

योजना आयोग
भाग सरकार
Planning Commission
GOVERNMENT OF INDIA

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Communication, IT & Information Division
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NEWS AND VIEWS

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“No matter how carefully you plan your goals, they will never be more than pipe dreams unless you pursue them with gusto”

W. Clement stone

Polity

- **Cong, SP flay RSS chief Mohan Bhagwat:** RSS chief Mr Mohan Bhagwat today came under attack from political parties, including Congress and Samajwadi Party, for his controversial remarks that India is a Hindu nation and Hindutva is its identity. Coming down heavily on Mr Bhagwat, senior Congress leader Digvijay Singh, in a series of tweets, described the RSS chief as "Hitler" and said the Sangh should stop "fooling" innocent people by using religion in politics. "I thought we had one Hitler in making but it seems now we have Two ! God save India !," Mr Singh, also a known detractor of Prime Minister Mr Narendra Modi, tweeted. A day after the RSS chief made controversial remarks in Mumbai, Mr Singh asked, "A question to Mohan Bhagwat - Is Hindutva a religious identity ? What is its relationship with Sanatan Dharma ? A person who believes in Islam, Christianity, Sikh Buddhism, Jainism or any other religion, also a Hindu? Would Mr Mohan Bhagwatji please clarify ?" "Wondering "does word Hindu or Hindutava figure in any of our Veda, Upanishad, Gita, Puran or any other of our religious scripture ?, Mr Singh also tweeted. "RSS should stop fooling the innocent people by using religion in politics. We are proud of our Sanatan Dharm and its tolerance towards others," he said. Hitting out at Bhagwat, Samajwadi Party accused the Sangh of practising politics of "hatred and separatism." (The Statesman).

Economy

- **Domestic investors drive markets to new highs:** Just when the overseas investors seemed to have lost steam, domestic investors have provided the much-needed liquidity to the market, helping them climb fresh all-time highs. Mutual fund houses have pumped in twice more than foreign institutional investors (FIIs) since July 24, when the market had closed at its previous record highs. On Monday, easing domestic inflation and global tensions helped the Indian market top those highs with the Sensex ending 287.73 points, or 1.10%, higher to end at a new life high of 26,390.96. The NSE Nifty, too, ended 82.55 points, or 1.06%, higher at 7,874.25. The previous all-time closing highs for the Sensex and the Nifty were 26,271 and 7,831 on July 24 after an eight-day gaining streak. According to Sebi data, mutual funds have pumped in over Rs 5,400 crore, twice of Rs 2,685 crore invested by FIIs between July 24 and August 13. (Exact data for the latest two trading sessions isn't available due to holidays). The heavy buying by mutual fund houses is on the back of robust inflows witnessed by them in the last few months. Net inflows in mutual fund equity schemes were more than Rs 10,800 crore in July, most since January 2008. Experts believe come back of the retail investor after almost five years could be a game change for the market. "They are still on tippy toes - but five years since turning their backs on equity, India's retail investors are testing the market...the markets momentum and Modi mood is the swing, the retail investor could be the next big thing," said Aditya Narain, managing director and India equity strategist, Citi India said in a note. (Business Standard).

Planning

- **Viability gap funding model for gas pipelines in offing:** The petroleum ministry has proposed viability gap funding (VGF), similar to such support given to roads and airport projects, for cross-country gas pipelines. This is in sync with finance minister Arun Jaitley's announcement in the Budget to lay 15,000 km of gas pipelines through PPPs. "The bidder quoting the least transporting tariff and seeking minimum viability gas funding would win the project. The ministry is working out the modalities in discussion with Petroleum and Natural Gas Regulatory Board," a government official working on the proposal told FE. The ministry is first putting together a bidding mechanism before deciding which pipe-lines are to be auctioned based on demand and availability of natural gas, the official added. There has been lukewarm response to laying of gas pipelines in India, as there is no certainty on availability and the domestic market is not conducive to absorbing expensive imported gas. There is a need for setting up a gas grid because, unless infrastructure is laid, the economies for a gas market would not evolve, say industry experts. "The success of a gas pipeline depends on modelling it with availability, demand and pricing of the gas. Viability gap funding would hedge the risk associated with these things. So it is a welcome move," Kalpana Jain, senior director at Deloitte Touche Tohmatsu India. (The Financial Express).

Editorial

- **An ambitious plan for inclusion:** The Pradhan Mantri Jan-Dhan Yojana, a major socio-economic initiative of the National Democratic Alliance government, was announced by the Prime Minister in his Independence Day speech. It is an ambitious attempt at extending formal financial services in a country where only 58.7 per cent of an estimated 24.67 crore households avail themselves of banking services. Despite several steps taken by many governments over the years, financial inclusion has remained elusive. In rural areas 44 per cent of the households and in urban areas 33 per cent of them still do not have a bank account. The NDA government has brought a degree of urgency to the scheme of financial inclusion. A few details of the government's action plan figured in the budget speech. A Comprehensive Financial Inclusion Plan (CFIP) envisaging coverage of excluded households has been drawn up and is expected to be rolled out under the nomenclature. In its first phase, the Jan-Dhan Yojana will endeavour to provide universal access to all the beneficiaries through sub-service areas (SSA), each of them consisting of 100-150 families in a cluster of villages. Each SSA will be serviced by a business correspondent, who is now being given a pivotal role in facilitating account opening and ensuring smooth bank operations. Unlike in previous action plans, the Jan-Dhan Yojana will have as its focus households rather than geographical areas. The other important innovation is in extending need-based credit facilities to the new account holders upon their fulfilling certain conditions. A smart card – the Ru Pay card – will be issued. (The Hindu)

RBI Governor to hold talks with unions on HR rejig

Re-grouping of departments on the cards

SHISHIR SINHA

New Delhi, August 18

Reserve Bank of India Governor Raghuram Rajan will meet representatives of employees' unions on Tuesday to explain to them and get their views on the proposed restructuring of the central bank's employees, including appointing a Chief Operating Officer (COO) and bringing various departments under clusters.

RBI officials said the initial proposal had been prepared on the basis of year-long internal exercise conducted through Intranet and by a committee. "It is not something which the Governor himself has proposed," said an official, adding that no decision had been taken that the COO would be in the rank of a Deputy Governor. Nor had any timeline been fixed for implementing the proposal.

"There are misgivings about the proposal. That is why the Governor is talking to employees unions and associations to hear their views and clear their doubts," a senior RBI official told *Business Line*.

The official said that by undertaking the restructuring exercise, it does not mean that everything is being rewritten. The effort is to re-group various departments and make things more logical.

The Governor had an interaction with the employees through video conferencing, the official added. On August

10, the RBI board approved the broad contours of the proposal and now specifics such as appointment of a COO would be presented before the board, as and when required.

The restructuring exercise talks about grouping various departments into five clusters. "For example, the cluster on monetary policy will have departments such as Monetary Policy, Financial Market, Research and Communication. Similarly, the cluster on supervision will have departments such as Banking Operation, Banking Supervision, Rural Credit, Urban Credit and NBFC," the official explained.

Chief Operating officer

Just as in a company, the proposal talks about appointing a COO in the bank to supervise its internal working. "Since each of the clusters will be under one Deputy Governor, it will be logical to have COO of the rank of a Deputy Governor. But, we are aware that appointment of fifth Governor will require amendment to the RBI Act, 1934," the official said.

Currently, the Act prescribes that the central board will comprise the Governor, four Deputy Governors, one director each to be nominated from four local boards, 10 directors and two Government officials. Keeping this in mind, the board has asked the Reserve Bank to initiate a dialogue with the Government on the additional post of Deputy Governor and the legislative changes that will be needed.

Domestic investors drive markets to new highs

In latest surge, mutual fund houses pump in twice as much as FIIs

SAMIE MODAK & CHANDAN KISHORE KANT

Mumbai, 18 August

Just when foreign investors seemed to have run out of steam, local ones provided liquidity to the market, helping it climb a new peak. Mutual fund houses have pumped in twice as much as foreign institutional investors since July 24, when the market had closed at its previous high. Easing domestic inflation and global tensions took the BSE Sensex 287.73 points, or 1.10 per cent, higher on Monday to a new record of 26,390.96. The National Stock Exchange's Nifty, too, ended 82.55 points, or 1.06 per cent, higher at 7,874.25. The previous all-time closing highs for the Sensex and the Nifty were 26,271 and 7,831, respectively, on July 24 after an eight-day rally.

According to the Securities and Exchange Board of India, mutual funds pumped in over ₹5,400 crore — twice the ₹2,685 crore invested by FIIs — between July 24 and August 13, though exact data for the two latest trading sessions were not available due to holidays. The heavy buying by mutual funds follows healthy inflows in the past few months. Net inflows in MF equity schemes were more than ₹10,800 crore in July, the most since January 2008.

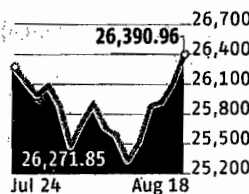
Experts believe the return of the retail investor after almost five years could be a game-changer for the market. "Five years since turning their backs on equity, India's retail investors are testing the market. The retail investor could be the next big thing," Aditya Narain, managing director and India equity strategist at Citi India, said in a note. "If the retail investor decides to dive in, it would make a difference, for now and beyond," he added.

After investing over \$12 billion, the pace of FII buying was seen slowing due to global risk-aversion and also due to lack of more legroom in some stocks. Buying by domestic investors could provide more legs to the market rally and

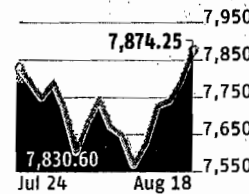
LOCALLY DRIVEN

Benchmark indices and inflows from domestic and foreign institutional investors since July 24

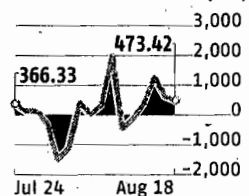
SENSEX



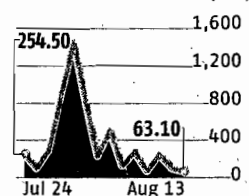
NIFTY



FII INFLOWS* (₹ cr)



MFs' INVESTMENTS (₹ cr)

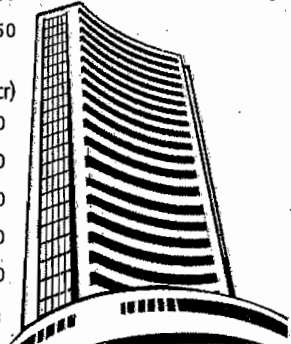


* Provisional FII figures for Aug 14 & 18; Compiled by BS Research Bureau

TOP 5 CLOSING LEVELS**

Date	Close
Aug 18, '14	26,390.96
Jul 24, '14	26,271.85
Jul 23, '14	26,147.33
Jul 25, '14	26,126.75
Aug 14, '14	26,103.23

** For Sensex Source: Bloomberg



also provide a cushion against selling by foreign investors, experts said.

"Domestic money is showing a huge confidence in equities. Significant flows could come in from the domestic side in the next three years. The increase in equity assets is largely on account of incremental allocation by investors who have been underweight in this asset class over the past few years," said S Naren, CIO, ICI-Prudential AMC, India's second-biggest mutual fund house in terms of assets.

According to provisional exchange data, domestic investors on Monday infused ₹490 crore in the cash market, while FIIs' net-buying stood at ₹473 crore.

Investors are hopeful that Prime Minister Narendra Modi will take steps to arrest inflation and boost the economy. In his Independence Day speech, Modi

stressed the need for better governance and vowed to fire up the bureaucracy to deliver results which, experts said, provided confidence to the market.

With the market gaining nearly 25 per cent in 2014, analysts hope the uptick in earnings and re-rating of the market will provide a further upside. Nomura, which has set a Sensex target of 30,310 for December 2015, expects Sensex earnings to grow at a compound annual rate of 12 per cent between 2013-14 and 2016-17.

"We are very positive on the long-term prospects of Indian equities, since we believe economic growth will pick up while inflation will come down," Naren said.

Cong, SP flay RSS chief Mohan Bhagwat

PRESS TRUST OF INDIA
New Delhi, 18 August

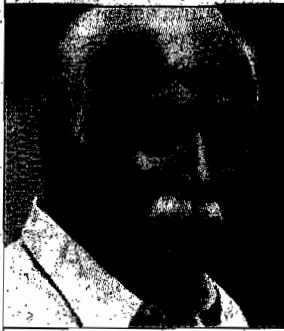
RSS chief Mr Mohan Bhagwat today came under attack from political parties, including Congress and Samajwadi Party, for his controversial remarks that India is a Hindu nation and Hindutva is its identity.

Coming down heavily on Mr Bhagwat, senior Congress leader Digvijay Singh, in a series of tweets, described the RSS chief as "Hitler" and said the Sangh should stop "fooling" innocent people by using religion in politics.

"I thought we had one Hitler in making but it seems now we have Two! God save India!", Mr Singh, also a known detractor of Prime Minister Mr Narendra Modi, tweeted.

A day after the RSS chief made controversial remarks in Mumbai, Mr Singh asked, "A question to Mohan Bhag-

UNDER ATTACK



■ RSS should stop fooling the innocent people by using religion in politics. We are proud of our Sanatan Dharm and its tolerance towards others, Digvijay Singh said.
■ Samajwadi Party accused the Sangh of practising politics of "hatred and separatism."

wat - Is Hindutva a religious identity? What is its relationship with Sanatan Dharma?

A person who believes in Islam, Christianity, Sikh Buddhism, Jainism or any other religion, also a Hindu? Would Mr Mohan Bhagwatji please clarify? Wondering "does word Hindu or Hindutava figure in any of our Veda, Upanishad,

Gita, Puran or any other of our religious scripture?", Mr Singh also tweeted.

"RSS should stop fooling the innocent people by using religion in politics. We are proud of our Sanatan Dharm and its tolerance towards others," he said.

Hitting out at Bhagwat, Samajwadi Party accused the Sangh of practising politics of "hatred and separatism."

"They use such words and language to fan social tension," SP spokesperson Mr Rajendra Chaudhary said.

Referring to various controversial statements from union ministers and leaders of BJP and VHP, Congress leader Manish Tewari alleged that there was a "concerted efforts" to polarise the country on religious lines.

"...it is very evident that with the active connivance of the Central government there is an attempt of religious polarisation...The cultural identity of India is not of a monolithic state. India is not Pakistan," he said.

Bhagwat, who was in Mumbai yesterday to attend golden jubilee celebrations of the VHP, had said, "Hindustan is a Hindu nation...Hindutva is the identity of our nation and it (Hinduism) can incorporate others (religions) in itself".

Modi 1st PM in 36 yrs to address SL Parliament

PNS ■ NEW DELHI/ COLOMBO

Narendra Modi will be the first Indian Prime Minister in 36 years to address the Sri Lankan Parliament. According to top Government officials attending the Defence Seminar 2014, organised by the Sri Lanka Army at Colombo, Modi is expected to address Sri Lankan Parliament in January 2015. Late Morarji Desai was the last Indian Prime Minister to address the Parliament of the island nation during his visit to Sri Lanka on February 6, 1979.

It is also learnt that Sushma Swaraj is making her maiden trip to Sri Lanka as Minister for External Affairs in November. "This was agreed upon during the visit of Prof GL Peiris, Sri Lanka's External Affairs Minister to New Delhi last month," said a senior Sri Lankan official.

The speakers who addressed the Defence Seminar 2014 at Colombo on Monday repeatedly quoted Modi. Interestingly, the Indian PM's address to the nation from the ramparts of the historic Red Fort on Indian Independence Day has become an instant hit in Sri Lanka. PB Jayasundera, Secretary to the Treasury and Ministry of Finance waxed eloquent on Modi's comments "sell anywhere but manufacture locally".

Senior BJP leader Subramanian Swamy lit the traditional oil lamp to inaugurate the three-day international conclave. Swamy was



Interestingly, the PM's address to the nation from the ramparts of the historic Red Fort on Independence Day has become an instant hit in Sri Lanka

followed by Sri Lankan External Affairs Minister Peiris, Defence Secretary Gotabaya Rajapaksa, Lt-Gen Ratnayake (Commander of Sri Lankan Army) and others.

The senior BJP leader was praised by all speakers including Peiris for his stance over the Sri Lankan ethnic issue.

"It was Swamy who said that our victory against the LTTE was the first-of-its-kind event in world history. No one believed that we would be able to wipe out the most dreaded and ruthless terrorist organisation from Sri Lanka," said Lalith Weeratunga, secretary to President Rajapaksa.

Diu to become India's 1st solar power sufficient UT

NAYAN DAVE ■ DIU (UT)

Picturesque Island Diu is all set to become India's first solar energy sufficient Union Territory by the end of 2015. Daman, Diu & Dadara Nagar Haveli (Union Territory) administration is setting up 12 MW solar power plant in Diu at an estimated cost of ₹100 crore.

Diu — an erstwhile Portuguese colony — known for fabulous beaches and marvelous architecture and laidback lifestyle, is solely dependent on the Gujarat Government owned Paschim Gujarat Vij Company Limited (PGVCL) for its energy requirements.

"Diu's energy requirement is around 9-10 MWs. But looking to its future development and increasing tourist activities, the

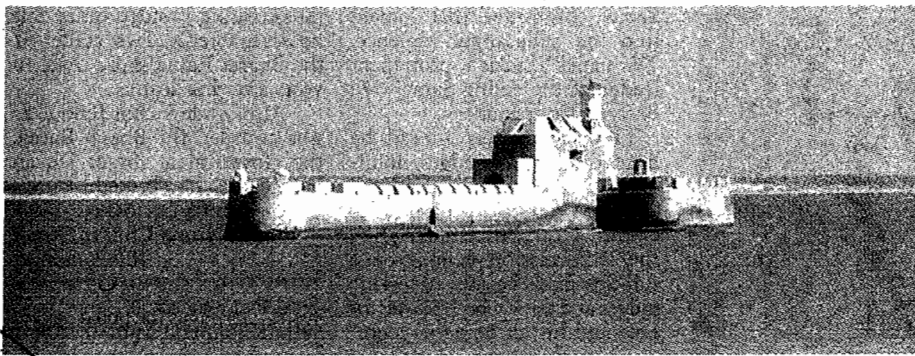
administration is developing 12 MW power generation capacity, which would make the district — which houses six villages — first ever renewable energy sufficient district in the country," says Diu Collector Vinod Kavle.

Though the population of the isle, spread across 40 sq km is little over 52,000, but annually more than 4,00,000 lakh tourists through to this tiny islet every year that include nearly 50,000 foreign tourists, mainly from European countries.

First phase of the solar power project for 3 MW solar panels is expected to complete in next four months at an estimated cost of ₹25 crore, says Diu collector adding that, remaining work of installation of solar panels would be completed by the end 2015.

With an idea to make Diu pollution free, the UT administration is also planning to install wind mills at strategic locations within the island. Besides, the administration is planning to introduce electric buses for local transportation in addition to a dedicated cycle track, which would have access to all the tourist attractions of Diu.

The UT administration wants to develop eco-friendly activities in the island situated off the southern tip of Saurashtra peninsula of Gujarat and lapped the Arabian Sea. "Zero pollution would be the USP to attract maximum number of tourists from across the world. We are working towards this goal," said Bhupinder Singh Bhalla, outgoing administrator of Daman, Diu & Dadara Nagar Haveli.



Centre modifying allocation method for highway projects

Timsy Jaipuria

New Delhi, Aug 18: In a bid to fast-track award of highway projects, and thereby construction, the government is redesigning the way projects are allocated based on assessment of their viability.

According to sources, projects would now be bid out in three ways: in cases where no viability gap funding (VGF) is seen to be required, the build-operate-transfer (BOT) toll model will be adopted. As regards projects which are likely to be viable with the support of VGF of up to 20%, the NHAI will formulate both the BOT (toll) and the EPC models and leave it to the road ministry to take a final call on which way to go. In the third category of projects which are not going to work on the BOT (toll) model with VGF up to 20%, the EPC model would straightway be followed.

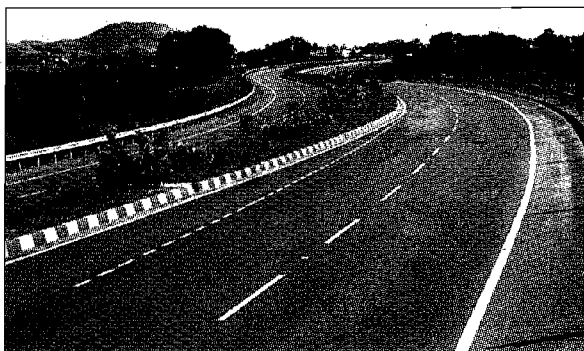
While the focus has largely shifted to the EPC model due to lukewarm response to PPP projects, the NHAI has so far this year awarded seven highway projects with total length of 798 km. The authority is in the process of inviting bids for another 394 km of projects. Of 13 projects for which

bids were invited earlier for 1,115 km, the larger chunk of 841 km was on EPC mode and 273 km on BOT. In addition, 11 proposals are being evaluated by the inter-ministerial PPP-appraisal panel involving construction of 1098 km of highways, of which 1,010 km is in EPC mode.

Sources said the new strategy has been adopted after a detailed talk between NHAI

with market realities so that the projects awarded don't fail at a later stage," said an official from the road ministry.

"As discussed with the ministry for ensuring wider participation by developers and keeping in view the market conditions, packages of projects will be suitably structured. Total project cost of a single EPC package should be around ₹1,000 crore. Similar-



chairman RP Singh and road transport and highways secretary Vijay Chhibber, in line with highway minister Nitin Gadkari's plan to fast-track the process of fresh awards.

"Such a strategy will bring clarity for the government to assess how receptive investors are to the highway sector and launch bids in conformity

ly, the length of the average BOT project is proposed around 100 to 120 km," Singh wrote to the roads secretary.

According to NHAI, this restructuring will yield positive results only if the ministry "obtains the requisite decisions to decide the mode of delivery at the level of the ministry to avoid delays in approval".

Viability gap funding model for gas pipelines in offing

Siddhartha P Saikia
New Delhi, Aug 18

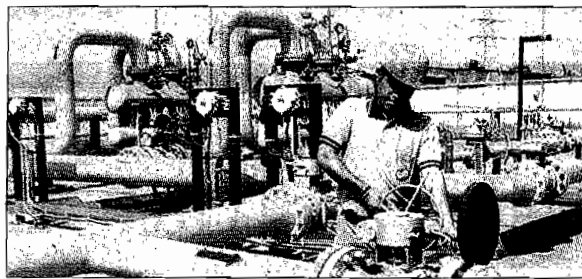
THE petroleum ministry has proposed viability gap funding (VGF), similar to such support given to roads and airport projects, for cross-country gas pipelines. This is in sync with finance minister Arun Jaitley's announcement in the Budget to lay 15,000 km of gas pipelines through PPPs.

"The bidder quoting the least transporting tariff and seeking minimum viability gas funding would win the project. The ministry is working out the modalities in discussion with Petroleum and Natural Gas Regulatory Board," a government official working on the proposal told FE.

The ministry is first putting together a bidding mechanism before deciding which pipelines are to be auctioned based on demand and availability of natural gas, the official added.

There has been lukewarm response to laying of gas pipelines in India, as there is no certainty on availability and the domestic market is not conducive to absorbing expensive imported gas. There is a need for setting up a gas grid because, unless infrastructure

Petroleum ministry denies existence of presentation



■ **New Delhi, Aug 18:** The petroleum ministry has disowned certain documents allegedly presented by it on the vexed issue of natural gas pricing that has reached the PMO. In an internal note written in the context of an email sent to the PMO and the ministers concerned over the veracity of the said presentation, the ministry has dismissed the

same as "concocted and fabricated". On August 10, Surya P Sethi, former principal adviser (power and energy) to the central government, wrote an email to the PMO saying that a presentation he attached with the mail was "ostensibly" made by the petroleum ministry on July 31 to the PMO which, he said, amounted to misleading the PM and Union Cabinet on the gas pricing issue. The petroleum ministry claims it never made the presentation, as referred by Sethi. Rather, post the email, the ministry is learnt to have asked Sethi to reveal the source of his information. "The presentation being referred by SP Sethi is not made by the petroleum ministry. Some sections of the media also reported about it a few days ago. We wonder from where this has come," said a senior official at the ministry. Sethi in his email said: "...there is absolutely no legitimate basis for the price of \$6-6.5/mmBtu (for domestically produced gas) recommended in the said presentation. We must seek a defensible basis for pricing gas consistent with the terms of the (production sharing contract). We cannot be seen as doing a panchayat between the current price of \$4.2/mmBtu and \$8.4/mmBtu derived by (a) bizarre Rangarajan formula that has no parallel anywhere in the world." The ministry is understood to have asked Sethi to state the reasons for drawing the conclusion that the purported presentation is made by the ministry. Sethi did not respond to a mail sent by FE seeking comments. According to him, the presentation provides a selective and incomplete listing of shortcomings and fallacies of the Rangarajan formula.

fe Bureau

is laid, the economies for a gas market would not evolve, say industry experts. "The success of a gas pipeline depends on modelling it with availability, demand and pricing of the gas. Viability gap funding

would hedge the risk associated with these things. So it is a welcome move," Kalpana Jain, senior director at Deloitte Touche Tohmatsu India.

Jaitley had said in his Budget speech that India has about

15,000 km of gas pipeline systems. "In order to complete the gas grid across the country, an additional 15,000 km of pipelines are required. It is proposed to develop these pipelines using appropriate

PPP models. This will help increase usage of gas, domestic as well as imported which, in the long-term, will be beneficial in reducing dependence on any one energy source."

In the VGF model, a one-time grant is provided to projects that are economically justified but fall short of financial viability. Infrastructure projects have long gestation periods and, in most cases, are not financially viable on their own. It may not be possible to fund the large investment requirements of these projects fully from the budgetary resources of the government alone.

In order to remove this shortcoming and to bring in private sector efficiencies, the government is promoting envisaging projects through 'viability gap funding'. Primarily, this facility is meant to reduce capital cost of projects by credit enhancement and to make them viable and attractive for private investment through supplementary grant funding.

India's largest gas transmission and marketing company GAIL is getting hit over scarcity of domestic natural gas leading to underutilisation of its 11,500 km of pipeline network. Its network is operating at an average of 47% capacity.

Planning Commission overhaul started under UPA govt: Ex-members

**Subhash Narayan
and Raj Kumar Ray**

New Delhi, Aug 18: While PM Narendra Modi is set to create a super thinktank in place of the Planning Commission, the latter has indeed moved a lot in the direction of being an advisory body in recent years. Senior former Planning Commission officials, including some of its former members FE spoke to, recalled how even the UPA government led by Manmohan Singh was planning a similar role transformation for the body that, some of them conceded, has come to be a "parking lot" for civil servants resistant to change for their sheer survival instincts.

The revamping of the centrally sponsored schemes effectively giving states greater

freedom in deciding how the Plan funds allocated to them would be spent was also a step in the direction of cutting the remit of the commission, a vestige of the Nehruvian era and now recognised to have outlived its purpose.

In fact, the writing on the wall over the future role of the commission was clear from UPA finance minister P Chidambaram's interim budget where, of the central assistance for states and union territories, the component of funds that goes straight to state treasuries was trebled to ₹3.39 lakh crore for 2014-15 from a revised estimate of ₹1.19 lakh crore in 2013-14. The budget support for the Central Plan (the component routed through ministries via the commission) was slashed to ₹2.17 lakh crore from

3.56 lakh crore.

Modi's finance minister Arun Jaitley followed the same pattern in his maiden budget on July 10 as he tinkered with the figures a bit — the central aid for state and UTs for FY15 was put at ₹3.38 lakh crore while the support for the Central Plan was revised to ₹2.37 lakh crore.

For the record, the commission's role practically includes an involvement in designing India's medium-term economic strategy through the formulation of Plan targets and priorities. But its primary function is to determine the (quantum) of allocation of Plan funds out of the gross budgetary support it receives to states, as opposed to the constitutionally mandated role for the finance commission which evolves the formula

for sharing of central tax receipts with states.

Says Arun Maira, who was a member of the commission during UPA rule: "Narendra Modi has caught the bull by the horn. The commission has become old, large and also part of a large system where civil ser-

body was to act as a nodal agency interacting with other thinktanks both within and outside the country, leveraging the powerhouse of knowledge in order to produce customised solutions for India."

Maira, who is also the former chairman of Boston Con-

The writing on the wall over the future role of the commission was clear from UPA finance minister P Chidambaram's interim budget

vants get a parking lot. It was the resistance from these (bureaucrats) that prevented an overhaul of the commission for long. Even during my tenure at the commission, then PM Manmohan Singh had looked at forming a new institution to replace the commission. Then new

sultancy Group's Indian unit, said: "We need a body that understands the problems and gets systems to help in building capacities across states."

Agrees Anwarul Hoda, also a former member: "The commission in its current role already functions more on the

lines of a thinktank. The central planning was given up by the commission long ago. In my stint there, I functioned more as an adviser. That is what I was also told to do by former deputy chairman Montek Ahluwalia. But we do not know what would be the structure of the proposed thinktank."

The plan panel of late has made some changes in rules that allowed states flexibility in using 10% of plan funds as per requirement as compared with the earlier mandate of 5%. The panel during the last 10 years of UPA rule had been involved directly or indirectly in advising the government on many other policy issues, ranging from PPP contract modelling and funding of infrastructure to relaxation in rules for forest clearances.

However, some experts are apprehensive in agreeing to the idea of demolishing the existing framework and roles of the panel. Pronab Sen, chairman of National Statistical Commission and former principal adviser of PC, warned: "You don't wind up an institution without giving proper thought. Every institution performs a function and gives direction to address a situation. How much of this is taken up by the new structure will need to be seen."

Sounding a note of caution, BK Chaturvedi, a former cabinet secretary who went to become a member of the plan panel, said: "We should understand that the Planning Commission was not just allocating plan resources but undertaking other important activities that have a bearing on econom-

ic policymaking. The question of bifurcating or trifurcating this old institution should not result in loss of key policy directions that the commission gave from time to time."

Mihir Shah, former member, listed five critical functions that need to be incorporated in the new body. Make pioneering efforts towards inclusive planning, evolve policies and give innovative ideas for policy framework at the national level, act as a reformer and facilitator of reforms, act as spokesperson of states for the Centre and break government silos for efficient functioning to take holistic view of issues and arbitrator of disputes. "A vacuum will be created in governance after the panel is wound up and I hope this will be offset by a new empowered body," he added.

From planning to implementing commission

The new body replacing the Planning Commission must review, modify and restructure central schemes to ensure optimum results



SANTOSH TIWARI

Prime Minister Narendra Modi did well by putting a full-stop to all the speculations made about the Planning Commission in his Independence Day speech. Once it is clear that the government is not going to continue with the conventional Planning Commission, the next task would be to ensure that the whole rejigging exercise doesn't become "old wine in a new bottle" by changing the name and bringing in new experts.

Whatever be the form, going forward, the body will have to find ways—if it has to go beyond mere symbolism—to ensure that the money being spent through various schemes yields optimum results on the ground.

There has been too much focus on devising new schemes and allocating money to them, but implementation has never received the attention it should get.

So, the first and the foremost job of the new Planning Commission (the name is being kept just for the sake of simplicity; soon there will be a new name) will be to analyse, modify and restructure the existing central schemes in consultation with the states.

Though the Prime Minister did not outline the specifics in his speech, he did spell out the broad roadmap how it needs to be done.

It would be apt to quote Modi to bring in clarity: "...Planning Commission has contributed to the growth of the country in its own way... but the prevalent situation in the country is different, global scenario has also changed, governments are no longer the centre of economic activities, the scope of such activities has broadened. State governments have been at the centre of development and I consider this a good indication. If we have to take India forward, it can happen only by taking the states forward... To strengthen our federal structure... a team of chief ministers and the Prime Minister should be there. (The Planning Commission) is a very old system and it will have to be rejuvenated, it will have to be changed a lot... within a short period, we will replace the Planning Commission with a new institution having a new design and structure... to lead the coun-

Trends in social services expenditure by the government (Centre and states)

Items	2008-09	2009-10	2010-11	2011-12	2012-13 RE	2013-14 RE
Total expenditure	15,99,677	18,52,119	21,45,145	24,21,768	28,39,927	32,19,783
Expenditure on						
social services	3,80,628	4,46,382	5,29,398	5,80,868	7,10,410	8,12,139
of which: i) Education	1,62,008	1,97,070	2,44,156	2,77,053	3,34,480	3,75,427
ii) Health	74,273	88,054	1,00,576	1,10,228	1,32,134	1,55,633
iii) Others	1,44,347	1,61,258	1,84,666	1,93,587	2,43,796	2,81,079
As percentage to GDP						
Total expenditure	28.4	28.6	27.5	26.9	28.1	28.4
Expenditure on social services	6.8	6.9	6.8	6.4	7.0	7.2
of which: i) Education	2.9	3.0	3.1	3.1	3.3	3.3
ii) Health	1.3	1.4	1.3	1.2	1.3	1.4
iii) Others	2.6	2.5	2.4	2.1	2.4	2.5
As percentage to total expenditure						
Expenditure on social services	23.8	24.1	24.7	24.0	25.0	25.2
of which: i) Education	10.1	10.6	11.4	11.4	11.8	11.7
ii) Health	4.6	4.8	4.7	4.6	4.7	4.8
iii) Others	9.0	8.7	8.6	8.0	8.6	8.7
As percentage to social services expenditure						
i) Education	42.6	44.1	46.1	47.7	47.1	46.2
ii) Health	19.5	19.7	19.0	19.0	18.6	19.2
iii) Others	37.9	36.1	34.9	33.3	34.3	34.6

Source: Reserve Bank of India (RBI) as obtained from Budget Documents of Union and state governments



The approach in the planning process has to take a U-turn—from the Centre devising social sector schemes and the states implementing them, to the states themselves being active partners in formulation, implementation and monitoring of these schemes

try based on creative thinking, public-private partnership, optimum utilisation of resources, utilisation of youth power of the nation, to promote the aspirations of state governments seeking development, to empower the state governments and to empower the federal structure."

Clearly, the approach in the planning process has to take a complete U-turn—from the Centre devising developmental and social sector schemes and the states implementing these, to the states themselves being an active partner in formulation, implementation and monitoring of such schemes.

There are enough examples to demonstrate how individual states can modify and make particular schemes workable.

Take the case of the rural housing scheme, the Indira Awaas Yojana (IAY). The shelter-less BPL families are given ₹70,000 assistance in the plains and ₹75,000 in hilly/difficult areas for construction of a new house. In FY14, a total of ₹13,895 crore was allocated for constructing 24.81 lakh houses and ₹12,970 crore was released. The problem with the scheme is, it is very difficult to construct a proper house in any part of the country today with ₹70,000. So, Tamil Nadu has come up with an innovative and workable idea. The state provides additional ₹50,000 from its side over and

above the Centre's ₹70,000 for constructing the house—with a little money from their own savings or by taking small loans, the poor families in the state are able to build their own house which costs ₹1.5-1.6 lakh. This can either be replicated in other states or the IAY can be restructured to make it more attractive. Either way, this is what the new Look Planning Commission should look at.

Then, even the scheme for creating sanitary toilets for households without access to one—the issue was among the most important ones highlighted by the Prime Minister—needs to be looked at afresh. Only 32.7% rural households had sanitary toilets according to the 2011 census. The total sanitation campaign, re-

named the Nirmal Bharat Abhiyan (NBA) in 2012, seeks to achieve 100% access to sanitation for all rural households by 2022. Under the NBA, the grant has been increased to ₹4,600 (₹3,200 from the Centre and ₹1,400 from the state) per individual household, with ₹500 extra for hilly and difficult areas, from the Centre. Additional financial assistance up to ₹4,500 per Individual Household Latrines has been provided in convergence with MGNREGA for all eligible beneficiaries.

The scheme has done well in villages where the residents have been proactive but is facing several implementation issues besides the inadequate funds provided under the scheme to the individual households.

A finance ministry sample survey report on performance of major social sector schemes points out that rural sanitation being a state subject, the state governments need to accord high priority to the programme. So, good results are seen in states such as West Bengal, Tripura, Kerala, Tamil Nadu and Maharashtra where high priority is attached to the scheme. Clearly, the success of sanitation schemes is heavily dependent on the state governments and they need to be completely on board with the Centre and this can happen only if they are equal partners in the making and implementation of the scheme.

The same report suggests that "while generally MGNREGA has been able to serve its purpose, better management and further modifications are needed to make the programme more fruitful and development-oriented." Why not use it for development of tourism in the areas where other community-related farm activities have been completed by now?

One of the key tasks of the new body will be to come up with efficient delivery mechanisms. As the Economic Survey FY14 also highlights, "The outlays for the different schemes have not often translated fully into outcomes owing to the poor delivery mechanism. Leveraging modern technology for efficient delivery of programmes, removing the multiple layers of governance, simplifying procedures, and greater participatory role by the beneficiaries can help in creating a better delivery mechanism."

These are the type of issues which the new plan body would need to look at and it will be a good idea to begin with the independent evaluation of all the existing schemes afresh. The days of Centre playing the big brother in the handling of developmental schemes are over. A note of caution is that intent is still just words; but the preliminary efforts, undoubtedly, are in the right direction.

ANY TIME MONEY, NO MORE

From November 1, frequent transactions at ATMs will become expensive

BANKING

By Bureau

COME NOVEMBER, frequent usage of ATMs will become expensive, with the RBI imposing a limit of three transactions—financial and non-financial—per month from ATMs of other banks and five from the same bank in the six metropolitan cities. You will be required to pay a fee of up to ₹20 for using ATMs beyond the permitted numbers of transactions in Delhi, Mumbai, Chennai, Bangalore, Kolkata and Hyderabad.

Taking out a mini-statement or even changing your PIN will amount to a transaction. The central bank has, however, said that nothing precludes a bank from offering more than three free transactions at other bank ATMs to its account holders if it so desires.

“Recently, a few banks and the Indian Banks’ Association (IBA) had approached RBI seeking changes in the extant instructions regarding free transactions at other banks’ ATMs. Referring to the growing cost of ATM deployment and maintenance incurred by banks, on one hand, and the rising interchange outgo due to these free transactions (on the other), the IBA had sought the removal of free transactions at other banks’ ATMs at metro centres and other townships in the country,” said the RBI circular.

The central bank has also asked banks to ensure fair and transparent information to customers regarding the new ATM charges and put in

Cash withdrawal charges at other banks’ ATMs

■ At present, banks don’t charge for services at their own ATMs. Up to five transactions at other bank ATMs are free

■ Taking out a mini-statement or even changing PIN will amount to a transaction

This is what banks charge for over five cash transactions at other banks’ ATMs. (Transactions/month for SB accounts)

Bank	(₹ per transaction)
SBI	17
PNB	20
Bank of Baroda	20
UCO Bank	20
IDBI Bank	20
Axis Bank	20
ICICI Bank	20
HDFC Bank	20
Kotak Bank	17.8

Source: BankBazaar.com



place a proper mechanism to track transactions.

ATMs have gained prominence as a delivery channel for banking transactions in India. The number of ATMs increased to over 1.67 lakh in June 2014 from 27,000 in March 2007. During the period, the point-of-sale infrastructure increased from 3.2 lakh to 10.89 lakh terminals. ATMs are being leveraged by banks to deliver financial and non-financial products to customers. Access to third-party ATMs was made free in April 2009. However, following a representation from banks, RBI agreed to cap the number of free with-

drawals to five a month and limited the total cash withdrawal to ₹10,000 from third-party ATMs.

Now, for every transaction that a customer makes at another bank’s ATM, the home bank pays an interchange fee of ₹18 per transaction for use of its machines. Currently, banks are not allowed to charge their own customers for use of the ATM network, regardless of the number of transactions. Bankers say each balance enquiry costs the bank ₹11, while a transaction costs around ₹18. ATMs are more concentrated in urban areas as people often tend to misuse third-

party ATM transaction.

Analysts say the volume of non-financial transactions will drop sharply once the charges are introduced, with customers shifting to other mediums. ATM usage rose sharply after the central bank directed banks in 2008 not to charge their own customers for use of ATMs. After the new rates and cap are put in place, bankers feel they can start recovering a significant part of the cost for running and maintenance of ATMs.

Various estimates suggest that, on an average, a bank incurs a cost of ₹10-12 for every transaction in an

ATM and around ₹35-40 for every transaction in a branch. Bankers say their cost of operating ATMs has increased as they have to provide round-the-clock security cover at each and every ATM.

Data from IMF’s Financial Access Survey show the number of ATMs per one lakh adults increased to 11.21 in 2012 from just 5.31 in 2009. However, ATM penetration in India is far below that of China where it is 37.5 ATMs per one lakh adults. In the UK, Germany and France, bank customers have access to all ATMs in the country for free except when cash is withdrawn from white label ATMs or from ATMs managed by non-bank entities.

At present, urban and metropolitan centres account for over 65% of the total number of ATMs in the country. However, there has been a rising trend in the share of ATMs located in rural and semi-urban centres in the last few years. The central bank’s report on Trend and Progress of Banking in India 2012-13 shows that offsite ATMs are becoming more cost-efficient as they operate without the paraphernalia of a bank branch. The relative growth in offsite ATMs has been much more than that of on-site ATMs, with the former accounting for more than half of the total ATMs in the country. Moreover, to improve the delivery of customer services, the central bank has made it mandatory for banks to place a quarterly review of ATM transactions to their board of directors. The review will have to outline, among other things, the denial of services to the customers at ATM sites and reasons and the action taken thereof to avoid recurrence of such instances.

Vizag as IT hub in vision for new Andhra

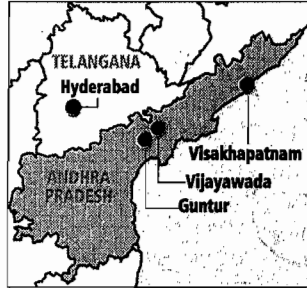
SREENIVAS JANYALA
HYDERABAD AUGUST 18

ANDHRA Pradesh will develop Visakhapatnam on the lines of Hyderabad while looking at the Vijayawada-Guntur stretch, rather than a single city, as its new capital zone.

“We won’t concentrate on developing one single city. Instead we will develop a city in each district, encourage development of smaller towns into cities,” Chief Minister N Chandrababu Naidu said.

The government will develop Vizag, which Naidu has toured, as an IT hub, set up facilities for the Telugu, Oriya and Bengali film industries, and aggressively promote tourism. “We have plans to develop Vizag into a major

IT hub, providing plug-and-play facilities and attractive investment opportunities. Besides software firms, there is lot of attention on developing hardware parks, facilities for setting up BPOs, and R&D facilities,” an official said. “The city will also become a hub for the film industry and its proximity to Orissa and Bengal will attract filmmakers from those states too. There are several scenic locations along the Vizag coast including Aaraku Valley. The city has an international airport and a seaport, an added advantage. A Ramoji Film City on the lines of the one in Hy-



derabad is expected to come up in Vizag too while there are plans to set up a mega film city nearby.”

Vizag will be one of six cities to be developed as hi-tech cities. Sources said media businessman Ramoji Rao will be

allotted 500 acres to develop a film city while actor-turned-politician K Chiranjeevi will build the “mega film city” with several partners.”

“Vizag has a huge potential for growth, especially in the IT sector. Given its location, it can also be developed as a film industry centre. The pharma industry is growing. Many in-

ternational firms have expressed a willingness to invest in Vizag,” Naidu said.

Officials said the capital zone will stretch from Vijayawada to Guntur and even smaller cities such as Eluru and Tenali will have some administrative buildings, government establishments, and courts. “Rayalaseema, which has huge tracts of land, will be developed as an industrial hub. The CM is focusing on the manufacturing and service sectors,” the official said.

Last week, Naidu discussed the possible capital with a state-level advisory committee, while McKinsey presented its “Vision for AP Capital”. The CM asked the committee to scout for an *ad hoc* capital that will house key administrative offices until all infrastructure is completed in the capital.

SkillMin merged with sports, youth affairs; Gets ITIs, NSDC

SURABHI

NEW DELHI, AUGUST 18

OVER two months after the announcement, the government has given final shape to the ministry of skill development and entrepreneurship that will be a part of the ministry of sports and youth affairs.

Carved out after discussions with nearly two dozen ministries that are already involved in vocational training, the ministry of skill development has taken over key roles from the finance ministry as well as the labour ministry.

The National Skill Development Corporation (NSDC) that was until now housed under the department of economic affairs in the finance ministry has been handed over to the newly created ministry of skill development and entrepreneurship, along with the mandate for looking over the industrial training institutes — that has been with the labour ministry.

The National Skill Development Authority that is headed by S Ramadorai as well as a proposed National Skill Development Trust have also been transferred to the ministry of skill development.

Rajeev Gupta, secretary, department of youth affairs has been given additional charge of the department of skill development and entrepreneurship that is headed by minister of state (independent charge) Sarbananda Sonowal.

“Internationally, skilling and youth affairs are seen as related issues and so it was felt that the same can be done in India as well. The contours of the ministry were finalised after many rounds of discussions with all stake holders



NEW ROLE

■ The National Skill Development Corporation has been handed over to the newly created ministry of skill development

■ The department of skill development has also given the responsibility of computer education, framing policies for soft skills

and the Prime Minister's Office,” said a person familiar with the development.

The changes have come into effect following amendments to the Allocation of Business Rules of the government by the Cabinet Secretary last week.

Accordingly, the department of skill development has also been entrusted with the responsibility of computer education, framing policies for soft skills, introducing public private partnerships in the sector as well as ensuring the all important linkage with industry. Additionally, the new department has also been given the job of formulating the academic equivalence of skill sets, coordination with other ministries on skill development, expansion of youth entrepreneurship programmes and setting national standards for it as well as mapping and certification of skills across the country.

With a focus on creating a “Skilled India”, Prime Minister Narendra Modi had set up the ministry of skill development and entrepreneurship on May 27 at the time of allocation of ministries.

India, Australia to sign civil nuke deal in Sept: Report

MELBOURNE, AUGUST 18,

Australia and India have reached a deal on the much awaited civil nuclear agreement, which will be formally signed by Prime Minister Tony Abbott during his visit to Delhi next month, according to a report today.

The "agreement has now been reached, with Indian officials convincing their Australian counterparts that the uranium will not end up in nuclear weapons," said the report published by the Australian Broadcasting Corporation. It said the two sides have struck the deal.

Prime Minister "Abbott is due to visit India early next month to formally sign the agreement," it said, adding sources have said the negotiations have been concluded relatively quickly compared to India's dealings with other exporters.

The negotiations between the two sides have been on since 2012 after Labor party reversed its decision to ban the uranium sale to India

Uranium not for arms

- The agreement was reached after Indian officials convinced their Australian counterparts that uranium would not be used in weapons
- The negotiations between the two sides have been on since 2012 after Labor party reversed its decision to ban uranium sale to India because New Delhi has not signed the Nuclear Non-Proliferation Treaty
- Australian PM Abbott is due to visit India early next month to formally sign the agreement

because New Delhi has not signed the Nuclear Non-Proliferation Treaty.

Australia holds about a third of the world's recoverable uranium resources and exports 7,000 tonnes a year. India is looking to nuclear power to supplement its existing options to fuel economic growth. India has concluded agreements with Argentina and Kazakhstan. — PTI