoves initiative, launched in December 2009. The Ministry's biomass cookstoves initiative aims to provide a clean cooking energy option to 75 percent rural households and 22 percent urban households that use biomass for cooking. *(Livemint, 01.09.10)*

Regulator for Mining Sector

With the illegal mining issue in the spotlight, the Centre is planning to set up an authority to check the menace. When set up the authority would have powers to regulate mining, granting of mining leases and filing of cases against violators, as a deterrent against illegal mining of minerals.

Union Law Minister M Veerappa Moily slammed the Karnataka government for not checking illegal mining and illegal exports of minerals, saying "It is unfortunate though the Centre has given all the powers to states, it has not been exercised". Ridiculing the measures announced by the Karnataka government in ordering closure of 10 ports and ban on issue of transport permits to check illegal exports, he said "they are closing the door after allowing horse to escape". *(FE, 01.08.10)*

Employment Policy on Cards

Labour and Employment Minister Mallikarjun Kharge said that India is preparing a National Employment Policy to provide a framework towards achieving the goal of providing decent employment for all men and women in the labour force.

Kharge said though job growth has reappeared, global unemployment is still at record levels.

Pointing out those countries which responded differently to the global downturn, Kharge said India was among the first few countries to implement a broad-based counter-cyclical policy package to respond to the negative fallout of the global economic slowdown. He said India agreed with ILO that the size of the deficits and the level of debt will have to be brought down in an orderly manner. *(HT, 08.08.10)*

National UID Numbers on Anvil

Nandan Nilekani, the Chairman of the Unique Identification Authority of India (UIDAI), has announced that the process of UID numbers being issued for citizens will be launched soon. According to the plan that has been charted out, in the next four years, approximately 60 crore people will receive their UID numbers.

The identification numbers are also being called 'Adhaar Numbers', and will be more a method of identification – but will also function as an instrument of economic empowerment say sources. The numbers would facilitate people with receiving government services, especially in availing of benefits from government welfare programmes. With an aim to empower the common man, this project would help people across India who have no access to banking services, by implementing the development of micro ATMs throughout the country in small villages.

(www.dancewithshadows.com, 26.09.10)

Filling 'Storage Gap'

Agriculture Minister Sharad Pawar said India needs to create 140 million tonnes of extra storage capacity and it is one of the major challenges before the government, which has pledged to enact a food security law. He said the government will have to spend ₹4,000 crore to fill the "storage gap".

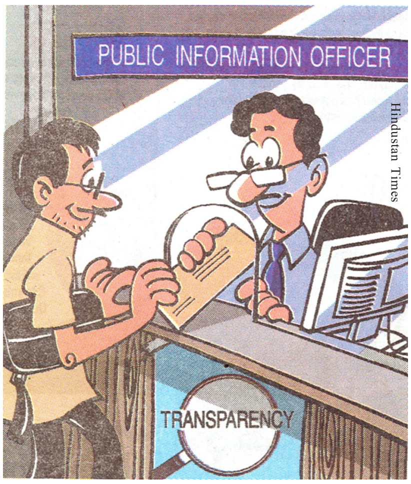
He said the Food Corporation of India will hire warehouses from private trading companies to store record volumes of rice and wheat procured from farmers. Pawar also said another major challenge is sustaining the level of production and procurement of food grains for the future.

(www://headlinesindia.mapsofindia.com, 13.07.10)

CIC Wants RTI Cell in Each Ministry

If the government accepts Central Information Commission's proposal to have a cell dedicated for Right To Information (RTI) in each ministry, getting a response might become easier. Instead of having one Public Information Officer (PIO), ministries have designated PIOs for each section, thereby making filing an application under RTI a tedious process.

To overcome this problem, Chief Information Commissioner Wajahat Habibullah had proposed a model, where each ministry will have a cell committed to deal with all matters relating to RTI. The model will also suggest ways to improve efficiency of RTI cells already working in ministries such an Environment and Forests. The cell will also act as an appellate authority for all RTI applications in the Ministry.



The transparency watchdog's proposed model would be similar to the one in UK, where a dedicated freedom of information office ensures that timely reply is given to each application. The office also decides what information can be put in public domain. *(HT, 26.07.10)*

Bill Passed to Boost Energy

Giving a major push to the energy efficiency drive in the country, the Parliament has passed the Energy Conservation (Amendment) Bill 2010. The Bill provides for formulating legal framework for kickstarting the 'Perform, Achieve and Trade' (PAT) scheme. The scheme lays down energy efficiency improvement targets for large energy-intensive industries and facilities over three years.

Under the amended Act, fines have been enhanced from ₹10,000 to ₹10 lakh and from ₹1,000 to ₹10,000 for each day the offence persists. The legislation also gives the Bureau of Energy Efficiency more powers to hire its own energy auditors instead of banking on government officials for carrying out due diligence.

(FE, 19.08.10)

Educational Litigations to End?

The Union Cabinet cleared a bill seeking to create a mechanism to provide for speedy resolution of matters relating to disputes in institutions of higher education. The Educational Tribunals Bill, 2010 was given the go-ahead. The Bill proposes to set up a two-tier structure of Educational Tribunals at the National and state level to adjudicate on the gamut of disputes that arise in the higher education system.

The tribunals will act as forums for fast-track and speedy resolution of issues in institutions in order to build an effective system of checks and balances in higher education. The Bill also provides for imprisonment up to three years or fine of ₹10 lakh or with both to those who fail to comply with the orders of the State or the National Educational Tribunals.

(TH, 24.08.10)

Cabinet Nod for CSIR Academy

The government introduced a Bill to establish an academy for advancement of learning and prosecution of research in the field of science and technology in association with the Council of Scientific and Industrial Research (CSIR).

The Academy of Scientific and Innovative Research Bill, 2010 tabled in the Lok Sabha seeks to declare the Academy of Scientific and Innovative Research as an institution of national importance. The proposed academy will be allowed to use the infrastructure and scientific manpower of the CSIR for teaching and research purposes and will award degrees or diplomas. It will design curriculum and pedagogy for award of diplomas or certificates and confer degrees and other academic distinctions as it may deem fit.

(TH, 31.07.10)

Ordinance to End ULIP War

The Finance Minister Pranab Mukherjee introduced a bill in the Lok Sabha to replace an ordinance to resolve all disputes between over hybrid financial products like the popular unit-linked insurance plans (ULIPs).

The ordinance was issued after a public spat between the Securities and Exchange Board of India and the insurance regulator over who had jurisdiction on the ULIPs, the popular investment-cum-insurance products. The bill seeks to amend the Reserve Bank of India Act, 1934, the Insurance Act, 1938, the Securities and Exchange Board of India Act, 1992.

(ET, 27.07.10)

Regulation of Foreign Funds

Aiming to put a check on huge foreign fund flow into the country, the Parliament approved a new legislation moved by the Home Ministry to regulate foreign contributions and hospitality by individuals and organisations, in the wake of changed internal security scenario.

The new law debars certain categories of individuals and organisations to accept overseas funds, including judges and government servants, members of legislature and political parties and election candidates.

The Bill prohibits persons, who have been prosecuted or convicted for indulging in activities aimed at religious conversion through inducement of force, from receiving foreign contribution and along with persons who have been prosecuted or convicted for creating communal tension or disharmony. *(ToI, 20.08.10)*

Unshackling of Coal Sector

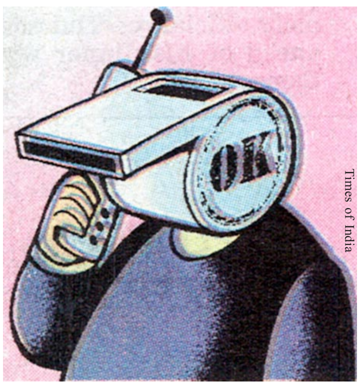
The Parliament has passed the Mines and Minerals (Development and Regulation) Amendment Bill 2010 after the government gave an assurance of full transparency and objectivity in the selection process for allocation of coal and lignite blocks to private companies.

The Bill would pave the way for the introduction of auction through competitive bidding for allocation of coal blocks to private companies.

However, auction by competitive bidding will not be applicable for allocation of coal blocks to government company or a central or state public sector undertaking. *(BL, 21.08.10)*

Safeguard Whistleblowers

The much awaited legislation on protection for whistleblowers got the go-ahead from the Union Cabinet. The Public Interest Disclosure and Protection to Persons Making the Disclosure Bill, 2010, provides the Central Vigilance Commission (CVC) powers of a civil court to enable it punish and penalise people revealing the identity of whistleblowers.



Times of India

As per the Bill, the onus will be on the CVC to protect the identity of citizens who provide information about the misuse of governmental authority and funds. While the CVC will be empowered to take action against those who reveal the identity of the whistleblowers or those who threaten them, those who make frivolous complaints will also be liable to be punished. The Bill also proposes that no court can interfere in the case and can have any powers over the decision made by CVC.

(ToI, 10.08.10)

For Whom is India Shining?

– **Mythili Bhusnurmath***

This is one debate on which jury is still out, and is likely to remain so till kingdom come. It is about public vs. private sector salaries. It is the private sector guys who take cash home in busloads, allege bureaucrats and public sector-wallahs ! Not a chance, say their private sector counterparts: we don't get free housing in the best parts of the town, unlimited medical reimbursement, jobs for life and, best of all, pension, often for many more years than spent in service!

The debate has now been joined by the IMF. A recent technical note argues that accurate comparisons must take into account all aspects of compensation, including in-kind and non-monetary benefits and deferred compensation – e.g., pension or disability and survivor benefits – and greater job security.

If these non-monetary benefits are extensive, say the authors, the government does not necessarily need to offer salaries that are on a par with the private sector to retain high-quality employees. Studies suggest that differentials are negligible in Indonesia, France and the UK, but are large and favour public sector employees in India.

Comparisons show that India's Wage Bill for Central Government employees is among the highest

CENTRAL GOVT COMPENSATION OF EMPLOYEES*

	% of govt expenditure	% of govt revenue	% of GDP
Africa	30.4	29.5	6.5
Asia & Pacific	26.2	23.1	5.1
Europe	17.4	17.5	5.7
Western hemisphere	31.0	29.6	8.2
West & central Asia	28.9	24.8	7.1
European Union	15.9	16.3	5.2
Low-income countries	28.6	27.9	5.2
Middle-income countries	27.6	26.0	7.3
High-income countries	20.4	18.6	6.1

*General govt, consolidated central govt, or budgetary central govt, annual averages for 2000-08, depending on availability

Source: Govt finance statistics database (IMF) and IMF staff estimates

They suggest that a range of indicators, rather than a single benchmark, should be used for analysing compensation and employment in government.

Comparing government compensation as a share of GDP and as a share of total government spending with other countries at a similar level of development is a good way to start. Government compensation of employees as a share of domestic revenues gives a fair indication of the sustainability of wage outlays, but in computing such compensation, the non-monetary benefits such as travel, housing and other allowances should be included to make a fair comparison. At about 16 percent of total expenditure and 30 percent of total revenue, without monetisation of other benefits, India's wage bill for central government employees is among the highest, according to Budget estimates for 2010-11.

High-quality reforms of public sector employment and wages are difficult to implement in a short period of time. However, in periods of severe fiscal pressure, governments may still need to resort to short-term measures to contain employee compensation that could be replaced over time with more sustainable reforms.

What are the short-term options? These include a temporary freeze on wages. This should result in a reduction in the compensation of employees, relative to GDP, as the economy expands in nominal terms.

Natural attrition, when combined with a hiring freeze in select non-priority areas, can help reduce the compensation of employees. Temporary layoffs are another option, as is accelerated early retirement. The authors caution that this option should be assessed carefully, as overly generous retirement packages can result in high fiscal burden in future. In the short term, the savings from these options may be very modest if there is a need for upfront payment of severance benefits.

Over the medium term, rationalising the size and structure of the government is vital. Linking pay increases to performance provides incentive to workers for improving efficiency and productivity.

High wage bills have often been linked to weak payroll controls. Public financial management reforms that strengthen such systems would enable more effective expenditure control, including through the elimination of fictitious workers.

An alternative to direct provision of public services by the government is to outsource these to the private sector. Non-core functions such as transport, mail, cleaning, catering and maintenance could be outsourced with considerable success. The UK, for instance, saved between 20 and 30 percent as a result. So could India, but that calls for political courage and leadership, both of which seem to be in short supply at present!

(Evaluating government employment and compensation; Benedict Clements, Sanjeev Gupta, Isabela Karpowicz, Shamsuddin Tareq; IMF technical note)

* *Columnist, The Economic Times. The article appeared in* The Economic Times*, on September 30, 2010.*

A Regulator for Hospitals

Times of India

Insurance companies are right to seek the government's support to prevent hospitals from overcharging patients covered by health insurance. Hospitals do not come under regulatory purview, but their practice of inflating costs even for standard procedures is unacceptable and must end. A missing part is a regulator for hospitals, to ensure transparency in procedures and billing, ethical competition and portability of medical histories across hospitals and towns.

Today, hospitals provide cashless hospitalisation to select groups of policyholders. However, many insurers are withdrawing the facility, as hospitals are not willing to accept the rates proposed by insurers. Insurance companies will be saddled with losses if their pricing is not commensurate with costs. And raising premiums will hurt consumers. A pragmatic solution is for hospitals to adopt low-cost models, and for a regulatory apparatus to enforce fair competition among hospitals. *(ET, 10.08.10)*

Drug Pricing to be Revamped

The Drug Price Control Order (DPCO), the piece of legislation that regulates drug prices in the country has failed to effectively control drug prices in the domestic pharma market and needs an urgent revamp, according to an India Health Report 2010. The report underlines the need to have direct price control on domestic formulations rather than bulk drugs to minimise intra industry distortion in transactions.

Presently the criteria for inclusion of DPCO include all drugs with turnover of ₹4 crore or more and all drugs with turnover of above ₹1 crore but below ₹4 crore and a single formulator with 90 percent or more market share. A formulator is a manufacturer of a single ingredient formulation containing the subject bulk drug. *(FE, 03.09.10)*

Policy on Antibiotic Use

The Health Ministry has formed a committee to frame a policy for antibiotic use. While hospitals in India already have their own policies regarding antibiotics, there is no common standard across the country. Drug-resistant strains often develop when a particular drug is either overused by a patient or underused.

With a lack of treatment or prescription guidelines, and with rampant self-medication, resistance to antibiotics is a common feature in India. Moreover, once symptoms start to fade, patients often stop an antibiotic treatment halfway, creating an environment for the development of drug-resistant strains of the bacteria. *(Livemint, 04.09.10)*

Scanning of Overseas Drugs

The Drugs Controller General of India (DCGI) will inspect overseas manufacturing units before allowing companies to import drugs from these facilities. Inspectors will travel abroad to make sure that the companies were adhering to standard industry practices to ensure safe drugs imports.

DCGI will increase pharmacovigilance, particularly on nimesulide, an anti-inflammatory drug, and seven other drugs. It would bring 40 medical colleges under this ambit and cover all the 300-plus colleges in two years. DCGI will be issuing guidelines for regulation of clinical trials ethics committee and for sites where such trials would be conducted. *(BS, 18.09.10)*

Common Healthcare Standards

In a move that could bring relief to millions of patients and transform the way hospitals do business, the Health Ministry plans to put in place common standards of treatment at medical facilities. The Ministry has mandated an expert panel to frame treatment protocol for a number of ailments.

The move comes against the backdrop of India's largest state-owned health insurance firms withdrawing the cashless payment facility for treatment at hundreds of hospitals, alleging that they were over-charging customers who had health insurance policies and leading to huge losses for the insurers. The move towards standardisation follows the recent passage of the Clinical Establishment Act, which calls for common standards to be maintained by healthcare facilities. *(Livemint, 24.08.10)*

Ethics Violation - An Offence

With the number of incidents related to violation of medical ethics increasing, particularly those involving clinical trials by foreign pharmaceutical companies, the Centre has now decided to bring such cases within the purview of law. The Union Health and Family Welfare Ministry is in the process of amending the Drugs and Cosmetics Act to make violation of medical ethics an offence punishable under law.

At present, medical ethics violation cases, such as negligence, are dealt with under various provisions of the Indian Penal Code. However, with the number of complaints regarding violation of medical ethics coming in from across the country, such a move has been necessitated. *(TH, 01.08.10)*

Cancer Drugs Cheaper

In a bid to bring some relief to cancer patients, the government is planning to regulate the price of prohibitively expensive oncology medication. The National Pharmaceutical Pricing Authority, which regulates the prices of medicines, has identified around 70 anti-cancer drugs, including anti-breast cancer medication Letrozole and anti-blood cancer drug Imatinib, for detailed price analysis.

Multinational pharmaceutical firms Novartis and Roche and domestic players Sun and Cipla are among the leading anti-cancer drug suppliers in the country. The NPPA's findings could result in a proposal to its administrative ministry of chemicals and fertilisers for follow up action leading to a mechanism to check the prices of some of these medicines. *(BS, 30.08.10)*

Cartelisation by Sugar Firms

The CCI has ordered an investigation into an alleged price cartelisation by sugar companies in fixing the selling price of the sweetener. Sugar industry has allegedly created cartels to control prices of sugarcane in states like Maharsahtra, Gujarat, and Andhra Pradesh.

According to the CCI, they have *suo motu* taken the case after the announcement of minimum floor price by *Maharashtriya Rajya Sahakari Sakhar Karkhana*. The CCI has ordered the co-operatives, sugar industry bodies and the Agriculture Ministry to come up with an explanation and if found guilty, action can be taken against them for indulging in monopolistic trade practice. *(BS,18.08.10)*

DLF Under Heavy Fire

The CCI have received complaint against DLF for allegedly abusing its dominant position by four developers. DLF has delayed giving possession of flats and changed the original specifications of agreements with buyers. The matter had been referred to the Director-General under Section 4 of the Act, which deals with 'abuse of dominant position'.

On August 20, DLF has moved to Competition Appellate Tribunal against competition regulators for initiating a probe without hearing the accused. The CCI had *prima facie* found that DLF has abused its dominant market position and the agreement was "one-sided" in nature and there were "variations from the initial stipulations". *(FE, 05.08.10)*

Reduction in Power Tariffs

The CCI states that it wants import tariffs on power equipment to be scrapped and monopolistic power distribution companies like BSES and NDPL should have tough competition in the relevant market. CCI is all set to issue recommendations to the Planning Commission for the National Competition Policy (NCP), according to which the policies that quarrel with the consumer's right to a fair deal would need to go.

The CCI believes that if such recommendations are agreed, it will have the potential to change not only many existing government policies, but also the remit of many sectoral regulators. *(FE, 11.08.10)*

PSU Insurers Face Charges

Third-party administrators (TPAs) have complained to the CCI over four government-owned insurance companies' plans to form a TPA joint venture of their own. TPAs, situated in hospitals, are firms which are hired by insurance companies to handle the administration of health claims, and are the point of contact for patients.

The four government-owned insurance companies, which have a combined market share of 60 percent, have decided to form a joint venture with a private TPA company in order to cut costs and monitor claims. Independent TPAs have complained that the move constitutes the formation of a cartel and will result in abuse of a dominant position. *(ET, 09.09.10 & HT, 06.09.10)*

CCI Raps Film Chamber

Reliance Big Pictures has moved to CCI alleging Karnataka Industry Chamber for abusing its dominant position by restraining it from exhibiting movies. It all began with the Federation of Karnataka Chambers of Commerce and Industry (FKCCI) banning the distribution of movie '*Raavan*'. Reliance Big Picture has complained that the FKCCI is now asking producers and distributors to stop distributing prints to Big Cinemas.

Reliance Big Pictures in its complaint stated that FKCCI being a leading industry chamber in the Bangalore and Mangalore region is using its dominant position to dictate terms to distributors and moviemakers. They have asked distributors to stop giving not only *Kannada* films, but also non-*kannada* films to Big Cinemas. The complaint has been filed under Section 4 of the Act, which pertains to abuse of dominant position by market leaders. *(BS, 31.08.10)*

Glassmaker Under CCI Lens

Kapoor Glass Pvt. Ltd filed a complaint with Competition Commission of India (CCI) against the German glass giant Schott Glass India Pvt. Ltd, a wholly owned subsidiary of German multinational Schott Glasswerke Beteiligungs GmbH, (Schott AG), for using anti-competitive business practices. Schott AG is a global leader in the production of specialised glass used for pharmaceutical packaging.

According to an initial assessment by CCI, the German glass giant may have used anti-competitive business practices against its competitor Kapoor Glass Pvt. Ltd.CCI on scrutinising the entire material on record is of the opinion that there exists a *prima facie* case for making a reference to DG to make an investigation into the matter. *(BL, 22.07.10)*

RIL Alleges Oil PSU's

Reliance Industries Ltd. (RIL) has moved CCI alleging that state-run oil companies, i.e. Indian Oil Corporation, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited have formed a cartel to supply Aviation Turbine Fuel (ATF) to Air India. The complaint has been filed under sections 3 and 4 of the Competition Act 2002, in which RIL claims that the oil PSU's are working as a cartel while bidding for ATF supply to the flag carrier Air India.

RIL wants to enter the business of jet fuel supply, which has been till recently controlled by the state-owned oil marketing companies. This restricts entry of private players that are in no position to compete with state-run firms. *(FE, 15.07.10)*

Bust a Cartel, Gain a Friend

– Pradeep S Mehta*

Generally, it is the level of confidence that the general public has in the competition authority that determines the extent to which the authority would be able to garner support to deal with difficult cases. This means that the competition authority, especially a young one like the Competition Commission of India (CCI), should be able to decisively tackle cases that affect Mungeri Lal or the aam aadmi

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Confidence-building requires strategising, and one common strategy adopted by some competition authorities is prioritisation and targeting, with the competition authority striving to ensure that its decisions can clearly, without any ambiguity, relate to promotion of the interest of the general public.

A good example is that of South Africa, where the South Africa Competition Commission came up with a list of priority areas and acknowledged that these areas are where it feels its decisions would have the greatest impact in the economy. Therefore, the authority gives priority to the food, agro-processing and forestry sectors. Its decisions, including pending cases, get popularised due to anticipated impact on the general welfare of the public.

For example, an investigation into a suspected cartel of millers of white maize, the staple food for most of South Africa's population, in April 2010 was positively greeted by the public. This enhanced the visibility and support for the authority. Prioritisation is also found in other jurisdictions. For example, the health sector is considered a priority area by the Competition Bureau of Canada.

Following prioritisation, competition authorities have gained confidence and support through busting cartels on critical services, which constitute a big proportion of the poor's budget, such as for food and medicines. The products involved form part of the daily requirements of most of the population, leaving them with no choice but to buy the cartelised products at higher cartel prices. The price reduction following the authority's intervention directly protects consumers.

It is now over a year since CCI started operation. Stakeholders, who were disappointed by the performance of the MRTP Commission, had a lot of expectation from CCI, especially given its stronger legal mandate. Alas, CCI is yet to endear itself to the general public through decisions with significant impact on people's lives. This is taking place against the backdrop of several cases concerning alleged anticompetitive practices in the food and health sectors. CCI's appropriate intervention would go a long way in enhancing both its credibility and economic importance.

At a recent launch of a CUTS project for identifying some anticompetitive issues in the healthcare sector, it was pointed out by a member of CCI that it has initiated investigations into practices of drug trader associations, a remark that was widely welcomed. However, such cases need to be prioritised over other cases that CCI has handled to date.

For example, an order in cases of alleged collusive behaviour between doctors and pharmaceuticals would go a long way in boosting the general public's confidence in the competition regime compared to an order in the motor vehicle sector.

Taking action against cartels even in sectors outside food and health goes a long way in boosting the public sector confidence in a competition authority. Cartels are considered the most harmful of anticompetitive practices as they affect consumers directly and, at the same time, are the most difficult to prosecute. Successfully prosecuting a cartel is a sign of strength of the competition authority, which is very important from the public point of view.

Successfully prosecuting a cartel would also go a long way in convincing sceptics, particularly those doubting the expertise of the competition authority to the extent of lobbying against notification of the merger provisions of the Competition Act, 2002.

* *Secretary General, CUTS International. Abridged from an article that appeared in* The Financial Express, *on August 31, 2010.*

Gandhigiri for Sustainable Growth

– Ram Nidumolu* & Sharmila Paranjpe**

Innovation at leading Indian companies suggests that inclusive growth policies are beginning to have the desired effect in rural areas and on the urban poor. But much more is required from the government and the industry

We celebrated the 141st birth anniversary of Mahatma Gandhi. It is only appropriate that we consider how his life's core principles relate to our own economic times.

Historian Ramachandra Guha has described Gandhi as the single most important influence on the environmental movement in the country. We are now at a juncture on the road to growth where we face two choices. The first is unconstrained economic growth that enables us to race ahead to the future, but with significant downsides such as weakened long-term economic security and well-being due to non-renewable resource constraints, climate change and environmental damage. The other path is sustainable growth, which is the use of sustainability-based innovations to develop products and services, business models and platforms, and infrastructure.

Sustainable Growth 1.0, 2.0, 3.0

In the June 2010 issue of Harvard Business Review, Prof C K Prahalad made one of his last contributions to management thought by introducing, with his co-author R A Mashelkar, the notion of Gandhian innovation. These are business innovations that embody two core principles that Gandhi lived by: affordability and environmental sustainability. We can add a third core principle in Gandhi's philosophy: freedom from authoritarian control and a general distrust of the central authority. Sustainable growth can be considered Gandhian growth because its business innovations are rooted in these three principles.

The mid-1980s to the mid-1990s in India may be described as Sustainable Growth 1.0. In this period, the easing of many government controls led to business, technology and policy innovations that initiated decentralised growth in the economy. These changes, although partially implemented, illustrate the first core Gandhian principle: decentralised control.

In turn, Sustainable Growth 2.0's rapid expansion will likely be the decade 2005-2015 in which we are halfway through, fuelled especially by business innovations that target bottom of the pyramid. It, therefore, illustrates the second core Gandhian principle, affordability, and has now become the national agenda.

It is encouraging that the government is finally putting together some of the policy pieces required for accelerating Sustainable Growth 3.0. These include measures such as the carbon tax on coal to fund clean energy, the perform, achieve and trade (PAT) mandate for energy-intensive facilities to reduce energy consumption, the National Solar Mission to implement 20 gw of solar power by 2022 and several other initiatives announced earlier this year. But the devil, as always, is in the implementation of these policies.

Drivers of Successful Change

Market demand is a greater driver of new behaviours than regulations, especially if the latter are poorly enforced. There is another big driver of change that Gandhi used masterfully is the creation of an identity around the intended change that the average Indian could easily relate to during the Independence movements. It represented a fearless Indian throwing off a colonial yoke and was created through symbols such as the charkha and the lifting of sea salt at Dandi, new words and phrases such as satyagraha and Quit India, and by anchoring in values such as ahimsa that define our heritage.

Perhaps we should take a leaf out of the Mahatma's notebook to locate where to search for such an identity. There is a sphere we have overlooked until now in this essay. It is our own enduring Indian culture. More precisely, it is our ancient worldview found in the Upanishads relating humanity to nature, which transcends Hinduism itself and is secular in its outlook. It was the foundation of the Mahatma's life and guided his every action.

By tapping into the sense of stewardship and conservation already embedded in our national culture, we can build a national identity around this greater path of sustainable growth.

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* *Founder and CEO of InnovaStrat, and has collaborated with C K Prahalad on innovation and sustainability.*

** *Managing Trustee, Wipro Cares.*

Abridged from an article that appeared in The Economic Times*, on September 30, 2010.*

Captains at Sea

– Sanjaya Baru*

Amidst concerns about crony capitalism, is business leadership losing its elan and voice?

Even as critics of public policy worry about the influence of individual businessmen and high profile companies on sectoral policy, has the voice of "India Inc" become weaker in the councils of decision-making? Have industry associations like the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Confederation of Indian Industry (CII) become less effective in not just influencing government policy, but in espousing and defending the interests of Indian business as a whole?

When a Group of Ministers (GoM) approved a proposal that people displaced by a mining company should get 26 percent of that company's profits, it was the public sector Steel Authority of India Limited (SAIL) that first opposed the idea on the grounds that captive mines are not accounted separately in its books, and hence the calculation of their profits is difficult. It was only after SAIL spoke up that Tata Steel did and business chambers followed suit

Earlier, in the run up to Parliament's approval of the diluted Civil Liability for Nuclear Damage Bill, it was public sector Nuclear Power Corporation of India Limited (NPCIL) that first cried foul, before it was asked to shut up by the government, and only then did private sector Larsen & Toubro (L&T) and industry associations wake up. Tata Power and Reliance Industries, with long-term interest in nuclear power, chose to remain silent. It was left to a retired diplomat and a nuclear policy researcher to point out that Indian companies would some day become "suppliers" and so, forget about American companies, any Indian legislation ought not to hurt the interests of Indian firms in the business.

In the case of mining policy, we are yet to see what impact the industry's protestations will have. In the nuclear liability legislation, they had none at all! If individual firms are unwilling to publicly criticise the government, for their own reasons, even business associations have shied away from going on the offensive.

In recent months, whenever industry has been under attack, as for instance in the case of Vedanta in Orissa; or where business interests have been adversely impacted by political initiatives, as for instance in Hyderabad on the Telangana issue; or where vested political interests have pushed policy hurting business interests, as for instance in the GoM's decision on ethanol pricing, where sugarcane interests have prevailed over those of the chemical industry; neither the so-called "captains of industry" nor the various chambers and associations have stood up to be publicly counted, protesting against myopic political management of industrial policy.

Part of the reason for this is the general decline in the image of Indian business among ordinary people. Allegations of cronyism apart, the increasing tendency on the part of business billionaires to show off their wealth, best exemplified by Mukesh Ambani's palatial home, while not generating adequate middle-class employment has partly contributed to this.

From those early days of defiance, not reading the tea leaves and the smoke signals, Indian business seems to have lurched to the other extreme of submissiveness. Not only have business associations devoted their annual general meetings to discussions on inclusive growth, inviting all the politically correct bleeding hearts to re-educate them and give them a social conscience, but they have even ceased to defend the interests of business, where they must, against the growing aggressiveness of self-proclaimed defenders of the "people's interest" within the increasingly assertive community of non-governmental organisations (NGOs).

Apart from the decline in the image of business leaders in the more recent past, compared to the post-1991 era of industrial revival, the inability of industry associations to make a difference, defending business interests more aggressively, has also made the difference.

Maybe industry associations would regain their elan and credibility as the spokespersons of Indian business if they refuse to function as travel agents for Union ministers, ferrying and escorting media around the world to ensure domestic coverage for publicity-hungry ministers, and act more as pressure groups, forcing ministers to listen more and talk less!

* *Columnist, Business Standard. Abridged from an article that appeared in the* Business Standard, *on September 27, 2010.*

Desi NGOs Go Multinational

TOWARDS A BRAVE NEW WORLD

RK Pachauri | Pradeep S Mehta | Madhav Chavan | Rajesh Tandon | Bunker Roy

After Indian companies, it is the turn of desi NGOs to go multinational. While The Energy and Resources Institute (TERI) and CUTS International have set up affiliate organisations in Asia, Africa, Europe and North America to present the perspective of developing countries to developed countries and foster South-South cooperation, Pratham's US and UK affiliate charities are dedicated to raise funds from local communities to finance education of poor children in India. Similarly, while Society for Participatory Research in Asia (PRIA) operates from Afghanistan to Sri Lanka for training and capacity building of local people, Barefoot College invites poor women from Africa, train them to become solar engineers and usher in a change back home.

Says TERI Director General RK Pachauri: "We forayed abroad to highlight the perspective of developing countries on pressing issues like energy and environment." TERI's presence from Japan, Malaysia and the Gulf to North America and Europe helps the NGO to work at the ground level at these locations. Set up in 1974, TERI with its 700 employees engages in research in energy, environment, forestry, biotechnology and the conservation of natural resources and consults with governments, institutions and companies across the world.

Similarly, Consumer Unity & Trust Society, which was set up in 1983 as a rural development communication initiative in a garage in Jaipur, Rajasthan to bring out a wall newspaper, *Gram Gadar* (Village Revolution), now has centres all over the world at locations like Hanoi, Lusaka, Nairobi, Geneva and London.

Says Founder and Secretary General Pradeep S Mehta, who went to Scindia School in Gwalior and St Xavier's College in Kolkata before graduating in law from Rajasthan University: "We opened affiliate oragnisations in Africa at the request of civil society organisations there to spread pro-trade and pro-development message. It's good for South-South Cooperation". CUTS has 100 full-time staff and 300 volunteers.

Their reasons why NGOs venture abroad are diverse. Pratham US and Pratham UK are focussed on raising funds to help Pratham offer quality education to poor children in India. Says eminent educationist Madhav Chavan, who taught at Houston and Mumbai universities before co-founding Pratham in Mumbai in 1994: "Our presence abroad helps us raise funds for our work in India."

Fund-raising is the primary reason behind the overseas ventures of Tilonia, Rajasthan-based Barefoot College too, also known as Social Work and Research Centre. Referring to US-based NGO, Friends of Tilonia, founder and director Sanjit Bunker Roy, an alumnus of Doon School and St Stephen's College in Delhi, says: "Friends of Tilonia is more an online platform. It helps us in fund raising by promoting the sale of goods produced by rural artisans at the Barefoot College."

Barefoot College works in solar energy, water, education, healthcare, rural handicraft, communication, women's empowerment and wasteland development. With financial help from Indian Technical and Economic Cooperation programme, the college trains women even from Africa, Latin America and other Asian countries to become barefoot solar engineers. Roy's Barefoot College has come a long way since it was set up in 1972 on 45 acres and an abandoned tuberculosis sanatorium procured from the government on a lease of Re 1.

Set up in 1982, PRIA focusses on participatory research, citizen-centric development, capacity building, knowledge building and policy advocacy. The NGO operates from Afghanistan to Cambodia, working with partners to undertake training, research and consultancy work.

Says Founder and President Rajesh Tandon, an alumnus of IIT-Kanpur and IIM-Calcutta: "An Indian NGO working abroad though its affiliate organisation or foreign partners is still an exception and not the rule. The government should create an enabling environment for Indian NGOs to go abroad and work."

He adds that the government could, for example, invite NGOs more often to join foreign delegations the way foreign governments do. There is usually government-government partnership and industry-industry partnership, but no NGO-NGO partnership.

It could be helpful from people's point of view, particularly in situations like the one prevailing in Afghanistan. May be it's time for Indian diplomacy to acquire a non-governmental edge, too, for itself, if not for NGOs.

(FE, 03.08.10)

PUBLICATIONS

ReguLetter


ReguLetter

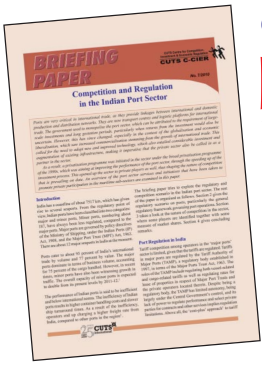
The July-September 2010 issue of newsletter, 'ReguLetter' encapsulates 'Fighting Poverty and Economic Stagnation in LDCs Through Competition Law & Policy' in its cover story, urges the least developed countries to take immediate steps to enforce competition laws, if these are absent or dormant, and implement a competition policy to generate sustainable economic growth and through such growth or otherwise to alleviate poverty.

The lead story is followed by regular sections focusing on news, views and policies related to corporate restructuring, regulations of utilities and finances, corporate governance etc. of different countries in particular, the developing nations. Besides, annual roundup of competition laws, mergers & acquisitions, corporate issues etc. is another highlight of the edition.

A special article by Martin Wolf says that the regulators are trying to make the existing financial system less unsafe, incrementally. The world cannot afford another such crisis for at least a generation. Another special article by Andrew Jack argues that with a top diabetes drug under threat of curbs on safety grounds, the question is whether regulators are stifling innovation or the industry is marketing products too widely.

About a Competition Law dwells on the competition scenario in Pakistan, the institutions of competition law in the country and the scope of improvement in the law.

This newsletter can be accessed at:
http://www.cuts-ccier.org/reguletter.htm

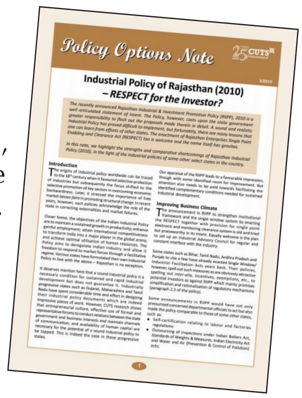

Briefing Paper
Competition and Regulation in the Indian Port Sector

Competition and Regulation in the Indian Port Sector

Ports are very critical in international trade as they provide the linkages between international and domestic production and distribution networks; they are now transport centres and logistic platforms for international trade. A privatisation programme was initiated in the sector under the broad privatisation programme of the 1990s, which was aiming at improving the performance of the port sector through the speeding up of the investment process. This opened up the sector to private players as well, thus shaping the nature of competition that is prevailing to date. An overview of the port sector services and initiatives that have been taken to promote private participation in the maritime sub-sectors are examined in this briefing paper.

This Briefing Paper can be viewed at:
http://www.cuts-ccier.org/icrr09/pdf/Briefing_Paper-Competition_and_Regulation_in_the_Indian_Port_Sector.pdf

Industrial Policy of Rajasthan (2010) – *RESPECT for the Investor?*


Policy Options Note
Industrial Policy of Rajasthan (2010) – RESPECT for the Investor?

The recently announced Rajasthan Industrial & Investment Promotion Policy (RIIPP), 2010 is a well articulated statement of intent. The Policy, however, casts upon the state government greater responsibility to flesh out the proposals made therein in detail. A sound and realistic Industrial Policy has proved difficult to implement, but fortunately, there are many lessons that one can learn from efforts of other states. The enactment of Rajasthan Enterprises Single Point Enabling and Clearance Act (RESPECT) too is welcome and the name itself has gravitas. This note highlights the strengths and comparative shortcomings of Rajasthan Industrial Policy (2010), in the light of the industrial policies of some other select states in the country.

This Policy Options Note can be viewed at:
http://www.cuts-ccier.org/pdf/Industrial_Policy_of_Rajasthan_2010.pdf

SOURCES

BL: The Hindu Business Line, **BS:** Business Standard, **ET:** The Economic Times, **FE:** The Financial Express, **HT:** Hindustan Times, **PTI:** Press Trust of India, **TH:** The Hindu, **ToI:** Times of India

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.