PolicyWatch

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

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PC, Are You Listening?

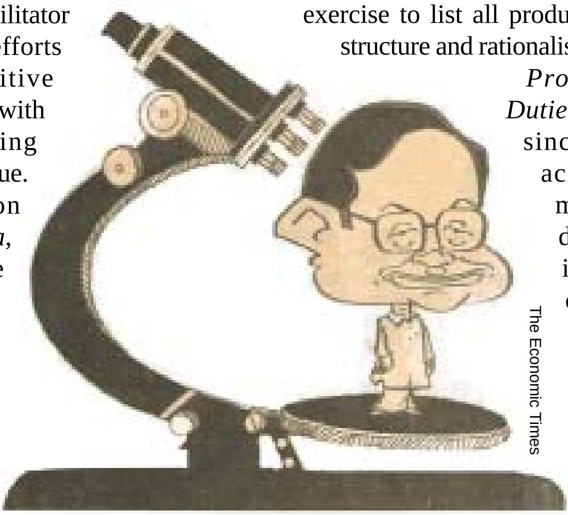
Dear Finance Minister,

Your efforts to bring out the Outcome Budget last year was commendable. The plan to bring out a Performance Budget is worthy of equal appreciation. Linking government outlays with outcomes would justify the expenditure incurred on achieving particular outcomes.

A similar exercise is required with respect to government policies and practices. This would help in assessing the utility of particular government policies, and identifying and checking undesirable outcomes.

The thrust of economic reforms, undertaken since the 1990s, has been to promote competition and make the government play the role of a facilitator of economic activity. These efforts towards ensuring a competitive economy got a further impetus with your government making 'competition' a serious policy issue.

The National Common Minimum Programme *inter alia*, states: "Indian industry will be given every support to become productive and competitive. The government will not support the emergence of any monopoly that only restricts competition. All regulatory institutions will be strengthened to ensure that competition is free and fair".



The Economic Times

Despite this, government policies are often framed and implemented in a manner to protect the welfare of some market players rather than promote competition. The end result is either excessive expenditure or reduction in government revenue, constraining the already limited government resources. For example, bid rigging in civil works undertaken by the government results in inflated bills, while a significant part of the amount is pocketed by construction contractors.

Policy-induced distortions in market processes arise in various ways. Few issues are flagged below, which you must address in the forthcoming budget.

Inverted Duty Structure: For several product lines the existing tariff regime results in higher import duty on raw materials *vis-à-vis* that on finished products. Import duty on natural rubber is 20 percent as against 10 percent duty on imported finished tyres. Crude palm oil, a raw material for the manufacture of *vanaspati*, attracts customs duty of 65 percent, while import of *vanaspati* attracts a much lower duty of 30 percent.

This kind of tariff regime adversely affects domestic manufacturers of finished products and encourages suppliers of raw materials, thus denting value addition. Addressing this anomaly should be high on the government's list of priorities in order to give a boost to the stagnant manufacturing sector. The government should undertake an exercise to list all product lines that face inverted duty structure and rationalise the tariff regime.

Proliferation of Anti-dumping Duties: Reduction in trade barriers since the early 1990s has been accompanied by anti-dumping measures, which are primarily designed to protect domestic industry, and not preserve competition. India has now emerged as the third most frequent user of anti-dumping duty, after South Africa and the European Union (EU). In several cases, the Directorate General of Anti-dumping and Allied Duties accepted an increase in foreign firms' market share (which was only to be expected in a period of trade liberalisation) as evidence of injury, even though the Indian industry's sales and profits were increasing! Unfortunately, it is not realised that anti-dumping measures inflict huge import costs on user industries, as it is mainly intermediate goods industries that have succeeded in obtaining protection.

Central Government Subsidies: For quite some time, your Ministry is busy preparing a roadmap for a new focused subsidy regime targeted at the poor and the truly needy. However, something concrete is yet to emerge. Meanwhile, the government's subsity bill continues to increase with not much relief to the truly needy. Studies suggest that only 25 percent of foodgrains actually reach

HIGHLIGHT

Satish Jha

Kiosks of Chaos

"..these kiosks may add to the chaos that is being caused by rising expectations that meets poor delivery" 19

ALSO INSIDE

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

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the poor, with administrative costs accounting for 85 percent of the total expenditure! Much of this is avoidable if distortions prevalent in providing subsidies are addressed.

At present, the food subsidy policy uses the MSP-PDS operations to serve the 'conflicting' objectives of ensuring remunerative price to farmers and providing foodgrains so procured, to the poor at affordable prices. By implication, this entails a huge gap between the purchase price and issue price, and consequently a larger subsidy bill. Instead, the two operations should be separated and procurement of foodgrains for distribution to the poor through PDS should be done through competitive bidding, thus minimising the cost of procurement! Further, for better targeting, cash transfers through the Post Office network could be undertaken on a pilot basis to provide direct support to needy families.

The calculation of petro-subsidies goes against economic logic. The government first adds taxes to arrive at a notional market price. Subsequently, products are sold at a price, which is lower than this notional market price, and the difference is termed as the 'subsidy' burden! Concerns are expressed over inflation, and the impact of rise in prices of petro-products on prices of other commodities is acknowledged. However, a large share of the petro-product prices comprises of taxes. As per the Petroleum Minister, more than half of the retail selling price of petrol and one-third of the selling price of diesel is made up of central and state duties. Thus, by imposing taxes and duties on petro-products, government is actually fuelling inflation!

There is a need to introduce market discipline even in services provided by the government, free or at highly subsidised rates. For instance, in education, subsidies need not be given to schools directly; rather students could be given vouchers, which the schools should be able to encash. This would also provide an incentive to schools to pull up their socks.

There are several other policies with similar outcomes. The government should launch a rolling programme for a 'competition audit' of all government policies. This would help identify those policies that impede market process and guide in taking measures to streamline them.

Unfortunately, some of the measures undertaken to streamline the government's intervention have been, at best, half-hearted. Independent regulatory agencies have been established in certain sectors to ensure competitive outcomes, while in others the process is on. Most regulatory bodies in India are made to depend on the line-ministry for their budget, which is not a desirable practice, as it limits regulatory autonomy. It is unfortunate that your ministry turned down the telecom regulator's proposal to grant it financial autonomy. The number and nature of staff, appointing consultants, market investigation, etc are activities that can be controlled through budget allocations, and this is already telling on TRAI's performance. Regulators should be allowed a fixed percentage of fees, taxes, etc. to meet their operational expenditures.

We hope you would consider these suggestions in your budget speech and take yet another first step!

THEME: UNION BUDGET 2006-07

Retail FDI Clearance

As part of a big move to liberalise the foreign direct investment (FDI) regime, the Cabinet has approved new FDI norms for several sectors. It has allowed 51 percent FDI in single brand retailing by foreign companies, who presently operate through franchisees.

Norms have been revised for power trading, processing and warehousing of rubber and coffee, diamond and coal mining, airports and petroleum infrastructure like laying of pipelines.

The government has issued notification permitting FDI through the RBI's automatic approval route in greenfield airport projects, distillation and brewing of potable alcohol, manufacture of industrial explosives and hazardous chemicals, laying of natural gas. LNG pipelines and cash-and-carry wholesale retailing.

(BL, 25.01.06 & 14.02.06)

Granting Relief

The forthcoming budget will provide relief to the corporate sector on compliance with the fringe benefit tax (FBT) provisions.

Ever since the FBT was introduced in last year's budget, corporate India has been lobbying for scrapping the tax. Corporates have also been demanding that the complexity of the FBT system should be reduced.

Finance minister, P Chidambaram said that disinvestments in non-*navratna* public sector undertakings is on track. *(BL, 12.01.06)*

Sops for the Sectors

The government has worked out a list of manufacturing sectors that will rank at the top for incentives and tax relief. The list includes automobiles, textiles, leather and leather products and food processing.

A top official said that the list has been drawn up after careful analysis of trends in the economy as well as the growth and employment generating potential of these sectors.

The official added that for the finance ministry, the plus point for each of these sectors is that they have large employment potential. They are also outside the pale of government companies and do not need any support unlike the public sector entities. *(FT, 17.01.06)*

Too much of…

The budget for the 2006-07 fiscal will be one in which the UPA government will have to take a decisive judgment as to its commitment to the common man. The resources need to be provided and sustained, and the concerns should now lie in adequately funding the schemes for social benefit.

Yet, the process cannot stop there, given that the demands from infrastructure ministries for increase in share need to be taken into account. They can only be addressed through innovative financial arrangements.

The potential exists for win-win arrangements. But the call needs heeding, and, painfully enough, there is so much that needs heeding and nobody, perhaps, to address the needful.

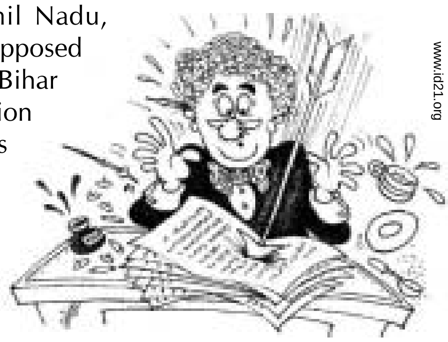
A case of old wine in a new bottle?

(FT, 09.02.06)

Not Meeting at a Point

State governments have not accepted the petroleum ministry's proposal to consider dual pricing for subsidised kerosene and liquefied petroleum gas (LPG). As such, the ministry has received divergent views.

Most states, including Tamil Nadu, Maharashtra and Punjab, have opposed the idea. On its part, a state like Bihar has stated that greater consideration is needed at the political level, as this would amount to a major shift in the pricing mechanism.



In such a context, the ministry had written and called a meeting of the state representatives to discuss their views on restricting the subsidy on domestic LPG to only below the poverty line families and to eliminate the above poverty line families as beneficiaries of subsidised kerosene. *(BL, 10.12.05 & FE, 09.12.05)*

Reviewing Norms

The petroleum ministry is in the process of reviewing norms for the retailing of petroleum products, including the investment criteria laid down for new entrants.

The government has noticed that the companies to whom the ministry had granted marketing rights on April 1, 2002, have fallen behind in setting up the desired number of retail outlets. Hence, the distribution and retailing of petroleum products and natural gas, according to the Planning Commission, are dominated by the central public sector undertakings.

The Commission felt that the possibilities of roping in private sector efficiencies for distribution and retailing should be explored and suggested the lowering of the Rs 2,000 crore investment criteria for the right to market transportation fuels.

(BL, 21.11.05)

Venturing Jointly

Hindustan Petroleum Corporation Ltd (HPCL) and BP (earlier known as British Petroleum) have signed an agreement to form a 50:50 joint venture partnership that would operate in the oil refining and marketing sector in India.

One of the main objectives of this partnership would be the construction of HPCL's Rs. 12,000 crore Bhatinda refinery project in Punjab. Besides, the partners plan to develop a joint marketing activity, including the establishment of a retail service station network in preparation for the refinery going onstream, in 2009.

The joint venture would also assist in the selection of crude oil and its supply to the other refineries of HPCL. *(BL, 14.10.05)*

Of Central Prerogative

There is a call of restraint incumbent upon state governments in that the latter should desist from setting up regulatory authorities for the petroleum sector, as this sector is a subject for the centre. A breach to the above stands as violation to the injunctions of the Supreme Court.

In striking down the proposal by the Gujarat government to enact legislation for a similar purpose, the apex court had stated that the centre alone had the authority and competence to enact legislation on mineral and oil resources, including natural gas and liquefied natural gas (LNG). *(BL, 07.10.05)*

Invested Understanding

ONGC Mittal Energy Ltd. (OMEL), a joint venture between Oil and Natural Gas Corporation (ONGC) and Mittal Energy Ltd. has signed a memorandum of understanding (MoU) with the government of Nigeria for long-term infrastructure investments in exchange for drilling rights in that country.

ONGC's chairman was not forthcoming on financial details and indications are that OMEL has been offered two blocks by the Nigerian government. The truth is that Nigeria has been on the lookout for foreign investment in infrastructure to pull its economy out of decades of stagnation.

Recently, during a meeting with a high-level Nigerian delegation in India, both OMEL and ONGC Videsh Ltd. (OVL) had sought specific exploration and production blocks in Nigeria. A proposal was also tabled to consider OMEL and OVL for some reserved blocks in that country. *(BL, 12.11.05)*

No Subsidy on Losses

The upstream oil companies of ONGC, Gas Authority of India Ltd (GAIL), and Oil India Ltd (OIL) will have to cough up Rs 3,274 crore as part of the subsidy burden for the third quarter of the current fiscal.

While ONGC has been asked to shell out Rs 2,843 crore, GAIL and OIL have been asked to give Rs 206 crore and Rs 225 crore each.

The cost of production of petrol is only Rs 19.58 per litre as opposed to the sale price of Rs 43.49 a litre (in New Delhi), the remaining being made up of customs and excise duty and sales tax.

For diesel, customs duty of Rs 1.81 (6 percent), excise duty of Rs 5.07 (17 percent) and sales tax of Rs 3.39 make up for 34 percent of the Rs 30.45 a litre sale price in New Delhi. The basic cost of production of diesel is only Rs 20.18 a litre.

(BL, 01.01.06 & www.rediff.com, 14.12.05)

Fiscal Concessions Demanded

The exploration and production companies in the hydrocarbon sectors have urged the finance ministry seeking fiscal concessions for the gas produced under the New Exploration Licensing Policy (NELP) in line with exemptions proposed for LNG being imported into India.

Under NELP, a number of oil companies have succeeded in striking gas, but most of the fields are in deep water or in frontier areas where development needs extensive investment.

As per the industry, any concession would give a boost to government initiatives to increase availability of natural gas by enhancing exploration through NELP and import of LNG. *(BL, 13.12.05)*

Striving for More

The Ministry of Power has decided to engage private sector players to develop 'ultra mega power projects' to speed up power generation, each of which is expected to generate between 5000 and 10,000 megawatt (mw).

Reliance Energy has already announced its plans to develop a 12,000 mw coal based power project in Orissa. The government is trying to tie up fuel linkages for the projects.

The government also plans to set up an empowered group to evaluate the project bids and handhold the projects right up to the evaluation stage. This initiative would help India achieve the targeted 6,50,000 mw of installed capacity by the 14th Plan.

Although, there have been informal discussions, no clear-cut guidelines are available as of now. *(BS, 11.11.05)*

Code for Grid Stability

The Central Electricity Regulatory Commission has issued the revised Indian Electricity Grid Code, which will come into force with effect from April 1, 2006. The code contains provisions for ensuring greater accountability among stakeholders to ensure a higher degree of grid stability.

The code provides that the operation of all State entities would be co-ordinated by the State Load Dispatch Centre, which in turn would co-ordinate with the Regional Load Dispatch Centre, on a real-time basis.

The code proposes to apply reactive energy changes at the rate of five paise per unit of reactive power on all inter-state transmission lines, and each state shall be treated as a single entity in the regional grid for allocations from Inter State Generating Station, to improve grid voltages and for maintaining a clear chain of accountability. *(BL, 30.12.05)*

A Push for Carbon Trading

The Ministry of Environment and Forests has approached power sector regulators, asking them to incentivise power utilities to go in for projects that can earn revenues through carbon trading.

This comes in the wake of concerns raised by power utilities on whether they would be required to pass on all the benefits of possible carbon credit earnings to their consumers by lowering tariffs.

Additional revenue stream is generally taken into account while deciding upon tariffs. Any additional earnings, which could include earnings through carbon trading, would have to be passed on to the consumer, translating into lower tariffs. *(BL, 25.11.05)*

Powering Co-operation

A senior official with the China Electricity Council has stated that the country's administration wants to put to use the immense hydroelectric resources latent in Eastern Tibet, with the objective to sell power, in bulk, to countries like India.

The regulatory establishments in both the countries had kicked off co-operation in the sector.

Currently, India has a bilateral exchange of electricity with Nepal and Bhutan, but plans are afoot to set up a regional grid in south Asia for trading electricity between the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Co-operation (BIMSTEC) member countries.

While India's overall installed capacity is around 1.23 lakh mw, China is working towards achieving 5.25 lakh mw by the end of the fiscal 2005-06. *(BL, 01.11.05)*

For an Equable Policy

The non-conventional energy sources ministry would soon be finalising a uniform non-conventional energy policy, which will focus on equal disbursement of uniform subsidiary slabs, sales tax, and Value Added Tax (VAT) rates all over the country.

This step is being taken to ensure that the sources of non-conventional energy are equally tapped.

These issues have already been discussed with the state governments and union territories. The Ministry also plans to undertake a mapping exercise to identify wind energy potential sites, so as to raise the capacity utilisation factor for the wind energy sector. *(BS, 01.12.05)*

Open Access

Power regulators in West Bengal, Rajasthan and Himachal Pradesh have given the green signal to seven cases of open access in distribution for industrial consumers, enabling them to select the electricity supplier of their choice.

Apart from the aforementioned states, 17 others have issued final regulations on open access. An open access in distribution, which has been allowed under the Electricity Act 2003, enables the facility for consumers drawing more than one mw of power. Consumers can select a power supplier of their choice, either from within or outside their state on payment of wheeling charges for transmission.

The Forum for India Regulators had recently constituted a group to discuss issues relating to the operational viability of open access. *(BL, 23.12.05)*

Disgraceful Losses

India's transmission and distribution (T&D) losses in thermal power are among the highest in the world, standing at 33 percent – about the same as Nicaragua and Nigeria.

in percent

T&D losses for countries	
India	*33*
Nigeria	*38*
Nicaragua	*30*
Pakistan	*26*
Cameroon	*26*
Russia	*12*
UK	*8*
China	*7*
US	*6*
Japan	*4*
Germany	*4*

Source: ECA, Power Ministry data

There has, however, been a decline in losses to 32.53 percent in 2003-04, but this is a matter of no consolation. The Committee of Secretaries observed that about 393 billion units were generated by the power sector out of which, 128 billion units were lost on account of T&D losses.

While the government has tried to stem loss levels through efforts at metering 11 kw feeders and consumer meter, energy accounting and auditing, the centre's key reform project – the Accelerated Power Development and Reforms Programme, has been perceived to be losing steam. *(BL, 03.12.05 & 03.07.05)*

Growing Network Congestion

A study by the Telecom Regulatory Authority of India (TRAI) has revealed that the congestion on mobile networks has reached alarming proportions with no sign, as yet, of improvement.

The report stated that the congestion levels in a large number of cities are 20 times higher than the stipulated quality of service norms. This, according to TRAI is due to an inefficient interconnecting system between the private mobile operators and the state-owned Bharat Sanchar Nigam Limited (BSNL). The precondition for this is the availability of an adequate number of junctions between the operators.

The degree of congestion between the operators is astounding in certain cities like Patna and Agra. *(BL, 05.10.05)*

Decision Maintained

What has been termed as a setback to the Videsh Sanchar Nigam Ltd (VSNL) decision, the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) upheld the (TRAI's) order on fixing a ceiling on prices of bandwidth of various capacities, thereby benefiting bulk users and in bringing down the access charges of Internet. VSNL has challenged this by questioning the methodology adopted by TRAI.

TRAI can now even issue a show cause notice to operators failing to provide interconnection to the company within its prescribed period of 90 days from the date of receiving payment, according to the order issued by TDSAT.

However, based on a petition by BSNL, TDSAT has passed another order that the TRAI does not have adjudicatory powers to resolve the interconnection dispute, which TRAI had challenged in the Supreme Court. *(BS, 29.11.05)*

Teaming Up

GAIL recently announced plans to build a synergy of telecom operations with the companies Power Grid and RailTel. This would translate to being the country's second largest broadband service provider with plans to venture into the STD and ISD services.

An MoU has been signed to form a consortium between the three that will offer bandwidth for e-entertainment, e-education and e-medicine.

Presently, RailTel earns revenues of about Rs 65 crore, while Power Grid and the telecom arm of GAIL, GAILTEL, earn about Rs 25 crore each from its telecom operations; the consortium expects to get at least 10 percent or about Rs 1,000 crore in the next three to four years. GAILTEL also plans to acquire a licence for offering STD services across the country. *(BL, 29.10.05 & BL, 15.11.05)*

Clearing the Way

The draft New Telecom Policy (NTP) 2005, has cleared the way for number portability and carrier access code (CAC), facilities that allow the customer to retain his number while availing the services of another operator.

Several countries have adopted the policy of number portability, and the time is right for India to adopt one in view of the fact that it is one of the largest telecom markets in the world. The draft NTP has fixed a 12-month deadline for the implementation of the policy. *(FE, 16.11.05)*

Willing, if Asked to…

TRAI has agreed to look into the existence of any cartel in the long distance telephony segment, if asked to do so. In the context, the regulator has dismissed categorically, that any cartel of such a nature ever existed.

The IT and Communications minister, Dayanidhi Maran alleged that the country's three private national long distance operators Reliance Infocomm, VSNL and Bharti have formed a cartel, thereby obstructing healthy competition. The minister also rejected demands for a compensation of Rs 2,800 crore to the three players in the wake of the government's decision to usher in a new regime for NLD licence.

Maran was of the opinion that TRAI must stop picking on BSNL and take on the cartels that control international bandwidth in the country. *(BS, 07.10.05)*

Distance Dialling Simplified

The government is currently planning to simplify the dialing procedure for long distance calls by merging 2,645 STD codes in the country into 322.

As per the latest proposal, the codes would be assigned to the Long Distance Charging Area. The move is being planned as part of the government's policy initiative to further liberalise the long distance sector.

Among the many impacts that such a move would have is that more players, both Indian and foreign would enter the market, apart from offering more flexibility to operators to offer last mile on a single license. *(BL, 26.11.05, ET & FE, 11.11.05)*

Dipping Down

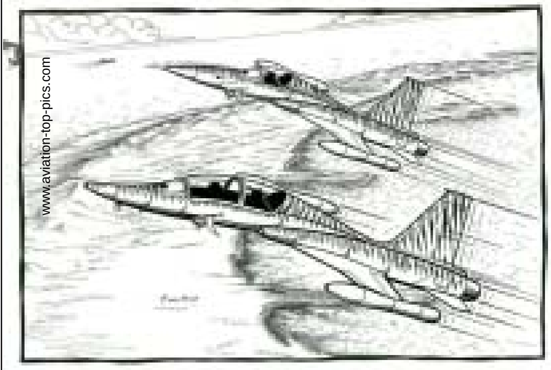
On new year's eve, 2005, BSNL announced a drop in monthly rental for fixed line telephones by 28 percent. Bharti Tele-Ventures and Tata Teleservices also announced a slash in airtime charges, international long-distance calls and prepaid local calls for mobile phone users.

Though the move is expected to cost BSNL Rs 600 crore, it aims at stemming the flow of phone users from fixed line to cellular.

BSNL also plans to invite bids for the largest-ever Global System for Mobile Communications (GSM) tender of 60 million lines for mobile services and is concurrently embarking on a Rs 800-crore plan to lay an undersea cable linking India with West Asia. *(BL, 31.12.05 & BL, 09.11.05)*

Integrating Aviation

The chairman of the Parliamentary Standing Committee on transportation and tourism, Nilotpal Basu has opined that the aviation sector should be a part of the integrated transport policy and should be seen in the larger context as a smooth and seamless system of transportation.



Basu while referring to the privatisation issue clarified that the problems in this sector are not so much about ownership as they are about the level of functional autonomy accorded.

He also pinpointed the four critical issues to be addressed, namely airport infrastructure, human resources, fuel prices, and the need for a regulatory body.

The government, Basu said, needs to intervene in the policy matters of the aviation sector by rating issues that account for a major discontent and attempting to bring in the right kind of transparency. *(FE, 07.10.05)*

Wider and Bigger

The government has decided to move ahead in six-laning the golden quadrilateral road network, which connects the four metropolitan cities. The golden quadrilateral network runs into a length of 5,846 km and over 5,000 km have been four-laned.

Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission, while addressing the Economic Editors' Conference, said that the government has also mapped out the phases four, five and six for the National Highways Development Programme.

Going by his statement, the government has now a clear idea of the scale of the road programmes, and is functioning accordingly, aiming to employ the build, operate, and transfer projects. *(BL, 19.11.05)*

Ministry Proffers Toll Cut

The Ministry of Road Transport and Highways has proposed a reduction in charges in a bid to resolve the impasse at the Jawaharlal Nehru Port Trust (JNPT), where truckers are protesting against toll charges.

The transport operators are seeking withdrawal of the Rs 130 toll that they need to pay per entry or exit.

This would be applicable to those truckers who take 'multiple journeys' on the 27-km road stretch between the port and the Pune expressway.

But, the truckers have not yet indicated whether they are satisfied with the proposed cut. *(BL, 15.10.06)*

In Clouded Weather

The airport modernisation saga is now riddled with controversy, wherein in response to the petition filed by Reliance Airport Developers in the Delhi High Court, the government has stated that GMR-Fraport was the only consortium to achieve technical qualification.

The consortium was the only one to achieve technical qualification. This is true in the original ranking as well as the revised ranking after the moderation by the Sreedharan Committee. That's the government's argument tabled forward.

However, sources associated with the case said the Sreedharan committee had 'moderated' the rankings only on the basis of management capability. There was no moderation in the case of development capability, they added. *(ET, 11.02.06)*

Flying in the Fog

The government has taken a tough stand against all private airlines and has directed them to start training their pilots in CAT-IIIB instrument landing system over the next one year, failing which they may be barred from flying into and out of Delhi in 2006.

CAT-IIB trained pilots can land and take-off aircraft even when visibility is as low as 50 metres.

For the present, only the state-owned carriers of Indian (the erstwhile Indian Airlines) and Air-India have an adequate number of CAT-IIIB trained pilots. Private airlines contend that very high training costs for a short period of two to three weeks was not a commercially viable proposition.

(FE, 28.12.05 & 08.12.05)

Railways in Joint Ownership

The proposed rail freight corridor could be jointly owned by the Railways, its major public sector unit (PSU) clients like Steel Authority of India Lid (SAIL) and those from the sectors of mining and oil and various port trusts.

One of the views on offer as regards organisational structure is that the rail freight corridor should be an entity, independent of the Railways. Secondly, there are other issues which need to be attended like ownership, building and maintaining infrastructure and the running of trains on the corridor and so on.

(BL, 13.12.05)

An Ambitious Project

T R Balu, shipping, road transport and highways minister recently unveiled an ambitious Rs 1,00,339 crore National Maritime Development Programme to assist the government's target of US$150bn exports by 2008-09.

The programme will entail accelerated investment in specific infrastructure, tonnage acquisition, and institutional capacity building projects and schemes to be taken up till 2011-12. About 387 projects have been identified.

The Indian Maritime sector, which provides for the transportation of export cargo, at this stage, needs to expand its capacity and modernise its infrastructure. By 2011-12, the ports should be capable of handling 800 million tonnes of cargo by augmenting their aggregate capacity to 820 million tonnes per annum. *(BL, 31.12.05)*

Apparently So…

Revenue from premium products like logistics and financial services that has been growing at a steady rate of an average of 30 percent annually, is seemingly beneficial for the Department of Posts (DoP). The Department has been grappling to reduce a budgetary deficit of nearly Rs 1,400 crore.

Important policy initiatives being planned, among others, include launching of an online domestic money transmission service, to use the retail network of the post offices as a front-end for e-commerce, etc. The DoP is also introducing a portable digital handheld delivery-cum-sale system that will facilitate proof of delivery in real time to the customers.

Added to the above, the DoP has sought approvals to function as a full-fledged bank in a bid to reduce the deficit.

In a similar vein, an inter-Ministerial group has also been constituted by the Cabinet Secretariat to put forth measures to eliminate fiscal deficit. *(BL, 31.12.05)*

To Achieve Rural Banking…

In a bid to take banking to rural areas and to offer the requisite facilities, the RBI is understood to be undertaking talks with the regional rural banks (RRBs), while on the other hand, the Indian Banks Association (IBA) is in talks with the DoP.

The procedures involved for either opening an account or availing credit will be simplified. Commercial banks and RRBs have been asked to tie-up with local agencies for issuing general credit cards.

RBI has also announced a one-time settlement for small borrowers to settle their non-performing accounts with banks. The IBA is also working with post offices on a pilot project that could see the post office transform into a quasi-financial institution involved in bank loans. *(BL, 29.12.05 & ET, 23.12.05)*

A Welcome Move

The infrastructure development and finance sectors have welcomed the Union Cabinet's approval for the establishment of a special purpose vehicle (SPV) for financing viable infrastructure projects, provided the government ensures speedier clearances of projects and removes bottlenecks.

Analysts feels that with the new SPV competition in the infrastructure lending business is likely to become more intense, fuelled in part by a liquidity overhang in the banking system.

As per the Cabinet's decision, the SPV would cover sectors such as roads and bridges, railways, seaports, airports, inland waterways, and other transportation projects etc. *(BL, 04.11.05)*

Acclaiming Joint Efforts

The industry body, PHD Chamber of Commerce and Industry (Phdcci) has underlined the need to initiate joint efforts between governments, development agencies and Indian financial institutions, culling instances of successful private-public partnerships like that between IL&FS and ICICI and various state governments.

According to Phdcci, West Bengal has been one of the front-runners in initiating such steps by creating the ICICI-West Bengal Infrastructure Development Corporation that has been able to do commendable work in promoting infrastructure in the state.

The Phdcci likewise quoted the example of the setting up of the Project Development Corporation (PDCOR) by the Rajasthan government and the IL&FS to facilitate private investment in the state's infrastructure. *(FE, 11.10.05)*

Bilateral Agreement

At the third meeting of the India-US Financial and Economic Forum, India and the US have agreed to create a stronger investment climate to attract American private sector companies into the infrastructure sector of India.

Both sides expressed concern over rising oil prices and the tightening financial market and the possible adverse impact of both on the prospects of global growth, subsequently impacting the economies of the two countries.

There were also discussions on the likelihood of signing memoranda of understandings (MoUs) on some areas, with the likelihood of strengthening the Indian financial sector and lowering intermediation costs to provide cheaper finance to rural areas.

The two sides also agreed to continue technical co-operation in the area of currency security. *(BL, 10.11.05)*

At a Dead End?

The recent rush for iron ore mining leases appears to have reached a dead end.

The race between the three states of Orissa, Jharkhand and Chattisgarh for getting commitments from potential investors and the hurry for signing MoUs for setting up steel plants have made little progress towards taking shape because none have been approved.

While respective state governments generally grant the mining leases, the centre's prior approval is required in cases of major minerals. And with iron ore being the major mineral, the centre has to scrutinise separately every single case. The centre's approval follows recommendations from the respective state governments.

As a matter of fact, the total number of mining leases for the major minerals has been declining during the past three years. *(BL, 11.12.05)*

For an Improved Banking

Indian banks cannot engage in the outsourcing of core banking functions, including the management of investment portfolio that would weaken their control or compromise their business conduct or goodwill.

According to the RBI's guidelines, especially the know-your-customer norms, banks also cannot outsource the work of deciding whether a person is eligible to open a deposit account.

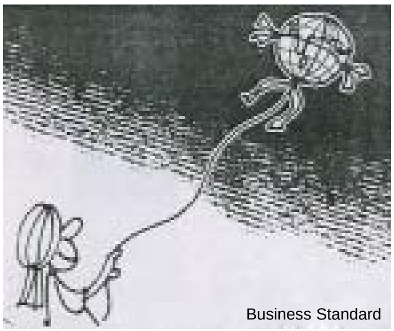
The grievance redressal procedure should fix a time frame for attending to customer complaints and should be placed on the bank's website.

(BL, 08.12.05)

Aiming for Rural Upgradation

The Prime Minister, Dr. Manmohan Singh, launched the ambitious *Bharat Nirman* initiative aimed at strengthening the country's rural infrastructure including water supply, power, housing, and roads, and proposed a 'specific financing window' for the Rs 1,74,000-crore programme.

The delivery model proposes to involve *panchayats* and the private sector as partners, said Dr. Singh, adding that the Planning Commission was working on ways to enhance the management of rural infrastructure programmes by *panchayats*. "State governments are key implementing agencies and *panchayats* would need to activate the demand side without which service delivery would not be effective", he said.



Business Standard

The four-year programme is aimed at achieving identified goals in six selected areas of rural infrastructure – irrigation, water supply, housing, roads, telephony, and electrification. *(BL, 17.12.05)*

Truly Restrictive?

With the Monopolies and Restrictive Trade Practices Commission (MRTPC) ruling that industry-wide floor levels on lending rates amount to 'restrictive trade practice', the efforts of Indian banks to arrive at a loose consensus on the same could well come to an abrupt halt.

The 'restrictive trade practice' comes under the purview of the MRTP Act.

Accordingly, the MRTPC issued preliminary notices to the Indian Banks' Association (IBA), the Governor of the Reserve Bank of India (RBI), and the Secretary (Banking), Ministry of Finance to probe the truth behind reports on the above-mentioned move.

The reports said leading banks have held formal meetings for fixing floor rates for loans of different tenors. The leadership for organising the meeting had apparently been taken by the State Bank of India.

Bankers stated that discussions on the issue have also been held under the banner of the IBA. *(BS, 09.12.05)*

Streamlining

The government's proposal to transform the Medical Council of India (MCI) to a professional body has received full support of the parliamentary consultative committee on health and family welfare.

Anbumani Ramadoss, minister for health and family welfare, told the committee that these changes would go a long way in standardising medical education and medical system in the country, wherein medical curriculum will be reviewed after every two years and registration of hospitals will be made compulsory. Ramadoss added that a year long rural posting will be made mandatory as part of the undergraduate medical degree programme.

Amendments will be made to the Indian Medical Council Act so as to change the composition of the body. The idea is to ensure that professionals and experts are allowed to manage the MCI as well manage medical education system in the country. These professionals will have full functional autonomy. *(ET, 28.10.05)*

Cut, Cut, Cut!

A committee set up by the Information and Broadcasting Ministry is examining a draft that proposes the creation of a Content Regulator and putting in place provisions relating to programming for children, adult fare, privacy issues, and advertisements; all for the purpose of formulating a comprehensive broadcast code.

What such a code implies for broadcasters in general is that it suggests a prohibition on scenes with sexual content or violence, and consumption of drugs, alcohol, and tobacco products.

The draft, prepared by the Federation of Indian Chambers of Commerce and Industry (FICCI), has said that any infringement of privacy in the making of a news-based/related programme should be done with the consent of the person or organisation. The proposed Broadcast Code will also have separate rules for advertisements. *(BL, 20.12.05)*

More Edge

The government has proposed to fix the tenure of the chairman of the National Pharmaceutical Pricing Authority (NPPA) at a minimum of two years and set up a committee, which would include representatives of the industry, to review existing guidelines and procedures. Such a move is an attempt on the part of the government to strengthen the functioning of the NPPA.

The draft National Pharmaceuticals Policy envisages the establishment of a regular linkage between NPPA and state drug controllers through a dedicated drug price-monitoring cell in major states.

The present structure and working of the NPPA would be revamped to bring greater transparency. Information about various norms, guidelines, and details of ceiling prices of various drugs would be posted on the NPPA website. *(FE, 30.12.05)*

Making Way

The Union Cabinet on Thursday has given the go-ahead for setting up a special purpose vehicle (SPV). The vehicle will be known as India Infrastructure Finance Company Ltd. (IIFCL) and will fund mega projects.

Information and Broadcasting Minister S. Jaipal Reddy, after the Cabinet meeting, stated that IIFCL, to be incorporated as a company under the Companies Act, 1956, was to be fully owned by the government and apart from its equity, would be funded through long-term debt raised from the open market.

The government guarantee limit for IIFCL, Reddy said, would be fixed at the beginning of each fiscal. For 2005-06, the government would provide guarantee up to Rs. 10,000 crore to help IIFCL borrow long-term funds with a maturity of ten years and above from the domestic and overseas markets. *(BL, 05.11.05)*

Netted

In its continued drive to stamp out endemic corruption in government offices, the Central Bureau of Investigation (CBI) carried out nationwide searches in more than 100 places on government officials allegedly indulging in corruption.

The CBI booked an official of the rank of additional secretary in government and some officials of Modi Xerox for allegedly causing loss to the exchequer to the tune of Rs 50 lakh. In Mumbai, CBI sleuths claimed to have recovered Rs 8 lakh in cash from the commissioner of the Income Tax Tribunal B R Meena, an Indian Revenue Service official, besides documents showing property worth crores of rupees.

CBI sleuths recovered Rs 26 lakh cash from the premises of a superintendent of Narcotics Control Bureau in Kolkata, Gorachand Chaterjee. CBI also booked owners of Central Council of Homeopathy in the capital for allegedly giving recognition to some of the homeopathy institutes in an arbitrary manner.

The apex probe agency has registered 40 cases against public servants so far in the nationwide raid, the fourth this year.

(ET, 01.10.05)

Providing Security…

An estimated 30 crore workers in the unorganised sector will be provided social security cover through a contributory scheme involving workers, employers, and the government, at a rupee per day, per worker. The total contribution to the proposed National Social Security Fund would be Rs 32,850 crore, according to the Draft Unorganised Sector Workers Social Security Bill, 2005.

The draft, prepared by the National Commission for Enterprisess in the Unorganised Sector, headed by Arjun Sengupta and prepared by the National Commission for Enterprises in the Unorganised Sector, has been put up for public feedback and replaces the 2004 Bill brought in by the BJP-led National Democratic Alliance (NDA) government. *(FE, 25.10.05)*

Enacting the Patent Act

India entered the product patent regime from January 2005 with the enactment of the Patents (Amendment) Act of 2005. The regime has heralded a new era in the country's pharmaceutical sector, which has been pegged to attain a size of US$25bn by 2010.

Some R&D-oriented companies supported the new regime, stating that in the long term the country would benefit, as it would encourage drug development here. The opponents of the regime said it would sound the death knell to thousands of small and medium pharma companies in the country as they would simply not be able bear the cost of R&D.

The new patent regime raised apprehensions that drug prices might go out of reach of the common man, but the government tried to come up with a new pharmaceutical policy in an attempt to allay fears.

The brighter side of the new patent regime is the focus on the huge talent pool available in the country to be utilised in R&D. Many feel India has both skills and cost advantage to become the hub for drug development researches, be it for new molecule discovery or for clinical trials.

(BS, 21.12.05)

No Disappearing So Easily

As many as 229 companies that tapped the capital market during the public issue boom between 1993-94 and 1994-95 and duped investors of their money have been identified. These companies raised as much as Rs 1, 350 crore from their Initial Public Offers (IPO).

Over a period of time approximating one year, 115 of these vanishing companies have been traced and removed from the exchanges. An interesting point of note is that promoters of these companies, their directors, addresses, etc have all 'vanished'. Over 109 inspections have been carried out against these companies, which have various types of defaults against them.

As many as 337 prosecutions have been posted against the vanished companies for crimes of the nature of instalment in the prospectus, inducing investors to invest by giving misleading information or even non-filing of statutory returns. *(HT, 15.10.05)*

Reforms to Generate Rewards

A new document called the performance appraisal report (PAR) for career planning, training and promotion will be introduced for IAS officers as part of a plethora of reforms "to enable accelerated promotion of good officers so that they have a longer tenure of service in senior positions".

The performance appraisal report is envisaged as a transparent assessment of work output, personal competencies and attributes.

The government has also decided that an intensive review of performance of officers will be undertaken at the end of 15 and 25 years of service. Promotions to higher grades will be based on these reviews.

(BS, 17.12.05)

To Encourage Housing

The new national urban housing and habitat policy has called for cross-subsidisation and reservation of 25 percent of dwelling units for weaker sections in public-private partnership projects in order to promote housing for this section.

Business Standard

According to the proposed policy, the government would fix the ceiling prices of dwelling units for economically weaker sections. The difference between this ceiling price and actual market price would have to be borne by other sections of society.

This model is currently being implemented in West Bengal. The government now wants to roll out the model at the national level. *(FE, 18.10.05)*

Sizeably Illicit

A sizeable number of Indian companies made illicit payments of over $100,000 to the Saddam Hussein regime in Iraq for doing business under the United Nations' oil-for-food programme.


The Hindu Business Line

The statement has been gathered from the report of the independent inquiry committee headed by former US Federal Reserve chairman Paul Vocker.

The report has stated that 129 Indian companies made illicit payments to the tune of $22mn towards contracts worth approximately $425mn. Apparently, the payments were for inland transportation and after-sales service.

The payments, the committee said, were not only outside UN-approved contracts for humanitarian supplies, but also excessive. *(FE, 31.10.05)*

Clearly Assertive

The Jharkhand government has made it clear that it will not allow the state's own iron ore to go out from the state without value-addition.

This is to ensure the development of the state's economy based on mineral resources.

As mineral-based industries are the only USP for Jharkhand, it does not want to sacrifice these resources succumbing to popular sentiment of the non-iron ore bearing states.

So far, the state government has received about 20 investment proposals covering mines and minerals, power and hotel industries.

(BL, 10.12.05)

Nodding Approval

The CCEA has approved a new National Steel Policy that would seek to enhance domestic steel production by almost three times, going over 100 million tonnes (mt) annually, by the year 2019-20. The present steel production stands at 38 mt.

The policy aims to make globally competitive the domestic steel industry in terms of cost, quality, and product mix. The policy suggests the adoption of multi-pronged strategy to move towards the long-term goal.

The strategy would be to create an incremental demand through promotional efforts, creation of awareness and strengthening the delivery chain, particularly in the rural areas.

The statement issued by the policy paper as to the supply side of the industry would be to facilitate the creation of additional capacity, remove procedural and policy bottlenecks in the availability of inputs such as iron ore and coal; make higher investments in research and development and human resource development, and encourage the creation of infrastructure such as roads, railways and ports, the policy paper states. *(BL, 04.11.05)*

Info Act Ramifications

The government has decided not to disclose file notings/notifications that stand related to "identifiable individuals, groups of individuals, organisations, appointments, matters relating to inquiries and departmental proceedings". Prime Minister Manmohan Singh has instructed the Department of Personnel & Training (DoPT) to incorporate the aforementioned changes under the said Act in consultation with the Ministry of Justice (MoJ).

The Prime Minister's Office (PMO) issued a statement to the effect that substantive file notings on the government's plans, schemes, programmes, and projects that bear a relation to developmental and social issues can be disclosed save for those protected by exemption clauses 8(1) (a) to (j) of the Act. *(BS, 03.12.05)*

More for Divestment

Notwithstanding the Left parties' objectives, the government appears to be hopeful of selling shares in some public sector undertakings. The Finance Minister, P. Chidambaram, said that the government is considering divestments of a small portion of equity in select profit-making public sector undertakings other than the Navratans.

The PSU divestment list includes Bharat Earth Movers Ltd, Bharat Electronics, Hindustan Organic Chemicals and MTNL. The divestment process, which is likely to be completed during the current financial year itself, could see the Government raise Rs 4,000-5,000 crore. The funds garnered through the divestment process will be used largely for social sector projects.

Reacting to this, the Left parties said that they were open to discussion on ways to raise resources for the commitments of the National Common Minimum Programme (NCMP).

(BL, 10.11.05 & 15.12.05)

Appointing Ombudsmen

In the revised Banking Ombudsman Scheme, the Reserve Bank of India (RBI) will appoint its officers in the rank of Chief General Manager or General Manager as banking ombudsmen.

The process has in all likelihood been initiated from January 2006.

The scheme will be applicable to all commercial banks, regional rural banks, and scheduled co-operative banks, a release said.

The scope of the ombudsman has been expanded to include complaints related to credit cards and in instances where services promised by banks' sales agents are not provided.

(BL, 27.12.05)

Deregulating for Betterment

The government has proposed a complete deregulation of both sugar and sugar cane pricing system. It has plans also to balance the interests of farmers, industry, and consumers. Decontrol will involve the removal of marketing restrictions such as levy and free-sale quota. It will mean doing away with the requirement for mills to deliver 10 percent of their production to the government as 'levy' under the public distribution system.

The sugar industry's demand to decontrol sugar does not make sense when it, on the other hand, wants the government to introduce stringent sugarcane restrictions, said agriculture minister Sharad Pawar.

(FE, 23.10.05 & 24.10.05)

Establishing IT Kiosks

As part of the National e-Government Plan, the state plans to establish IT kiosks or 'common service centres' in one lakh villages across the country by 2007. Villagers will then be able to avail of a raft of services at the click of a mouse, ranging from procuring land records to getting caste certificates for jobs.

The Department of IT will move a proposal to the Cabinet on the *modus operandi* for the e-government plan. The plan is for a 'honeycomb model', which essentially means that one out of every six villages will house a common service centre to address the many needs of the village folk.

(BL, 20.10.05)

An Enabling E-monitoring

An e-monitored vigilance would be the first instance when 200 districts in the country will be wired, pillar to post, under the National Rural Employment Guarantee Scheme and other anti-poverty and employment programmes for rural areas.

Going by the statement of rural development minister, Raghuvansh Prasad Singh, the primary reason for such vigilance is necessary to enable the Centre to meet its deadline for the completion of the 11th Five-Year Plan, and most importantly, an imperative for the schemes of poverty and unemployment wipe-out.

District Rural Development Agencies and *panchayati raj* institutions need to ensure the efficient delivery of such a service, given their role as programme carriers of the government. *(ET, 18.10.05)*

Cyber Middlemen

For the first time in the country, the Revenue Board has issued licenses to nearly 450 cyber cafes in Rajasthan, authorising them to give the copies of *jamabandis* (land records) to the agricultural landholders.

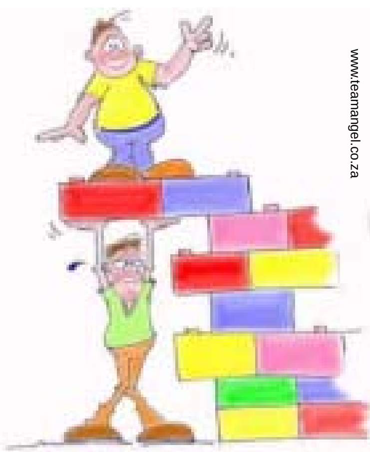
The decision to issue *jamabandis* by the cafes will no doubt lessen the work of the *patwaris* – who are currently the link between the state and the landholders, and will immensely facilitate the landholders to get access to the official records on a small payment, informed MD Kaurani, chairman of the revenue board.

The Board has also put in place all the records needed so that the farmers had an easy access. The Board will charge a fee of Rs 2000 per year.

(HT, 30.12.05)

Enhanced Buttressing

India will publish an encyclopaedia, 'Traditional Knowledge Digital Library', running into 30 million pages in electronic format, which will keep intellectual property invaders from patenting indigenous wealth. Work is progressing quickly and a third of it has already been completed. The e-document will be available in major international languages, including French, German, and Japanese.



The initiative is to prevent people abroad from patenting traditional Indian knowledge, be it yoga or medicine systems such as the *Ayurveda*.

With reference to such a venture, Ajay Dua, Secretary, Department of Industrial Policy and Promotion said: "Even as this exercise is going on, 150 yoga *asanas* (postures) have been patented abroad…134 of these *asanas* were granted patent by the US Patent and Trademark Office". *(BL, 06.12.05)*

More E-connecting

An allotment of Rs 380 million has been sanctioned for the purpose of a likelihood of making online around 200 *Krishi Vigyan Kendras* (KVKs) of the country, in 2005. The KVKs will have e-connectivity with all relevant agri research institutes.

KVKs are district-level centres set up for transfer of farm technology to farmers under a scheme administered by the Indian Council of Agricultural Research. So far, KVKs have been set up in 492 out of 588 rural districts.

"It is planned to cover remaining 96 rural districts by March 2007. Government has allocated Rs 8,600 million in the 10th Plan period to set up KVKs in all rural districts", said Dr Mangla Rai, DG, ICAR.

(FE, 27.10.05)

Across Sikkim…

Across Sikkim, the forty established Community Information Centres (CICs) are taking information and communication technologies (ICTs) and related services to the grassroots.

The CICs are equipped with modern ICT peripherals such as computers, printers, and a direct satellite link to Internet. The grassroots, who had earlier posed the biggest challenge to IT penetration, have been won over and IT has now become universally acceptable.

This venture has been further bolstered with the extended training programmes to equip people with the know-how of using and deploying ICT. People ranging from school students, housewives, farmers, monks and youths attend these training sessions. *(informatics.nic.in,)*

All Online

With the government set to allow online registration facilities, the minister of state for company affairs, Prem Chand Gupta has said that the corporate sector would no longer be subject to filing of numerous documents for the achievement of the same.

Starting with two pilot projects, one in Delhi and the other in Coimbatore, the online registration facilities for new firms would be expanded across the country by mid-2006. Such a task would be accomplished, employing the means of e-governance.

The online service would provide not only registration forms, but also information about names available for registration as also provisions for closure of a failed venture. *(BL, 17.11.05)*

Impacting for the Worse

With merchandise exports continuing to register double-digit growth in the current fiscal, the revenue department is of the perception that increased export orientation of the manufacturing sector is having an adverse impact on its excise duty collection efforts.

"When exports take place, we not only forego excise duty collection on such goods, the tax suffered on inputs that go into the manufactured export product has to be refunded by us. The manufacturing sector has increased its focus on exports. This has impacted domestic clearances and thereby the excise duty collections", a senior Finance Ministry official said.

"At the current growth level, it will be difficult to meet the budgeted collection targets for excise. But on the overall indirect tax front, the trend is satisfactory and we are on course to meet the budget estimates. Customs and service tax collections are buoyant".

(BL, 28.12.05)

Opening Arms

The East European countries of Romania, Bulgaria, Czech Republic, and Slovakia are putting aside reservations, and welcoming investment, as more and more Indian companies are looking to acquire or set up manufacturing facilities in the region. And the companies have a good reason to do so.

The countries will soon become a part of the European Union (EU) soon, and a facility in these countries will open doors to cater to a much larger market, namely the EU countries.

"These Eastern European countries receive subsidies from the EU, to facilitate economic growth and technology upgradation. These subsidies are also WTO compatible. Once the companies build their business in these markets, they get to cater to a tariff free market", said Raghav Narslay, a noted economist. *(FE, 31.12.05)*

Call for Tariff Reforms

The Indian *Vanaspati* Producers Association (IVPA) has petitioned the Union Ministers for Finance and Food to align the tariff value of crude palm oil with the prevailing market price.

It drew the attention of the government to the large differential between tariff value of crude palm oil (US$433 a tonne) and the market price (US$370 a tonne), which means the industry is forced to pay an additional Rs 2,000 a tonne for its raw material.

Due to the anomaly, the industry estimates the losses to be about Rs 20 crore every month on production of one lakh tonne of *vanaspati*.

The Association asked the Ministers as to how could the domestic *vanaspati* industry survive in this abnormal situation, and in the face of duty-free imports from Sri Lanka and Nepal. *(BL, 21.12.05)*

A Deficit Within Limits

The Andhra Pradesh (AP) government has for the first time submitted a review on the receipts and expenditure for the first-half of the current fiscal to the Assembly, as required under the AP Fiscal Responsibility and Budget Management (FRBM) Act.

According to the financial statement, AP has reported a revenue deficit of Rs 670.04 crore against a revenue surplus of Rs 267.58 crore during the corresponding period last year, i.e., 2004-05. But, the deficit is well within permissible limits.

Officials state that during that period, the newly formed Congress government was still preparing its strategy for welfare schemes; hence, government spending was mostly on salaries and other revenue expenditure. This was reflected in the surplus at that time.

The statement has revealed a 100 percent increase in subsidies during the first half-year.

This is precisely why the government wants to reduce the percentage on subsidy by venturing into conditional or targeted subsidies.

(FE, 27.12.05)

Cannot Cut Through

The world's leading diamond mining companies, De Beers of South Africa and Rio Tinto of Australia, have come up against obstruction in their bid to get additional mining licences from Jharkhand and Chhattisgarh.

The Jharkhand and Chhattisgarh governments want these companies to add value to their operations by undertaking cutting and polishing of diamonds within the state.

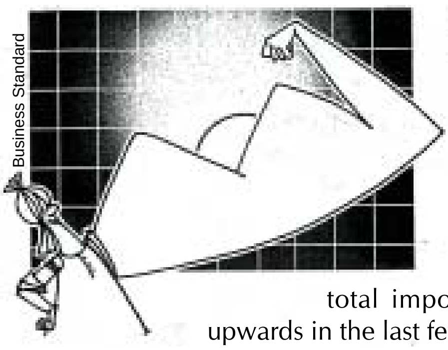
On a similar matter, the state governments are granting iron ore mining rights only to those companies, which add value in the state by producing steel.

Companies like De Beers are not in a position to give such an undertaking since they are not into cutting and polishing of diamonds. De Beers is only a diamond supplier and gets the cutting and polishing done through 'sight holders'.

Central government officials said that the department of mines did not support the views of the states, but wanted the reconnaissance permits not to be used as a tool for pre-empting other companies from entering diamond mining. *(BS, 23.11.05)*

Briskly Booming

As a reflection of the brisk economic activity, there has been a growth in import of merchandise of 39.40 percent in the first five months of the current fiscal: 2005-06.



Business Standard

The growth owes itself largely to substantial growth registered by non-oil imports, particularly capital goods as also imports of export-related items.

Trade policy analysts contend that non-oil imports contributing about 73 percent of total imports had been growing steadily upwards in the last few years.

In a similar trend, the export growth target of 15 percent fixed in this year's foreign trade policy has been surpassed in the first half of 2005-06, with exports shooting up to US$43.2bn and registering a growth of 20.52 percent. *(BL, 09.11.05 & FE, 18.10.05)*

Breaking the Lock

New Delhi and Moscow are working at generating possible investments of Rs 13,000 crore by Russian companies in India.

India has proposed that the money be used for investment in Indian companies with a stipulated lock-in period.

The debt dates back to the days of special trading relations between the two countries and has been classified as concessional debt owed by India. This debt is serviced through exports of Indian goods and the repayment period is till 2037. *(BS, 05.12.05)*

Initiative for Increment

The fertiliser ministry has forwarded a note to the finance ministry demanding an increase of Rs 6,000 crore in fertiliser subsidy for the year 2005-06.

The sharp increase in the input cost for manufacture of fertilisers and delay in the announcement of rate of concessions is expected to raise the subsidy level by around Rs 6,000 crore during 2005-06.

Incidentally, India is the second largest consumer of the fertiliser DAP in the world after China, despite that availability of basic raw materials for producing phosphate fertilisers is practically nil. And, due to the absence of a long-term fertiliser policy, the country is dependent upon heavy imports, leading to large foreign exchange outgo and heavy increase in the subsidy bill. *(FE, 02.12.05)*

Changing Tune

The Essential Commodities Act, 1955, which provides for control of production, supply and distribution, is to be amended to remove all restrictions, in tune with the changed situation.

In the context of liberalisation and the changed situation, it has been felt that licensing of dealers, limits on stocks and control on movements will only hamper the growth of the agricultural sector and the promotion of food processing industries, an official release has stated. The Cabinet has approved the proposal of the Department of Consumer Affairs for the introduction of the Essential Commodities (Amendment) Bill, 2005 in Parliament. This Bill was introduced in the Rajya Sabha on December 20, 2005. *(TH, 29.12.05)*

Frayed Threads

For thousands of workers of the carpet industry at Fatehpur Sikri in Uttar Pradesh, trade has been the only source of earning one's bread for many generations.

But nowadays, the industry is facing a difficult time, forcing workers to live in penury, due to shortage of work and negligible wages. Though carpets of Fatehpur Sikri are exported abroad, through wholesale traders in Delhi and Panipat, weavers working in carpet factories are sitting idle most of the time.

Many factory owners blame the government for a paucity of support. On the contrary, government officials claim to have initiated many schemes for the betterment of the workers.

"This business is controlled by some rich people sitting in Panipat and Delhi. They buy our products at lesser price leaving workers without money", said Abdul Sattar, a carpet factory owner.

Self-help groups the under Swarn Jayanti Yojana scheme have been built up to assist weavers in marketing their products. *(BL, 28.12.05)*

Closing the Gap

The Finance Ministry has released an amount of Rs 260 crore to Maharashtra to bridge the gap between actual Value Added Tax (VAT) collections in April-June 2005 and the revenue it would have generated during the period if the sales tax regime existed.

Kerala received an amount of Rs 182 crore to offset the loss in April-July period.

Earlier, the government had cleared Rs 193.8 crore asked as compensation by Andhra Pradesh, Bihar (Rs 47.31crore), and Tripura (Rs 4.89 crore).

The Centre is confident that the total claims of VAT compensation by states would not exceed the amount of Rs 5,000 crore provided for in the last Budget, for this purpose, according to a senior Finance Ministry official.

(BS, 27.10.05 & FE, 01.11.05)

M & A Upswing

India Inc has notched a high in mergers and acquisitions.

From strategic stake purchases to outright acquisitions, 567 deals worth US$20bn were struck in the course of 2005, according to data compiled by Bloomberg LP. This was more than double the US$9.7bn value of 334 deals done in 2004.

According to KPMG, India was the fifth most targeted nation for cross-border deals and the seventh most active acquirer in Asia in 2005. The Indian utility and energy sector grabbed the top slot with 11 deals totalling US$2.23bn, ahead of telecoms with 21 valued at US$1.8bn. There were 57 deals in IT and engineering, with health care and pharma as the next busiest sectors. *(FT, 28.12.05 & FE, 20.12.05)*

Red Alert for *Ayurveda*

The export of *Ayurvedic* medicines from India is now in dire straits. The Canadian government has sounded red alert after testing samples of about 18 types of imported *Ayurvedic* medicines.

Alarmingly, the tested samples contained heavy metals like lead, mercury, and arsenic, way beyond permissible limits. Most of the medicines did not declare the presence of such heavy metals on their labels.

As per the Drugs and Cosmetic Rules 1954, prevalent in India, the labels on medicines should mention all the ingredients. As per Rule 161, medicines containing poisonous substances like mercury, arsenic and red oxide of lead have to carry a warning.

Only four of the products tested carried this type of warning.

(FE, 20.12.05)

Requisites for Retailers

Foreign retailers keen to enter India will be encountering a peculiar phenomenon of multiple licences and clearances required for setting up and operating a retail store.

www.ournalism.utexas.edu

The number of licenses required to start a retail business is as high as 20 for apparel retailing, and 30 for food retailing. In UK, Singapore and US, there is a single window clearance for all the licensing procedures. In India, only Hyderabad has a provision for single window clearance for retail outlets.

Multiple taxes and legislations prevent retailers from maintaining similar prices across geographies, according to Crisil. The cost of stamp duties in India is also a big burden for companies to bear. *(FE, 29.12.05)*

A Spread of Spurious Goods

The spread of fake, spurious, counterfeit and contraband products in sectors such as automobiles, watch components, medicinal and cosmetic products, vegetable oils, spices and *ghee* has recorded an unabated increase.

This has resulted in net national and industry losses of over Rs 10,000 crore by the end of fiscal 2005, as per the industry body of the Associated Chambers of Commerce and Industry (Assocham).

The consumers of automobile sector have been the worst affected followed by the watch making industry, in which the market size of fake component makers has risen to 65 percent during 2005. The effects of this scourge have been most visibly marked in the rural economy and its large populace. *(FE, 18.10.05)*

A Dose of Duty-cut

In an attempt to allay fears of price escalation for drugs in the post-product patent regime, the government has proposed mandatory price negotiations in the Draft National Pharmaceutical Policy.

The policy is for patented drugs that have been launched in India after January 2005.

The policy has proposed a reduction in excise duty on all medicines to 8 percent from the current 16 percent and enhancing the exemption limit of small-scale units for excise duty from the present turnover level of Rs. 1 crore to Rs. 5 crore.

Attempting to crack down on 'misbranding' 'of drugs, the draft has proposed that branding be brought under the Central Drug Regulatory Authority system. *(TH, 30.12.05)*

Spawning Benefits

About 2.6 lakh people have been employed so far in the rural industrial units of Madhya Pradesh. Orders for supply of cloth worth Rs 9.79 crore have been received from government departments.

The cloth orders generated huge employment of 8.40 lakh and the department provided financial assistance to 2,261 rural units under a self-employment scheme. Basic and advanced training was also imparted to 2,100 artisans in the handloom and handicraft sectors.

Rural artisans are bringing necessary changes in products as per market demands with the co-operation of the United Nations Industrial Development Organisation and a host of other bodies. *(BL, 21.12.05)*

Moving Court

The Andhra Pradesh government has decided to move the MRTPC against Mahyco-Monsanto Biotechnology Company on the 'exorbitant' royalty being collected by the latter for Bt cottonseed on which it enjoys a monopoly.

Since 2002, Monsanto sold Bt seeds worth Rs 130 crore, and "Of this, Rs 78 crore went to Monsanto (as royalty)", the state agriculture minister, N. Raghuveera Reddy said. Reddy added that the seed grower gets less than Rs 250 for 750 gm, while the farmer is asked to pay Rs 1,850 for 450 gm.

(TH, 29.12.05 & BL, 29.12. 05)

Belated, but Welcome…

The Indian government's belated concern over cartelisation in cement is welcome. It should fast-track the Competition Commission, currently awaiting fresh legislation.

The cement industry today lends itself more easily to cartelisation. Surplus capacity has almost disappeared while market consolidation has given the larger players greater pricing power.

Checking cartels is important because they impinge on the country's competitiveness and act against innovation. *(ET, 13.12.05)*

Standing Third

Even as India has emerged as the third largest initiator of new anti-dumping measures during the first half of 2005, after South Africa and the EU, the number of initiations of anti-dumping reported by India has more than tripled.

The statement is the outcome of the World Trade Organisation's (WTO) semi-annual report on the state of anti-dumping duty.

The products that have been the most frequent subject of the reported new investigations were in the plastics sector (25 initiations), followed by chemicals and base metals (16 each). China remains the most frequent subject of the new investigations.

(BL, 26.10.05)

Acceding to…

The Government of India has acceded to the Protocol of Amendment on the international convention on the simplification and harmonisation of customs procedures, popularly known as the 'Revised Kyoto Convention'.

The Convention is aimed to maximise the movement of goods and services across the world. India is the 40th country in the world to accede to the Protocol of Amendment. The Convention will facilitate world trade by providing more predictability to the business community, and the international trading environment as a whole.

The Revised Kyoto Convention will be administered by a management committee, which will ensure that all provisions of the Convention are kept relevant and updated. *(FE, 11.11.05)*

India Two Steps Away

'The Holy Grail', a report from CLSA Asia-Pacific Markets and Asian Corporate Governance Association ranked India third, while Singapore and Hong Kong stood first and second respectively. Philippines, China and Indonesia ranked in the bottom three.

This ranking was based on rules and regulations, enforcement, the political and regulatory environment, international accounting and auditing standards and corporate governance culture. There is very close competition between Singapore and Hong Kong since Singapore is leading with 70 percent and Hong Kong is following with 69 percent for the year 2005.

The report says that the low-ranking countries like China are likely to improve with the coming time with improvement in economic and regulatory regime. The WTO rules and pressures will also help raise their low ranks. (*BL, 23.11.05*)

A Watchdog

Good business is dependent on a healthy service-provider and user relation. If the user were satisfied it would mean more business.

The government is coming up with an Ombudsman Plan for satisfying the bank customers so that they would invest more. This would strengthen the domestic financial sector that in turn would help India accelerate its snailing towards a position where it would be among the top three economies in the world.

Thus an ombudsman would act as a watchdog for the customers who would help them resolve problems. According to a latest development, the RBI would be staffing and funding the ombudsman and the norms are said to be effective from January 1, 2006.

(BL, 23.10.05 & ET, 27.12.05)

Safer for the Investor

The Securities and Exchange Board of India (SEBI) is working on a series of steps, including permitting short selling of securities by institutions, increasing the positions limit for derivatives and stricter regulation of mutual fund intermediaries to make the capital market of the country more attractive and safer for investors.

SEBI has sought powers to file winding up petitions in respect of intermediary companies and attach their bank accounts, share information with overseas regulators, constitute review and enforcement committees and suspend penalties. The SEBI Act should empower the regulator to confiscate securities issued or allotted fraudulently or without consideration, with a manipulative and deceptive purpose. SEBI is working with credit rating agencies to introduce grading of initial public offerings.

(BL, 22.10.05 & FE, 31.10.05)

No Favouring Extension

The Finance Ministry has come out in support of SEBI in the latter's stance of a no-favour statement for the extension of the December 31, 2005 deadline on Clause 49.

Earlier, it appeared that the aforementioned deadline might will be extended to March 31, 2006.

Clause 49 prescribes certain corporate governance norms including the board composition that need to be adhered to by listed entities.

The Clause stipulates that in companies that have an executive chairman, at least 50 percent of the board must comprise independent directors. For companies with non-executive chairman, one-third of the board must comprise independent directors. *(BL, 28.12.05 & 27.12.05)*

For the Better…

Dr JJ Irani, chairman of the expert committee on company law, feels that the state of corporate governance among Indian corporates is improving. Irani however expressed apprehension that there would be sections among Indian corporates who would practice corporate governance "only in letter rather than in spirit".

In a similar vein, Crisil's analysis of trends reveal that corporate India's fundamentals continue to remain strong. Crisil's modified credit ratio (MCR) has dropped after rising for three years, indicating stiffer challenges for corporate India in improving its credit quality in the short to medium term.

(ET, 12.10.05 & BL, 14.10.05)

Check-post

Inspections need to be conducted by the IRDA to keep a check on the insurance companies. IRDA plans to have a separate inspection cell as the RBI has, or would have nodal officers taking care of actuarial, investment and accounts.

Earlier, the IRDA was outsourcing this assignment to chartered accountants, senior or retired officials from the insurance industry. But IRDA needs to strengthen this system by forming a check-post of its own. Furthermore, with the rapid rise in the number of insurance companies there arises a need to have such a cell for systematic and timely inspections to happen.

IRDA monitors investment, market conduct, accounts as well as quality of training for agents. Tab is kept on whether there is compliance or breach of guidelines and tariffs, claim payment procedures, agency norms and settlement of complaints. *(BL, 11.10.05)*

Rise in Corporate Crimes

According to the Pricewaterhouse Coopers (PwC) Economic Crime Survey 2005, economic crime is on the rise in India, with companies now reporting newer types of crimes such as money laundering and financial misappropriation.

The biennial global survey, involving 3,634 companies from 34 countries, was conducted in association with Germany's Martin-Luther University, Halle Wittenberg.

The Survey suggests that the unusual rise in the number of reported incidences in India may be attributed to greater awareness and introduction of new legislations on fraud prevention and detection, which has resulted in organisations reporting more incidents of fraud to demonstrate transparency and better governance. *(BL, 06.12.05)*

Composite Ranks for Economic Freedom of States 2005				
State	2005 Rank	2004 Rank	2005 Index	2004 Index
Tamil Nadu	1	5	0.515	0.371
Gujarat	2	1	0.450	0.404
Kerala	3	3	0.447	0.374
Andhra Pradesh	4	2	0.381	0.377
Madhya Pradesh	5	9	0.374	0.332
Haryana	6	8	0.366	0.348
Jharkhand	7	16	0.354	0.294
Uttar Pradesh	8	13	0.347	0.303
Karnataka	9	12	0.337	0.309
Maharashtra	10	6	0.335	0.365
West Bengal	11	14	0.335	0.299
Rajasthan	12	7	0.335	0.348
Himachal Pradesh	13	15	0.317	0.296
Jammu & Kashmir	14	10	0.311	0.328
Orissa	15	11	0.295	0.316
Punjab	16	17	0.290	0.292
Chhattisgarh	17	4	0.266	0.373
Bihar	18	19	0.240	0.265
Uttaranchal	19	18	0.224	0.276
Assam	20	20	0.218	0.222

Economic Freedom of States

Laveesh Bhandari and Bibek Debroy conducted a study in 2004, ranking Indian states employing the parameter of economic freedom, and the state that top scored was none other than Tamil Nadu.

Economic freedom was gauged employing the components of government size, legal structure and security of property rights and regulation of credit, labour and business.

Jharkhand and Gujarat were at the top when it came to size of government; Uttaranchal was placed at the bottom. On legal structure and security of property rights, Tamil Nadu was at the top and Bihar at the bottom. Kerala top scored on regulation of credit, labour and business, and Chhattisgarh was placed at the bottom. *(BS, 12.11.05)*

The Cactus of Corruption

The Corruption Perceptions Index 2005 released by Transparency International (TI) places India at 71 in a ranking of 159 nations that reveals the most venal countries of the world. India's ranking was based upon 14 surveys conducted by the Freeman House, Economic Intelligence Unit, World Economic Forum, United Nations Economic Commission for Africa and World Markets Research Centre in the past year.

A point of anxiety for India is that the confidence range for the corporate world is between 2.7 and 3.1 – less than that of many countries rated below India.

According to SK Aggarwal, vice president of TI, there are five steps to rein in corruption. They are; effective implementation of the Right to Information Act, implementation of a citizen charter, e-governance as a tool for effective governance, social audits and an annual report card for each government department.

(HT, 10.12.05. & 19.10.05)

Lost and Wandering

Out of the 1.7 million micro and small enterprises (MSEs) in Uttar Pradesh, almost 70 percent are unaware of government programmes to draw benefits from them. Most were found to be outside the legal and regulatory framework due to their small size.

Going by a recent study conducted by the International Labour Organisation in association with the Norwegian Agency for Development Co-operation, only seven percent of enterprises in the unorganised manufacturing sector and 29 percent in services were registered in the state.

The study has suggested various policy measures for the state. To ensure that all MSEs are registered, the registration process needs to be simplified, while concurrently, evolving a single registration to cover the major areas of tax, labour, health etc. *(FE, 28.11.05)*

The Top for Global Services

There were quite a few surprises in the Global Services Location Index, the annual ranking from AT Kearney – a global management consulting firm.

The ranking revealed that India continued to top the list of 'Global IT and BPO services locations' throughout 2005. Yet, issues like wage inflation and rising competition from other low-cost contenders like Ghana and Vietnam marginally narrowed its overall lead.

China came a distant second with Malaysia following closely behind.

China maintained its second place and partially closed the gap with India, on the back of continued improvement in its infrastructure quality and the availability of relevant people skills.

(BL, 24.11.05)

Forecasting Big

Keystone, a US based consultancy and a subsidiary of LaSalle Consulting Associates has forecast that India will become the world's third largest automobile market by 2030, just behind China and the US.

Over the next quarter century, emerging markets will replace the mature markets of America, Europe and Japan. Sales growth in these markets will account for 67 percent of industry sales and 87 percent of vehicle registrations.

Currently, the top five motor vehicle markets are the US, Japan, China, Germany, and the UK. *(FE, 31.11.05)*

Among the Top 25

Three Indian state-owned banks, Oriental Bank of Commerce, Indian Overseas Bank and Bank of India, have figured among the top 25 global banks in terms of return on capital employed, as on July 31, 2005, according to the latest Banker magazine. 22 Indian banks, with an average return on capital of a healthy 32.8 percent, feature among the top 1000 banks across the globe.

According to the report, gross non-performing assets in India have shrunk in absolute terms in the last two years, falling 5.6 percent, as a result of efforts at cleaning up of bad assets. And that, in all likelihood, accounts for the merit performance of the banks on a global scale. *(FE, 05.10.05)*

Blacklisted

The Council for Advancement of People's Action and Rural Technology has blacklisted 350 NGOs for siphoning off or misutilising funds worth over Rs 450 lakh.

100 NGOs out of the 350-odd blacklisted had submitted forged documents with Bihar topping the list as the state, with 113 on the blacklist and Rs 87.87 lakh misutilised. Andhra Pradesh was next with 35 NGOs blacklisted and Rs 83 lakh misutilised.

The other states where NGOs have been blacklisted include Rajasthan (26), Haryana (20), Karnataka (21), Madhya Pradesh (11) and Delhi (11).

(HT, 29.12.05)

Challenges Growing Faster

Despite a near doubling in life expectancy and eradication of diseases like small pox and guinea worm, India's public health challenges are growing faster than its neighbours, says a McKinsey study.

The primary reason for such incapacity is staff shortage – surprising, given the strong public health infrastructure. There is an understaffing of 15 to 20 percent in public hospitals and clinics, with the situation worse in rural areas.

The report advocates that the government address this problem rather than just create more infrastructure. Low pay, poor working conditions and a lack of prestige are the listed points for the limited appeal of a career as a public health professional. *(FE, 23.10.05)*

Of Rural Electrification

The Associated Chambers of Commerce and Industry (Assocham) has reported that the eight states of Andhra Pradesh, Kerala, Tamil Nadu, Maharashtra, Punjab, Haryana, Goa and Nagaland have achieved 100 percent rural electrification.

All this, notwithstanding the fact that out of 5,86,000 villages in the country, 1,50,000 are yet to be electrified. Majority of these villages are in states like Uttar Pradesh, Bihar, West Bengal, Jharkhand, Chattisgarh, Assam and Meghalaya. The chamber added that 84 percent of villages in the country are electrified. Yet, only half of the entire population has access to these facilities, as a majority cannot afford electricity.

The eight states constitute 18 percent of villages in the country and have the potential to generate 4,000 mw through non-conventional sources of energy. *(BS, 05.10.05)*

WB Joins the League

Giving the lie to all expectations, Left-ruled West Bengal has joined the league of the best performing states in terms of growth in the Gross Domestic Product (GDP) between 2001-02 and 2003-04.

According to the study by Assocham Eco Pulse, the change of fortune in the state has been brought about by its aggressive approach to seek more FDI under the leadership of chief minister Buddhadeb Bhattacharjee.

In another study of estimates by research organisation, Indicus Analytics, West Bengal and Kerala constitute the biggest rural household markets in the country, in which, nine of the top ten districts thus ranked are placed in these two states.

(FE, 12.10.05 & ET, 03.10.05)

A Mere Six Percent

Women constitute only six percent of the total workforce. This emphatic revelation is the outcome of a study conducted by the Confederation of Indian Industry (CII) that covered 149 companies, focusing upon medium and large-scale companies.

The findings of the study reveal that though women comprise nearly half of the population, their participation in economic development has come to the light only during recent times.

The concentration of women in the workforce is higher in the Southern states as compared to other regions in the country. Another finding is that women managers in the senior and junior management levels have not exhibited any propensity to change companies. *(BL, 15.12.05)*

Dud and Difficult

The Indian Household Investors Survey has revealed that almost 38 percent of the small investors surveyed held shares in companies that are not on the list. As such, the shares are mostly pieces of worthless paper.

The number of such companies was as high as 2,000 to 3,000, apart from the Z-group companies. As per the survey of the respondents who held shares in such entities, 80 percent complained that they could not be sold, 60 percent said that share value had been destroyed, 53 percent said that these companies did not pay a dividend and 63 percent complained that they did not get annual reports. *(BL, 29.11.05)*

Left Without Jobs

Unemployment is a vital area of concern for youth in labour-surplus India, with as many people between the ages 15-29 remain unemployed. The age group makes up 26 percent of the population.

As per a report released by the National Sample Survey Organisation, titled 'Employment and Unemployment Situation of India, January-June, 2004', the unemployment rate was highest for urban females, at 165, a lot higher than their rural counterparts at 31. A similar trend was seen for urban males, which had the rate of unemployment of 87 compared to a low 42 for rural males.

The report further reveals that in both rural and urban areas, the unemployment rate among the educated (defined as people above the age of 15 who have attained an educational level of secondary and above) was higher than that among those whose education level was lower than secondary.

(FE, 22.11.05)

Close to Starving

A recent study has uncovered that about 99 percent of tribals in Rajasthan and Jharkhand are food insecure and are at a point of starvation, with the situation worsening for the past 25 years.

The Delhi-based Centre for Environment and Food Security conducted a study entitled, 'The Political Economy of Hunger in *Adivasi* Areas of Rajasthan and Jharkhand'.

The main reasons cited for the situation are the non-availability of minor forest produces due to fast depletion of forest cover and the inefficient functioning of the public distribution system.

Conducted in the period March-June 2004, the study found that out of the total sample of 1000 households in 40 villages in Rajasthan and Jharkhand, 99 percent were facing chronic hunger. By all accounts, the story is pitilessly woeful. *(FE, 14.10.05)*

Demographic Challenge

Making a strong pitch for a move towards a free market economy, former finance secretary Vijay Kelkar, said that the opportunity in the form of the demographic advantage would last only for two decades. There is an urgent need to accelerate reforms and move beyond the paradigm of state capitalism.

On the other hand, Dr Y V Reddy warned, "A large young workforce in India is often defined as a demographic dividend, but we must recognise that the so-called demographic dividend may turn into a demographic nightmare, if we do not ensure adequate level of productive employment through an appropriate public policy framework". *(ET, 29.10.05 & BL, 28.12.05)*

In Synergy

Dr C Rangarajan, Chairman of the Prime Minister's Economic Advisory Council has stated that there is nothing in the new economic policy that takes away the role of the state in the social infrastructure sectors. The culprit lay in the strategies, not in government presence. "If at all the fault lies in our strategy, the mistake was made in the 1950s and 1960s when the whole focus was not only on production of goods, but machines which can make machines".

One wondered whether the country could have achieved faster progress on the social front had greater emphasis been placed on agriculture and production of wage goods. "Economic growth and social development must move in tandem so as to reap the synergic effects of the two moving together". *(TH, 05.10.05)*

Knowledge is Wealth

For Sam Pitroda, Chairman to the National Knowledge Commission, India can be the Mecca of knowledge that it used to be, and knowledge could be the key to prosperity.

Pitroda felt that the stimulation of knowledge creation, dissemination and application would result in meaningful, challenging and engaging work to a large number of people. Such activities would percolate down and also spread to other fields like agriculture and industry.

"You have [a] huge amount of human capital… Others would not have so many talented persons to spare at a time…The demography and diversity of Indian society are the two unique advantages". *(TH, 14.12.05)*

On Hold

The government is unlikely to implement the Fiscal Responsibility and Budget Management (FRBM) Act in 2006, said JP Morgan's senior economist Rajeev Malik. The issue of FRBM implementation has been one of the moot points with the rating agencies and economists.

He added that India is doing well, but could do better. More reforms have been taken in the first 12 months of the new government, so far, in the second year. Reforms will be crucial if an increase in growth from seven percent to 10 percent is to be achieved. *(ET, 08.12.05)*

Zero Duty on Coal

Given that coal is a primary source of energy, it is high time that domestic prices be aligned with international prices. Planning Commission Deputy Chairman, Montek Singh Ahluwalia stated as much when he affirmed: "If not immediately, it should be done later as there is a huge deficit building up and the Finance Minister cannot make room for it in the Budget".

Ahluwalia said that such a price alignment is the norm, globally, and there is an urgent need of it, in view of the crunch in an availability of oil and gas in the country, and if there is no argument in favour of continued protection.

Currently, international coal is priced US$70-80 per tonne, whereas superior grade Indian coal is priced just US$15-30 at the pithead. Ahluwalia pushed for zero duty on coal imports and competitive bidding for coal blocks, in addition to import parity. *(ET, 20.10.05)*

People – Pay Up!

According to Dr Rakesh Mohan, RBI Deputy Governor, the well-to-do segment of the society must pay the real user charges rather than sponge on subsidised rates, if the human development index is to look up. The pattern of public services in India is such that those well-off have got used to not paying economic charges for services including power, water supply, irrigation and transport.

He added that by strengthening the finances of the agencies that supply these services, their capacity to improve and expand on the same is enhanced, as is the capacity to address the needs of the economically disadvantaged. *(BL, 08.11.05)*

Banking – Success in Many Areas

Subsequent to Independence, India inherited a very weak banking system. The 1969 nationalisation programme and the 1991 Narasimhan Committee, helped the sector achieve remarkable success in many respects.

A study conducted by Saumitra NB and KR Shanmugam, Associate Professors at the Madras School of Economics on banking sector performance revealed that although public banks compared poorly with private banks during the initial period, they responded well to the new challenges of competition and consolidation.

Recent trends in non-synergy based consolidation, a growing disinclination to lend money for productive, though unprofitable sectors, coupled with a growing engagement in non-productive treasury operations and conspicuous consumer lending, could seriously impair the role of banks as public instruments of development.

(TH, 10.12.05)

Kiosks of Chaos*

Once again, the Government of India has taken a decision that is going to spell more of the same old approach in extending the reach of information technology. Much like we declared that Indian villages had electricity, drinking water, healthcare, roads, etc., our government is halfway to declaring that India's villages have also been computerised.

The government is already being accused of having chalked out the plan at someone else's behest. Partially on account of the speed of the performance, the plan to create 100,000 kiosks in Indian villages is being perceived as a handiwork of another. Microsoft, Reliance, and HCL are the prime suspects, while some see a technology created by a few professors of IIT Chennai. The MS Swaminathan Research Foundation (MSSRF) that has chalked out Vision 2007, whereby it aspires to create 100,000 kiosks in as many of Indias's villages has also been pointedly blamed.

The Hindu Business Line

The plan unveiled jointly with MSSRF for the making of kiosks that will be equipped with a personal computer, printer and connectivity was little else apart from a grandiose scheme. There is a little twist to the approach this time, in that the programme will be managed at the national, state and local levels by private organisations. The government has made calculations that in doing so, it will eliminate creating any budgets or expenditure and the business model it is setting up will allow private organisations to monitor each and every step, while the government will have an opportunity to proclaim victory in attaining its goal.

But, this is precisely where it may run into a snag. The idea of outsourcing the implementation of a robust strategy, where all the i's are dotted and the t's crossed, is an acceptable management approach for achieving results in a shorter time frame while reducing risk. But how does one outsource strategy?

In this case, the government is keen that the National Level Service Agency (NLSA) chalks out the agenda. This is akin to outsourcing governance in rural India, at least in the areas that will be covered by these 100,000 kiosks.

It would seem that the initiative has little to do with e-governance, though the same has been started by the e-governance wing of the Department of Information Technology of the Government of India and led by its Joint Secretary. How can the government outsource without a clear framework? Or is the framework simply about putting 100,000 pieces of hardware in as many villages? Why is it that the government has not called on the expertise of the only company that has any experience worth the name, in scaling up the rolling out of computers into rural India, namely ITC which has just last week been awarded the world's best ICT for Development initiative by the Development Gateway Foundation promoted by the World Bank?

Understandably, e-Choupal and ITC want to stay clear of any controversies that an association with the government brings. In the event, who has the skills and the experience to create the framework? It is worth pointing out that ITC took close to a couple years firming up its strategy to roll out e-choupal. It was not about just putting computers in the villages. It was also about creating a viable business model that was not only sustainable, but also contributed to growth of business, capacity building, learning and speeding up the process, so that they could replicate the model in six villages and more every day, merely three years into the game.

So what is the government aiming at? Is it just being done because one of our eminent scientists Dr MS Swaminathan said so and he has enough admirers in the government's decision making structure to gift him a plan? Or, is the assumption that no matter what one does, putting a computing device anywhere is a good investment? Or, is it that the local level operators will make sure that it works and delivers? Looking at the document prepared for the kiosks, it is not clear what the government is aiming at. Of course, there are a number of services that are supposed to reach the villagers by this means to augment electronic governance that form the backdrop of the scheme. There is, however, little to suggest that it can be accomplished.

Will it be then just a front end? Even that is not clear, as there are no clear-cut applications that are planned. Unless the government thinks through the whole exercise, identifies all that can be reasonably achieved and plans, and goes along the way where every bit has been defined well, it is unlikely to be able to create a front end that works. In case there is no front end, can there be a back end?

The government has little by the back end that extends beyond local pockets. Otherwise, these kiosks may add to the chaos that is being caused by rising expectations that meets poor delivery. There is little worse in turning people off an initiative than a shoddy implementation.

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Whither Goes SAFTA?

The disillusionment with multilateralism, coupled with the success of regional organisations like the EU prodded many countries to form regional groupings. The South Asia Free Trade Agreement (SAFTA) came into effect from January 1, 2006 and aims to promote trade and economic co-operation among SAARC states, primarily through the implementation of the tariff liberalsation programme wherein all customs duties would be reduced to 0 -5 percent by 2016. Trade is expected to jump from the present level of US$7bn to US$22bn by 2015.

- Tariff reduction by the non-least developed contracting states (non-LDCS) to 20 percent shall be done within two years and be down to 0-5 percent over the next five years.
- Tariff reduction by the LDCS will be to 30 percent within two years and to 0-5 percent over the next eight years.
- The non-LDCSs shall reduce their tariff to 0-5 percent for the products of LDCSs within three years.
- Contracting states may not apply the trade liberalisation programme to the tariff lines included in the sensitive lists, which shall be negotiated by the contracting states.
- Contracting parties shall eliminate all quantitative restrictions, except otherwise permitted under the General Agreement on Tariffs and Trade (GATT), 1994.
- Other measures to support and complement SAFTA include harmonisation of standards, customs clearance and registration procedures, customs co-operation to resolve disputes, transit facilities for efficient intra-SAARC trade, macroeconomic consultations, rules for fair competition, promotion of venture capital, development of communication systems and transport infrastructure, and simplification of procedures for business visas.
- All contracting states shall provide more favourable treatment to the LDCSs with regard to the application of anti-dumping and/or countervailing measures, quantitative or other restrictions, technical assistance, co-operation arrangements and compensation for loss of customs revenue.
- If any product under concession is imported so as to cause serious injury to producers of like or directly competitive products in the contracting state, the importing state may suspend concessions for not more than three years. These safeguard measures shall not be applied against products originating in LDCSs with less than five percent share of imports.

(*www.saarc-sec.org*)

The Forgotten Economics of SAFTA

The current deliberations on SAFTA are striking in the silent manner in which they are being pushed through. Understanding its economics and the resultant dislocations is critical to ensuring that this won't be just another costly blunder. Its portrayal in the media, however, is striking in its lack of participation of the trade experts and theorists of the region. Like war, politics and economics are also too important to be left to politicians alone.

If the member countries are to justify the immediate benefits that accrue to some sectors at the expense of others, it is logical that they also devise adequate mechanisms to share the costs and alleviate the suffering of those who are on the wrong side of the trade equation. Mechanisms to do this have been in place in the EU, where the more fortunate members transfer a part of their benefits to the less fortunate ones. The best SAARC countries have been able to do so far is to come up with long 'negative lists' of items that cannot be freely traded within SAFTA, which actually kills their entire purpose anyway.

Without appropriate measures, SAFTA will remain an unrealised dream, at best, and a costly blunder, at worst.

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(www.chowk.com, 19.12.05)

Free Trade Areas and Conflict Prevention: A Case for SAFTA

SAFTA can take care of three gaps in the sub-continent:

Capability gap reflects the inability of the region to cope with the economic needs and expectations of the people, thereby increasing their deprivation. The SAFTA can reduce the capability gap by encouraging 'trade creation effects', thereby increasing the economic costs of conflicts affecting the internal security of countries.

Increasing cross-border trade and intercourse can bridge the *connectivity gap* between contiguous geographical regions of India and its South Asian neighbours.

SAFTA needs to bridge the *convertibility gap* existing between the present minimal trading relations and the creation of a South Asian Economic Union (SAEU). The aim should be to traverse from SAFTA to SAEU in less than half the time it took from moving from SAPTA to SAFTA.

***Satyajit Mohanty**,*
Indian Revenue Service
(www.ipcs.org, 13.01.06)

SAFTA: Uncertain Gains

India continues to drive intra-SAARC trade growth. SAFTA has tried to address the imbalance through the compensation mechanism and preferential treatment to LDCs. However, most textile and plantation products of interest to the smaller SAARC economies are on India's sensitive list and not subject to tariff reductions. India has 884 items on the sensitive list for the developing country members of SAARC and 763 for the LDCs. This, in effect, restricts the already limited basket of goods that most countries in the region can export, and the question of how much of an impact SAARC will actually have on trade remains to be answered.

There are issues for the Indian side too. It is demonstrating considerable enthusiasm in the bilateral/regional trade agreement game. It has agreements in effect or being planned with ASEAN, China, Japan, South Korea, Singapore, Thailand, Sri Lanka and Bhutan. How a plethora of divergent and complicated rules increase monitoring and compliance costs, need serious thought.

(EPW Editorial, 07.01.06)

Inclusive Education

2005 was a landmark year for the educational sector in India, on account of a number of initiatives taken by the United Progressive Alliance (UPA) government. The initiatives taken stand clearly highlighted in the points given below:

- The presentation of the most pro-education union budget in Indian history
- The formulation of a new child-friendly National Curriculum Framework for School Education
- The establishment of a National Knowledge Commission to transform India into a 21st century knowledge society. These evidences of importance the government attached to in revamping the educational system of the country.

Moreover, for the first time since the First Plan era, the central and state governments' combined allocation for education crossed four percent of the GDP.

The commitment of the government to promote equity in access to education was further testified in the promulgation and passage of the 104th Amendment to the Indian Constitution – making it obligatory for all aided and unaided educational institutions to provide state government determined quotas for scheduled castes, tribes and socio-economically disadvantaged classes.

The Parliament has unanimously approved the 104th Constitutional Amendment Bill, 2005 restoring reservation for scheduled castes and scheduled tribes in all private educational institutions, including private schools. Under this new Constitutional Amendment, private schools, colleges and professional training institutes in India that operate without government funding will now have to set aside more than a quarter of their seats for students from all groups, disadvantaged socially and economically. It however, remains to be seen, how the government proceeds to implement this legislation.

A trend that has been increasingly observed in India is that parents from the low-income sections of society are leaning towards private schools to educate their children. It has long been assumed that it is the responsibility of the State to meet the educational requirements of poor people. Yet, more often than not, public educational facilities are starved of resources and facilities, and have been found incapable of providing quality education, especially in the suburban and rural areas of the country.

Private Schools Costly...then why?

A survey undertaken recently in the city of Hyderabad, Andhra Pradesh, revealed the reasons as to why poor parents choose to send their children to private schools, even if that means bearing huge financial burdens. Even though, some government schools provide free uniforms, lunches and books – poor parents opted to pay the fees of private schools. And, it goes without saying that the costs for each child may well be a tenth of the monthly income.

The following are the reasons attributed:

- Private schools cover the whole curriculum and offer a wide range of extra-curricular activities such as science fairs, general knowledge, sports, music, and drama.
- Most teachers in private schools are female, graduates, and reasonably experienced.
- Parents are actively involved in choosing the best schools for their children and they like the fact that private schools use English as the medium of instruction.
- Pupils are generally content, are regularly given homework, and are assisted by their parents.
- Private schools are subject to a range of comprehensive regulations, many of which are waived due to payment of bribes. (*www.id21.org*)

The inclination towards private schools, at times a purported blind faith, has been growing and is now a commonplace feature in most urban and suburban areas.

Accordingly, the 104th Constitutional Amendment has attempted to address the above-mentioned issue, and makes it obligatory for all private educational institutions to provide education to a certain number of underprivileged students.

Apart from the efforts being made by the government, various private educational institutions are doing their best to cater to the educational needs of the underprivileged.

Private schools in various parts of the country are trying to experiment with 'outreach programmes', to support children in their locality, through provision of educational services. Through outreach initiatives, private schools extend remit of providing cost-exclusive education solely for the middle and upper classes. They include the 'out-of-school' children of the locality, granting them access to an education that is either free or affordable. Needless to say, this is a relatively new and growing phenomenon, and will hopefully expand boundaries to include the rural areas.

A few cases of outreach activities undertaken by private schools are illustrated below;

- *A Catholic girls day school in Kolkata, West Bengal:* Half the girls are from middle class backgrounds paying full fees and half attend on concessions, mostly from slum neighbourhoods. The outreach programme located within the school serves 200 street children.
- *Krishnamurti school in Andhra Pradesh:* A smaller mixed-sex boarding school for upper and middle class children. The outreach programme serves 520 children through 18 schools located in remote rural communities.

Yet another issue that remains unresolved, is the level and the kind of education provided to the disadvantaged. Designing the curriculum of these students would require a thorough understanding of their social and economic backgrounds, and therefore a different approach is needed.

These outreach programmes have tried to make learning non-formal, enjoyable and based around the circumstances of the children, to increase the likelihood that they will attend. However, to be effective, these outreach programmes would need to address the following challenges:

- how to teach in a multi-grade environment with students of a range of ages and abilities, and where student attendance is irregular,
- how to sustain the interest of learners who are mainly the first generation from their family attending school.

References:

1. *Das, A., "India's Lower Castes Can Now Go to Private Schools", The Christian Science Monitor, February 13, 2006.*
2. *2005: Historic Year for Indian Education, Education World, January 2006.*

Airport Modernisation Saga: Happy Ending?

The government initiated the move towards modernisation and restructuring of the Delhi and Mumbai airports in early 2005, and invited bids from private corporate joint ventures. Six consortia submitted bids for Delhi and five for Mumbai.

A seven-member inter-ministerial group (IMG) comprising senior officials from relevant ministries and the Planning Commission was formed to oversee the process. The Ministry of Civil Aviation engaged legal (Amarchand Mangaldas), financial (ABN Amro), and technical (AirPlan) consultants for evaluation of the bids. The tender norms prescribed a two-stage evaluation process – technical and financial. Only the bids that passed the technical evaluation would be opened for financial evaluation. The benchmark for qualifying in the technical bid was set at 80 percent.

An Empowered Group of Ministers (e-GoM), headed by Defence Minister, Pranab Mukherjee and including ministers for finance, commerce, and civil aviation, was formed to finalise the candidates.

The consultants' short-listed two consortia – Reliance-ASA Mexico and GMR-Frapport – based on technical criteria. An 'independent' review of the evaluation was conducted by a Government Review Committee (GRC) of bureaucrats. The GCR said that though there was no bias in selection, the evaluation criteria themselves were subjective in nature, hence precluding objective rankings. There were major disagreements within the IMG over the GRC report. A representative of the Planning Commission in the IMG insisted that a fresh technical evaluation be undertaken and only those bidders who are 'non-responsive in terms of the mandatory conditions' be disqualified.

The existence of sharply divergent views within the IMG led to the creation of a new Committee of Secretaries (CoS) headed by the Cabinet Secretary to advise the e-GoM on how to move forward. The CoS engaged a panel of technical and financial experts headed by E Sreedharan (MD, Delhi Metro Rail Corporation) for advice. The Sreedharan committee examined the technical evaluation of only one bidder, the Reliance-ASA combine, since this consortium was alleged to have benefited from 'leniency' of the consultants. Other bids were not examined due to time constraints.

The Sreedharan committee, in its report, disqualified the Reliance-ASA Mexico combine on grounds that it did not meet the 80 percent criteria. The committee's report, in effect, means that only the GMR group remains in the race. The committee also endorsed the Airport Authority of India's (AAI) proposal to set up a special purpose vehicle for modernising the two airports.

The entire bidding process has been shrouded in doubt and opacity, the balance being tilted in favour of the two short-listed consortia. Since, the contracts for modernisation of both airports cannot be awarded to a single consortium, the two short-listed bidders were in effect assured of a contract each, if the process was allowed to continue. Some of the options that the e-GoM is seen to have had are:

1. Continue the process with the originally two shortlisted bidders and evaluate their financial bids;
2. Lower the cut-off percentage in the technical criteria to allow more bidders to enter the race, before the financial bids are called for;
3. Ask the other five bidders who failed to meet the minimum stipulated criterion to submit fresh bids within a certain time;
4. Scrap the entire bidding process and call for fresh bids, this time evaluated by a government team; and
5. Opt for the 'alternate plan' submitted by a joint forum of unions and associations of employees of the AAI. It entails in-house modernisation of the airports by the AAI with a joint venture partner (Delhi Metro Rail Corporation and/or national/ international experts).

The saga has ended with the bar for technical qualification being lowered and the Delhi airport modernisation project going to GMR-Frapport and Mumbai to the Reddy's GVK-AC South Africa consortium. Even though GMR was the second highest financial bidder, it was allowed to match the top bidder, Reliance. GMR-Fraport was given the option to match the top bidder at either of the airports, as it was the sole technically qualified bidder among the aspirants.

(Information has been compiled from various newspapers and www.rediff.com)

Before the final decision was meted out by the e-GoM, this debate was floated on the e-discussion forum moderated by CUTS International, Funcomp Forum, prompting a flurry of responses.

Eminent experts like SR Ramanujam (Head, Infrastructure Advisory, CRISIL), Prof Sabarinathan (IIM-B), V Ranganathan (IIM-B), Krishin Keswani and GC Mathur broadly agreed that if the short-listed bidders are not good enough, the process must be launched again, so as to attract enough participation to ensure competition.

A re-bidding may also bury the ghosts of subjective evaluation. If the terms are modified midway, the whole process of tendering becomes a farce. The process does not inspire confidence at the level of objectivity and seems to be sending the wrong signals to the international investor community.

V Ranganathan has employed colourful speech to say that the two-stage envelope opening process appears to be a mix of a beauty contest and an auction.

(Those interested in joining other discussions on this forum, please write in to: funcompforum@yahoogroups.com)

We Want…

By now, at the least, the Finance Minister (FM) must have had a look at the wish lists that a diverse set of stakeholders had submitted to him, including industry representatives, traders, business lobbies, economists, civil society groups. Apart from the above, many of the priorities of the UPA government, as stated in the Common Minimum Programme, would also have to be accommodated in the budget proposals. For instance, one of the most ambitious announced in recent times is the National Rural Employment Guarantee Programme (NREG). The forthcoming budget will have to provide adequate allocations for the implementation of the announcement.

Needless to say, the job of FM is not easy and he has to strike an optimum balance between the immediate priorities and those of the future.

The demands that various stakeholders are lobbying for, with the FM, can be divided into two categories: first, reforms in policy and procedures that may or may not have substantial financial implications. The other category includes the sops requested for, in various forms, which have direct budgetary implications. In general, the demand is for greater tax holidays, procedural simplification and rationalisation of duty/tax structures. Still, there are demands that are specific to industries.

The ***tourism sector***, along with its inclusion in the priorities of the government, has demanded an allocation of Rs 2,000 crore. Including 'tourism' into the Central List of the Constitution has been sought, for the reason that the sector has been reportedly suffering because of the absence of a pan-India approach.

The ***Confederation of Indian industry*** (CII) has sought a major restructuring in the custom duty regime, among several other macro policy reforms, as a prescription to attain more than 12 percent growth in manufacturing, and hence, a 8-9 percent growth in the gross domestic product (GDP). The apex industry lobby has urged the government to adopt the recommendations of the Kelkar task force and a reduction below 15 percent in peak-duty rates. The implementation of the value added tax (VAT) in the entire country, a reduction of the central sales tax to two percent and its subsequent phasing out have also been suggested. Other business lobbies too have submitted their viewpoints to the FM, such as FICCI and Assocham, who have demanded the abolition of fringe benefit tax and to bring in the rural rich into the income tax net.

Civil society groups too expect the FM to heed to the advice rendered to him. The Confederation of Rural NGOs has placed three suggestions – a revolving cash credit of Rs 5 lakh from NABARD or SIDBI for meeting capital needs of rural NGOs with a good track record; enabling NGOs to establish a brand image; and exemption from payment of service tax.

With fears of distortion in international trade and a surge in imports, the domestic ***steel industry*** has demanded an upward revision in the customs duty on imports, from the existing 5 percent to 15 percent. The other concern expressed has been about the inverted duty structure that is in play, as inputs such as zinc, refractory and ferro alloys attract a higher duty of 10 percent. A similar concern was expressed in relation of the India-Thailand free trade agreement, when the Department of Industrial Policy and Promotion (DIPP) asked the FM to correct the inverted duty structure on a few product lines covered under the agreement. The DIPP was more concerned about products such as auto component, glass parts, and chemicals used in the production of colour picture tubes.

The ***biotechnology sector*** expects more this year than just tax relief and rationalised duties. The industry expects the FM to make an announcement about the constitution of an exclusive intellectual property rights-focused arbitration council, and a capable accreditation council, along the lines of the United States Food and Drug Administration or the Therapeutic Goods Administration.

The ***housing sector*** expects the FM to treat the sector on the same footing as infrastructure, and provide an exemption from tax on the income generated from all types of housing projects, for the next 10 years. Apart from imparting industry status to the housing sector, bringing in the integrated township development within the definition of infrastructure has also been demanded.

The ***telecom sector*** representatives have pitched in for the rationalisation of tax structures covering license fee, service tax and access deficit charges.

Outlining the importance of the ***education sector*** for the growth of the economy, the Delhi based Centre for Civil Society expects the government to declare the sector as 'social industry' to facilitate the establishment of quality education institutions by entrepreneurs borrowing money from banks, or from the markets.

The ***textile industry*** expects a slash in excise duty on man-made fibers and machinery by eight percent, a removal of custom duty on synthetic fibers and an exemption of the sector from the ambit of the fringe benefit tax, banking transaction tax and service tax. The provisions with respect to the tax on fringe benefits and bank transactions are anyway proving contentious across other sectors as well.

From our Readers

Thank you for your Research Report, 'Towards a Functional Competition Policy for India'. I have been reading your reports, which are full of analytical content and policy orientation.

Dr S M Jharwal
Principal Economic Advisor, Department of Agriculture, GoI

I would like to congratulate CUTS on the Parliamentarians' Forum on Economic Policy Issues (PAR FORE) dinner meeting, organised on December 21, 2005 on the Hong Kong Ministerial meeting of the WTO. It was a very interesting function in which Yashwant Sinha and P C Alexander also participated apart from other MPs.

M V Rajasekharan
Minister of State for Planning, GoI

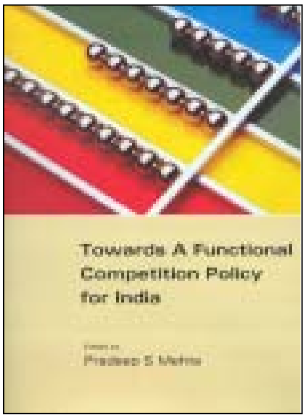
I write to highlight what I believe is a rampant practice in the food, snack and beverage industry. It concerns camouflaging differences in the quality of packed contents in the guise of 'producer location differences', discounts off the 'MRP' (which itself is a ambiguous concept) or differences in re-filling/re-packaging. Lower quality products (with the same product code) should not be 'dumped' on the consumer in the guise of higher discounts off MRP (though discounts sometimes reflect the expiry date drawing closer).

The practice of using sub-standard franchisees/sub-contractors/refillers/re-packers too causes variations in quality within the same product code. If unchecked, this practice induces firms to profit by engaging in illegal and camouflaged product quality-differentiation that exploits the ignorance or the lack of purchasing power of consumers.

Ganga Prasad Rao
Chennai

Publications

Towards a Functional Competition Policy for India



This book comes at a time when the country is poised to implement a new Competition Law. While there is a lack of understanding of the nature, scope of anti-competitive practices, this study helps in getting a better understanding of the competition and economic regulation scenario in India. Contrary to popular perception, the study does not treat Competition Policy as just adoption and implementation of a competition law, but looks at it as a broader policy framework where competition is encouraged as a market process to generate competitive outcomes. Accordingly, the report is comprised of 22 chapters, giving comprehensive treatment to competition policy in India, covering both systemic as well as sectoral issues.

ReguLetter

ReguLetter is the flagship newsletter of the CUTS Centre for Competition, Investment & Economic Regulation (C-CIER). This latest issue carries a cover story on the Microsoft case and its implications for developing countries, looking at examples from South Korea, Japan and Brazil.

While Prof Eleanor Fox was in Jaipur in January 2006, she, together with Nitya Nanda, Policy Analyst, C-CIER, conducted a workshop on the design and implementation of competition laws in developing counties. Her lucid presentation has also been published as a special article in this issue.

SOURCES

BL: The Hindu Business Line, **BS:** Business Standard, **ET:** The Economic Times, **FE:** The Financial Express, **FT:** Financial Times, **HT:** Hindustan Times, **TH:** The Hindu, **EPW:** Economic & Political Weekly

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.