

योजना आयोग
भारत सरकार
Planning Commission
GOVERNMENT OF INDIA

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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

- **Herald case is vendetta: Sonia:** Congress president Sonia Gandhi today said the BJP Government was practicing the policy of political vindictiveness with the Congress and this policy would only help the Congress get back to power soon. Reacting to questions about BJP leader Subramaniam Swamy's allegations regarding misappropriation of National Herald's funds by Sonia and her son Rahul Gandhi, she said: "This kind of political witch hunt will only help us come back faster." Sonia confirmed that her party had received notices of the Income Tax Department asking the Congress why its tax exemption benefits should not be withdrawn. Earlier in the day, Congress treasurer Motilal Vora, one of the beneficiaries Swamy has named in the Herald case, said IT notices had been received. Under the IT laws, political outfits are granted exemption from IT payments for pursuing public interest. But Swamy's allegation is that the Congress broke the law by loaning Rs 90 crore worth of Herald funds to a firm where majority stake is owned by the Gandhis. Under the IT law, political parties cannot extend loans for commercial purposes. I&B Minister Prakash Javadekar said today that though the BJP did not believe in political vendetta, the law had to take its course. Earlier, a local court had issued summons in the matter to both Sonia and Rahul. Reacting to the case, Congress spokesperson Abhishek Manu Singhvi said, "We have received the notices and will respond at the right forum at the right time." (The Tribune).

Economy

- **Economy will break sub-5% shackle this fiscal, but 7-8% ruled out before FY 17:** Warning that economic recovery would only be gradual due to risks of below-normal monsoon and other external factors, the Economic Survey has projected a GDP growth of 5.4-5.9% for 2014-15 against 4.7% last fiscal. "In 2014-15, the Indian economy is poised to overcome the sub-5% growth of GDP witnessed over the last two years... Reversion to a growth rate of around 7-8% can only occur beyond the ongoing and the next fiscal," said the survey tabled by finance minister Arun Jaitley in Parliament. After achieving unprecedented growth of over 9% for three successive years between 2005-06 and 2007-08 and recovering swiftly from the global financial crisis of 2008-09, the Indian economy has been going through challenging times that culminated in lower than 5% growth during 2012-13 and 2013-14, something last seen in 1986-88. While the slowdown is broadly in sync with trends in other emerging economies, the survey said it was "relatively deeper" in Asia's third largest economy. India's growth declined from an average of 8.3% per annum during 2004-05 to 2011-12 to an average of 4.6% in 2012-13 and 2013-14, while the average growth in the emerging markets and developing economies, including China, fell from 6.8% to 4.9% during this period. (The Financial Express).

Planning

- **Survey seeks reforms in expenditure:** Economic Survey, 2013-14 has recommended the government go for expenditure reforms, so that allocations result in targeted outcomes, at low costs. Amid the debate over doing away with the Planning Commission's power to allocate resources, the survey said, "At present, in India, a government department gets resources through two mechanisms – the budget process run by the Ministry of Finance, and the budget process run by the Planning Commission. This leads to sub-optimal resource allocation, as well as diffused accountability." Earlier, an independent evaluation office attached with the Planning Commission, too, had questioned the commission's budgetary-allocation powers. In a letter to Prime Minister Narendra Modi, the office had said the role of the Planning Commission should be reduced to that of a think tank, with sector-specific experts. In 2011, another panel, headed by C Rangarajan, former chairman of the Prime Minister's Economic Advisory Council, had also recommended doing away with the distinction between Plan and non-Plan expenditure. Reportedly, the Planning Commission has recommended an increase of Rs 11,000 crore in Plan expenditure in Budget 2014-15, to be presented on Thursday, against Rs 5.55 lakh crore provided in the interim Budget. The Economic Survey's suggestion of a single entity for expenditure allocation is also aimed at creating a feedback mechanism and increasing accountability. For this, the survey suggested the finance ministry, through independent organisations, prepare a report card of the work done by every ministry. It added the ministry should also initiate a formal budget process, taking into account budget constraints, outcomes and targets. (Business Standard).

Editorial

- **Economic Survey for a Perfect World:** The Economic Survey makes sense when it expects growth to go north of 5% this fiscal and the fiscal and current account deficits and inflation to improve. It is on the dot when it commends the fiscal management last Year and faults the Essential Commodities Act (ECA) as a contributor rather than solution to good price inflation. The trouble is, this is textbookish to a fault, one that could make the ruling party a little hot under the collar as it prepares to criticise its predecessor for mismanaging the fisc and to round up "hoarders" of onions and potatoes under the ECA, as the surest way to halt food price inflation. Most of the Survey's solutions are from the same textbook: intellectually coherent but firmly placed a few feet above terra firma. It calls for a new Fiscal Responsibility law with teeth, a new central goods and services tax (GST) as a precursor to a nation wide GST, a new system of budgeting that does away with the role of the Planning Commission, accrualbased accounting in the Budget, a new financial code as recommended by the Financial Sector Legislative Reforms Commission, a simplified Direct Taxes Code, a central law to override state-level Agricultural produce Marketing Committee Acts, and inflation-targeting monetary policy. These make eminent sense, except for the last: the insight from the financial crisis is that monetary policy has to respond to not just inflation but to multiple sources of macroeconomic disruption. (The Economic Times)

Herald case is vendetta: Sonia

TRIBUNE NEWS SERVICE

NEW DELHI, JULY 9

Congress president Sonia Gandhi today said the BJP government was indulging in political vindictiveness and that the policy would only help the Congress get back to power soon.

Reacting to questions about BJP leader Subramanian Swamy's allegations regarding misappropriation of National Herald's funds by Sonia and her son Rahul Gandhi, she said: "This kind of political witch-hunt will only help us come back faster."

Sonia confirmed that her party had received notices of the Income Tax Department asking the Congress why its tax exemption benefits should not be withdrawn.

Earlier in the day, Congress treasurer Motilal Vora, one of the beneficiaries Swamy has named in the Herald case, said IT notices had been received.

Under the IT laws, political outfits are granted exemption from IT payments for

Govt's take

- I&B Minister Prakash Javadekar said the BJP did not believe in political vendetta
- However, the law had to take its course
- Earlier, the Cong received notices of Income Tax Department
- The dept has asked the Congress why its tax exemption benefits should not be withdrawn

“This kind of political witch-hunt will only help us come back (to power) faster.”

Sonia Gandhi,
CONGRESS PRESIDENT

pursuing public interest. But Swamy's allegation is that the Congress broke the law by loaning Rs 90 crore worth of Herald funds to a firm in which majority stake is owned by the Gandhis.

Under the IT law, political parties cannot extend loans for commercial purposes.

Information and Broadcasting Minister Prakash

Javadekar said the BJP did not believe in political vendetta and that the law had to take its course. Earlier, a local court had issued summons to both Sonia and Rahul.

Congress spokesperson Abhishek Manu Singhvi said: "We have received the notices and will respond at the right forum, at the right time." Singhvi is the legal adviser to the Gandhis in this case. Swamy's allegation is that the Gandhis floated a firm, Young Indian Company, which acquired Associated Journals Limited, the publisher of three newspapers, including the National Herald, an English daily founded and edited by Jawaharlal Nehru before he became India's first Prime Minister.

The paper was shut down in 2008 by Sonia Gandhi. Swamy alleges that the Congress used its party fund to enable Young Indians to own Associated Journals and the Gandhis wanted to grab property worth thousands of crores that actually belonged to Herald.

'Better days' still far away: Survey

FY15 GDP GROWTH PEGGED BETWEEN 5.4% AND 5.9%

A SPEEDY RETURN TO 7-8% GROWTH PATH RULED OUT

FY14 FISCAL DEFICIT AT 4.5%; FY15 CAD TARGET SET AT 2.1%

BS REPORTER
New Delhi, 9 July



The Economic Survey for 2013-14, tabled in Parliament on Wednesday, said the Indian economy was "poised" to overcome the sub-five per cent growth rate of the past two years. However, it warned the recovery would be gradual: Gross domestic product (GDP) at factor cost, it said, could grow at a rate between 5.4 per cent and 5.9 per cent in the coming year — more likely to stay closer to the lower end of the band because of concerns over a weak monsoon, expectations of inflation and geopolitical factors, among other things.

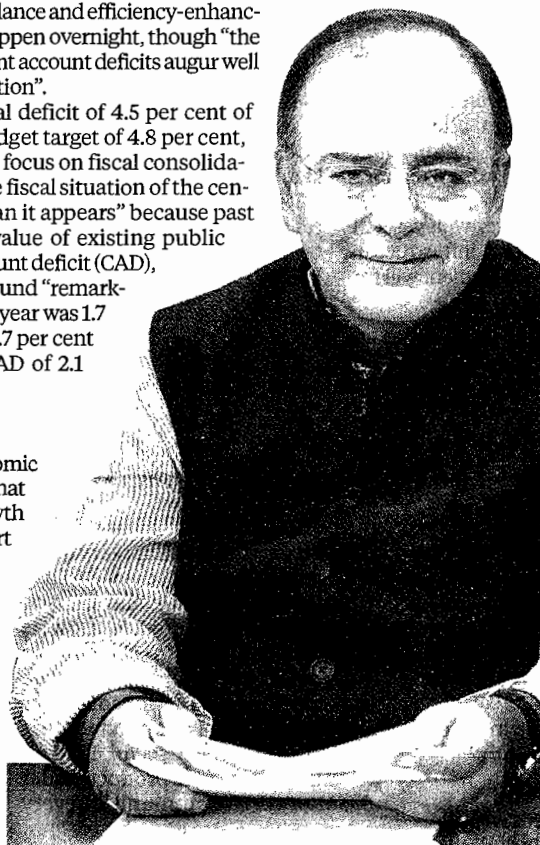
In a clear move to dampen post-election enthusiasm, the Survey ruled out any speedy return to a high growth rate of seven-eight per cent. That would not happen either this financial year or the next, it warned, as it required regaining macroeconomic balance and efficiency-enhancing reform. Neither would happen overnight, though "the corrections in fiscal and current account deficits augur well for macroeconomic stabilisation".

The Survey said the fiscal deficit of 4.5 per cent of GDP, as compared to the Budget target of 4.8 per cent, "is indicative of a continued focus on fiscal consolidation". However, it added "the fiscal situation of the central government is worse than it appears" because past inflation "has eroded the value of existing public debt". As for the current account deficit (CAD), the Survey called the turnaround "remarkable", saying CAD for the full year was 1.7 per cent of GDP, as against 4.7 per cent in 2012-13. It predicted a CAD of 2.1 per cent of GDP for 2014-15.

Moderating expectations

The main reason for the Economic Survey's sombre forecast is that the constraints on India's growth cannot be removed in the short term. The country's growth slowdown, it argues, broadly corresponds to similar dips in other emerging markets — but is "relatively deep" because of specific structural constraints and higher inflation. Both these domestic hurdles are difficult to remove in the short run.

FINANCE MINISTER ARUN JAITLEY PRESENTS HIS MAIDEN UNION BUDGET TODAY



POLICY PRESCRIPTION

FISCAL CONSOLIDATION Cutting capital expenditure not good; need for diesel price deregulation, new FRBM Act and raising tax-to-GDP ratio

INFLATION CONTROL Cut spillovers from food to non-food inflation through formal monetary policy framework

TRADE & INDUSTRY Some FTAs need to be reviewed; SEZs should be revived

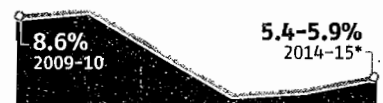
LEGISLATION Laws governing business need revamp; shift decision making from inspectors to higher officers

MAJOR RISKS TO GROWTH

- Prediction of a sub-normal monsoon
- Uncertain geopolitical environment
- India's weak investment climate

SURVEY'S OBSERVATIONS

GDP to grow at 5.4-5.9% in 2014-15...
(At factor cost; constant 2004-05 prices)



* Projected Sources: Economic Surveys and Mospi

... If inflation is controlled through fiscal correction... (WPI-based inflation rate)



Source: Commerce department

... And fiscal deficit is contained (Govt's fiscal deficit as % GDP)



* Projected Sources: Economic Surveys and Mospi

'Make social-sector schemes more efficient'

BS REPORTER
New Delhi, 9 July
A plan for the revamp of several social schemes has been served by the National Democratic Alliance government's first Economic Survey. Indicating that the government is not planning to reduce spending but looking more at turning these bouquet of schemes more efficient, the Survey notes: "What is needed is a zero budgeting approach with a revamp, reorganisation and convergence of social-sector schemes with a minimum size prescribed for the schemes."

Topping the list of recommendations for radical adjustments is advice to re-orient the Mahatma Gandhi National Rural Employment Guarantee Act, focusing its funds on infrastructure building in the tourism and large agriculture schemes. The United Progressive Alliance (UPA) government had kept the focus largely on smaller village-level activities, which the Survey suggests should be reduced or done away with.
The Survey authors also suggest that the National Rural Health Mission, which had been subsumed into the

National Health Mission, should be opened up to private investments through the public-private partnership model. The UPA government too had suggested this but put it on the backburner after controversy arose around the plans.
On the relatively more successful mid-day meal scheme, the Survey promotes the use of hot-cooked meals, but advises that teachers be left to teach and not cook and supply the food. Additional infrastructure for dining rooms in each of the school has been recommended.
The National Rural

Livelihood Mission could come in for greater scrutiny if the government listens to the Survey's advice on what ails the programme: "Large amount of investment made in infrastructure like buildings and equipment needs to be looked into." Data presented by the Survey shows that the Central government expenditure, including both Plan and non-Plan parts, as a percentage of the total expenditure remains below the 2010-11 levels of 18 per cent, though the budgeted allocations were increased in 2013-14 by 16.7 per cent over previous financial year.

Survey seeks reforms in expenditure

BS REPORTER
New Delhi, 9 July

Economic Survey, 2013-14, has recommended the government go for expenditure reforms, so that allocations result in targeted outcomes, at low costs.

Amid the debate over doing away with the Planning Commission's power to allocate resources, the survey said, "At present, in India, a government department gets resources through two mechanisms — the budget process run by the Ministry of Finance, and the budget process run by the

Planning Commission. This leads to sub-optimal resource allocation, as well as diffused accountability."

Earlier, an independent evaluation office attached with the Planning Commission, too, had questioned the commission's budgetary-allocation powers. In a letter to Prime Minister Narendra Modi, the office had said the role of the Planning Commission should be reduced to that of a think tank, with sector-specific experts.

In 2011, another panel, headed by C Rangarajan, former chairman of the Prime Minister's Economic Advisory Council, had also recommended doing away with the distinction between Plan and non-Plan expenditure.

Reportedly, the Planning Commission has recommended an increase of ₹11,000 crore in Plan expenditure in Budget 2014-15, to be presented on Thursday, against ₹5.55 lakh crore provided in the Interim Budget.

The Economic Survey's suggestion of a single entity for expenditure allocation is also aimed at creating a feedback mechanism and increasing accountability. For this, the survey suggested the finance ministry, through independent organisations, prepare a report card of the work done by every ministry. It added the ministry should also initiate a formal budget process, taking into account budget constraints, outcomes and targets.

In case a department failed to achieve its targets, there should be a fixed set of consequences, the

survey said.

It questioned the country's cash-based accounting process and sought the government move towards an accrual-based system, through which annual income and expenditure is tallied with the activities during the year concerned. For instance, if there is fertiliser subsidy in a particular year, the cost of that subsidy should be counted in the same year, irrespective of when the actual payment of the subsidy is made. Currently, subsidies from current year are rolled over to the subsequent year.



'Social sector schemes need urgent revamp'

fe Bureau

New Delhi, July 9: The country needs to urgently revamp its major social sector schemes, including those relating to rural jobs, health and education, as outlays for them are not being translated into outcomes because of poor delivery mechanism, Economic Survey 2013-14 showed.

Calling for a greater role for private players and detection of pilferage and ghost beneficiaries through effective use of technology, the survey stressed the need for revamp or reorganisation of schemes, including the Mahatma Gandhi National Rural Employment Guarantee Scheme

(MGNREGS), National Rural Livelihoods Mission (NRLM), National Rural Health Mission (NRHM) and Sarva Shiksha Abhiyan (SSA).

The survey pointed out that although the MGNREGS is Panchayat-centric and demand-based, "the awareness level in the gram sabha/PRI is very low, also resulting in lack of ownership, ill-conceived planning and shelving of projects, and weak or even no social audit", it added.

MGNREGS provides for not less than 100 days of guaranteed wage employment in a financial year to every rural household. The outlay for the scheme in 2013-14 was ₹33,000 crore, compared with ₹29,387

Government spending on social sector schemes witnessed a cut in recent years before picking up again in 2013-14

crore a year before, although still less than ₹35,841 crore in 2010-11.

Government spending on social sector schemes witnessed a cut in recent years before picking up again in 2013-14. The Centre's expenditure on social services as a percentage of total spend rose to

12.83% in 2013-14 from 11.83% in the previous year. "The need for community projects is becoming less important as probably such works have already been completed or are on the brink of saturation or on account of lack of common interest in public works," it said.

"So there is an urgent need to revamp the MGNREGA to prevent its misuse and make it a development-oriented programme, creating tangible and meaningful assets and infrastructure, including tourism-related infrastructure, or some large agriculture related activities," it added.

Regarding NRLM, the survey said the mismatch in the scope of activities and large

amount of investment made in infrastructure needs to be reviewed.

Similarly, the NRHM suffers from problems like under-utilisation of the well-built infrastructure. "There is also a need to consider PPP in this sector with careful regulatory oversight," the survey added.

The Right to Education Act, which provides for a school within 1 km radius of every habitation, also needs to be revisited as the number of students in some places does not warrant separate classrooms.

The mid-day meal scheme also needs a facelift as there are concerns about the safety of children owing to poor quality of food.

CONCERNS RAISED OVER SLOWDOWN IN MANUFACTURING; STEPS ADVOCATED TO REVIVE FACTORY OUTPUT

Economy will break sub-5% shackle this fiscal, but 7-8% ruled out before FY17

{ GROWTH }

fe Bureau
New Delhi, July 9

WARNING that economic recovery would only be gradual due to risks of below-normal monsoon and other external factors, the Economic Survey has projected a GDP growth of 5.4-5.9% for 2014-15 against 4.7% last fiscal.

"In 2014-15, the Indian economy is poised to overcome the sub-5% growth of GDP witnessed over the last two years... Reversion to a growth rate of around 7-8% can only occur beyond the ongoing and the next fiscal," said the survey tabled by finance minister Arun Jaitley in Parliament.

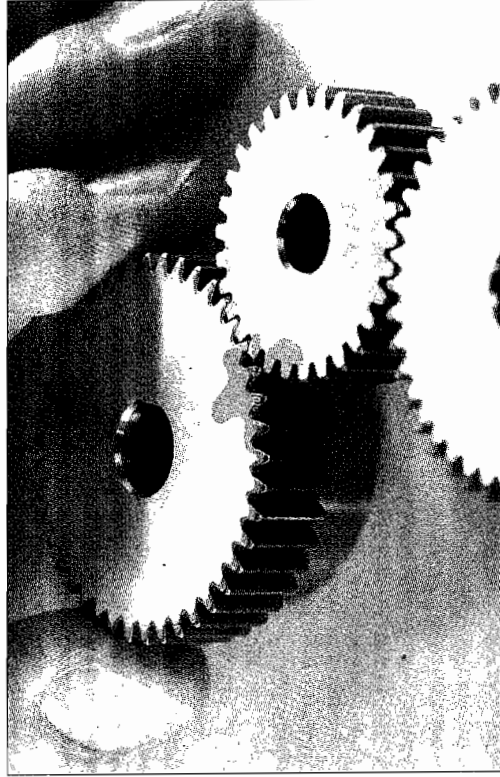
After achieving unprecedented growth of over 9% for three successive years between 2005-06 and 2007-08 and recovering swiftly from the global financial crisis of 2008-09, the Indian economy has been going through challenging times that culminated in lower

WIND IN SAILS

- The survey says the slowdown is broadly in sync with trends in other emerging economies, but relatively deeper in India
- Revival of investment is crucial for raising the growth rate, the survey says, as it prescribes speedy project clearances and streamlining of procedures, apart from sector-specific investment policies
- An improved external economic situation, especially a stable current account and steady capital inflows, improved fiscal situation and robust power generation are required

than 5% growth during 2012-13 and 2013-14, something last seen in 1986-88.

While the slowdown is broadly in sync with trends in other emerging economies, the survey said it was "relatively deeper" in Asia's third largest



economy. India's growth declined from an average of 8.3% per annum during 2004-05 to 2011-12 to an average of 4.6% in 2012-13 and 2013-14, while the average growth in the emerging markets and developing economies, including China,

fell from 6.8% to 4.9% during this period.

"What is particularly worrisome is the slowdown in manufacturing growth that averaged 0.2% per annum in 2012-13 and 2013-14," the survey noted, advocating a slew of steps to revive

factory output. The investment rate declined to 34.8% of the GDP in 2012-13 from a peak of 38.1% in 2007-08, with a sharp decline in gross fixed capital formation, especially by the private sector. The growth in investment by the private corporate sector was particularly sharp during 2004-05 to 2007-08, when it averaged 48.1% and, then, declined to 3.4% during 2008-09 to 2012-13.

"Revival of investment is crucial for raising the growth rate," the survey said, prescribing speedy project clearances and streamlining of procedures, apart from sector-specific investment policies. The revival of the economy also hinged on growth in the industrial sector, stable oil prices and absence of shocks like below-normal monsoons.

Also, an improved external economic situation, especially a stable current account and steady capital inflows, improved fiscal situation, robust power generation and some recovery in manufacturing and non-government services, was required.

What's hot: Direct cash transfer. What's not: Barriers to free trade

{ AGRICULTURE }

fe Bureau
New Delhi, July 9

STRONGLY advocating direct-cash transfer or food stamps as a means for reducing fiscal deficit, the Economic Survey on Wednesday mooted creation of a national competitive market, which would allow traders and farmers to transport agricultural produce without any barriers across the country.

It suggested that a shift to the direct cash transfer system or food stamps would anchor the food policy to the requirement of the people and additionally reduce fiscal deficit due to curb in pilferage under the public distribution system (PDS). "The continued emphasis on procurement and distribution of rice and wheat by Food Corporation of India (FCI) is contrary to the ground reality that shows changing preference of consumers," the survey noted.

On the improving marketing system of farm produce, the survey suggested a national legislation for creating markets for hurdle-free trade and also mooted review of legislations, such as State Agricultural Produce Market Committee (APMC) Act, Essential Commodities Act and Land Tenancy Act, which are 'restrictive and create barriers to free trade'.

Calling APMC as a major hurdle in modernisation of the food economy, the pre-Budget document noted: "APMCs have artificially created cartels of buyers who possess market power; it is a non-level playing field."

"Removing market distortions will create greater competition in markets, promote efficiency and growth and facilitate the creation of a national agriculture market," it said.

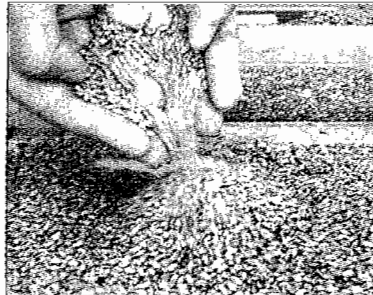
Stating that in the last decade Indian agriculture has become more 'robust' with record production of grain and oilseeds, the survey expressed

FARM REFORMS

- Govt advocates creation of national competitive market for allowing traders and farmers to transport farm produce without barriers

- Says direct cash transfer would help reduce fiscal deficit

- Describes Agricultural Produce Market Committee Act as a major hurdle in modernisation of food economy



concerns about the shadow of El Nino, which is likely to impact production and, consequently, prices of food products. However, the survey noted that there appears to be 'no cause for alarm' as the country is well-placed on grain availability with record domestic production and huge stocks in the central pool. The India Meteorological Department (IMD) has predicted below-normal monsoon (June-September) at 93% of the Long Period Average (LPA), calculated on the basis of a 50-year average rainfall of 89 cm.

At the start of the month, FCI stocks were reported at 66 million tonne, more than double the requirement.

The survey points out the major challenges faced by the agriculture sector, which included low productivity levels, soil degradation and market distortions that prevent the creation of a national common market and phased shifting to direct transfer of fertiliser-food subsidies.

Trade sector growth affected by multiple controls: Eco Survey

fe Bureau

New Delhi, July 9: Multiple controls are coming in the way of growth in wholesale and retail trade in the country, which has slipped to the 14th position in the global retail development index last year from the fifth spot in 2012, Economic Survey 2013-14 has pointed out.

"Both wholesale and retail trade within the country is governed by many controls, multiple organisations and a plethora of orders. This has resulted in fragmented market and hindered the free flow of goods, higher transportation cost, and in general, a lower level of efficiency and productivity," the Survey said.

Citing AT Kearney's global retail development index, the Economic Survey said, "India slipped to the 14th rank

in 2013 as against fifth ranked in 2012. India was in the first place in 2009".

In order to boost growth in the sector, the UPA government had allowed 100% FDI in single brand retail and 51% in multi-brand retail with conditions related to investment, sourcing, etc.

Commerce and industry minister Nirmala Sitharaman on Wednesday informed the Rajya Sabha that the NDA government has not taken any decision on review of the FDI policy for the multi-brand retail sector. The BJP had strongly opposed the policy of permitting FDI in the sector.

The trade sector comprising wholesale and retail grew by just 4.8% to ₹14.79 lakh crore in 2012-13, accounting for 15.8% share in the GDP. The sector is expected to grow 14-15% in 2015, it added.

'El Nino likely to impact farm production, food prices'

PNS ■ NEW DELHI

India's agriculture production and food prices may be impacted this year if a likely El Nino torpedoes monsoon rains, the Economic Survey said while asking the Centre to use constitutional powers to break monopoly of wholesale markets and give farmers' freedom to sell anywhere.

The survey listed the major challenges faced by the farm sector, including low crop yields, soil degradation, phased shifting to direct transfer of fertiliser-food subsidies and market distortions that prevent creation of a national market.

"In the monsoons for 2014-15, there are concerns about the likely occurrence of the El Nino, when surface temperatures in the Pacific Ocean continuously rise above average for several months which adversely affects weather in many regions. This is likely to have an impact on India's agriculture and consequently on food prices," the survey said.

However, it added that there appears to be "no cause for

alarm on the El Nino impact" as the country is well placed on foodgrains availability with record domestic production and huge stocks in the central pool.

As the Government blames hoarders for the recent spurt in food prices, the Finance Ministry's economic report card said that high cost of intermediation have a cascading effect on prices and suggested reforms like creation of national market.

The state APMC (Agricultural Produce Marketing Committee) laws are a major hurdle to modernisation of the food economy as they have artificially created cartels of buyers who possess market power, the Economic Survey said.

"Parliament has the power to legislate a national market under the Constitution, which gives it the ability to legislate the freedom to buy and sell, for farmers and traders across state lines. This law can override state APMC laws and restrictions that have been placed on the farmer's right to sell food within and outside the state," the Survey said.

Trade deficit narrows, falls sharply by 27.8%

PNS ■ NEW DELHI

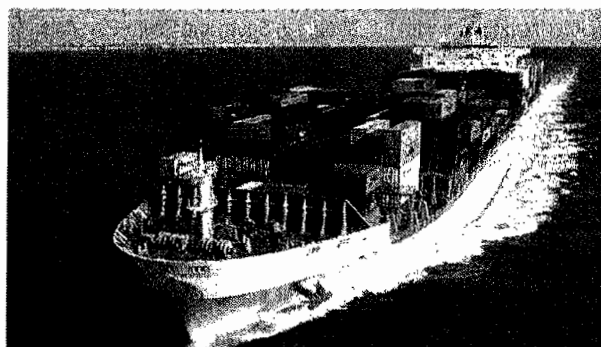
Stating that the country's trade deficit in 2013-14 narrows by 27.8 per cent from 190.3 billion to 137.5 billion, the Government in its first Economic Survey mentioned that it was largely due to a fall in imports of gold and capital goods.

However, it said there was not much change in the POL (Petroleum, Oil and Lubricants) deficit which was hovering at around \$100 billion in the last two years and constituted 36.7 percent of total imports during 2013-14.

"On the back of several measures taken by the Government, the value of gold and silver imports fell by 40.1 percent to \$33.4 billion in 2013-14, with the import of yellow metal declining from 1,037 tonnes in 2012-13 to 664 tonnes," survey said.

"Many labour-intensive export sectors like textiles, leather, handicrafts and carpets have performed relatively better. While textiles exports grew by 14.6 percent, the exports in leather and leather manufacturers sector recorded a 16.7 percent jump, with the European Union and USA being the major markets," survey added.

It pointed out that the share of India's textile exports to China also rose from around 2 percent in 2010-11 to 5 percent in 2012-



13 and further to 7 percent in 2013-14. The Services sector including travel, transportation and insurance improved slightly in 2013-14 with a 4 percent growth rate, compared to 2.4 percent during the previous year.

In 2013-14 India's exports stood at \$312.6 billion as against the targeted \$325 billion.

The country's exports grew by a double-digit pace for the first time in seven months in May, narrowing the trade deficit.

"In 2014-15 first quarter, trade deficit declined by another 42.4 per cent," it said.

"India should aim to increase its share in world merchandise exports from 1.7 per cent in 2013 to a respectable ballpark figure of at least 4 per cent in the next five years," it said, adding: "India's exports should grow consistently by around 30 per cent annually to reach" that figure.

It said the aim is "not impos-

sible" as during 2003-04 to 2007-08, India's exports grew consistently by above 20 per cent annually.

However, it said that achieving this aim in the medium term is a big challenge and some basic steps need to be taken like product diversification, building export infrastructure, focusing on useful free trade agreements, addressing the inverted duty structure, rationalising export promotion schemes, and taking steps for trade facilitation.

Notwithstanding the recent good performance survey in its outlook said that "The quarterly and monthly export and import growth performance of the world and major trading countries is also not very encouraging. Thus world trade and India's exports are still fragile. There is also the downside risk of external shocks like the latest increase in oil prices owing to the Iraq crisis."

Poverty ratio down, health & education sectors still a concern

PNS ■ NEW DELHI

While taking pride in the fact that poverty ratio in the country declined to 21.9 per cent in 2011-12 from 37.2 per cent in 2004-05, the Government at the same time has acknowledged that timely action is required to provide basic facilities to people like health and education apart from making them adequately skilled.

The Economic Survey 2013-14 presented by the Finance Minister Arun Jaitley in Parliament on Wednesday, quoting the findings of Tendulkar Committee on poverty estimates, said that the poverty ratio declined from 37.2 per cent in 2004-05 to 21.9 per cent in 2011-12. "In absolute terms, the number of poor declined from 407.1 million (40.71 crores) in 2004-05 to 269.3 million (26.93 crores) in 2011-12 with an average annu-



al decline of 2.2 percentage points during 2004-05 to 2011-12," it said.

Simultaneously though, the survey added that the existing gap in health and education indicators in India as compared to developed countries and also many of the developing countries, high-

lights the need for much faster and wider spread of basic health and education.

Therefore it suggested that policy makers need to design and execute development strategies targeting the young population that was approximately 58 per cent in 2001 and will increase to more than 64

per cent in 2021.

Citing figures, the survey said that "as a percentage of GDP, expenditure on education has gone up from 2.9 per cent in 2008-09 to 3.3 per cent in 2013-14 (Budgetary Estimates). There is need not only to increase it further, but also address quality issues".

Similarly the policy document added that expenditure on health is just 1.4 per cent of GDP. Though in 2013-14, there was an increase in outlay by 7.44 per cent over the previous year still a lot more needs to be done to provide quality and affordable health-care for the large Indian population.

The existing gap in health and education indicators in India as compared to developed countries and also many of the developing countries highlights the need for much faster and wider spread of basic health and education, the survey noted.

Nutrient-based fertiliser subsidy policy is flawed; needs review

Pricing of subsidised fertilisers leading to skewed usage

OUR BUREAU

New Delhi July 9

Concerned over the increased use of cheaper urea, the Economic Survey has called for a review of the nutrient-based subsidy (NBS) policy and made a pitch for transfer of subsidy directly to farmers.

"The roll-out of NBS was flawed since urea was kept out of ambit, which has defeated the objective use of nutrients," the Survey said "There is a need to review the NBS policy," it pointed out.

The consumption of urea - the main source of Nitrogen (N) - has increased from 59 per cent to 66 per cent of total fertilisers consumed in 2012-13 over 2010-11.

However, the per hectare consumption of fertiliser has declined from 140 kg to 128 kg over the same period.



Subsidy worries A file photo of a farmer spraying fertiliser in his farm in Kerala. The Survey has called for direct cash transfer of fertiliser subsidy.

Prices of urea are highly subsidised by the Government, while the non-urea complexes were decontrolled with the introduction of NBS in March 2010.

The fertiliser subsidy stood at ₹67,971 crore in 2013-14, an increase of 11 per cent over 2009-10. India meets 80 per cent of its urea requirement through domestic production, but it is

largely import dependent for its potassic (K) and phosphatic (P) fertiliser requirements.

"The current trends in agricultural output reveal that the marginal productivity of soil in relation to the application of fertilisers is declining," the Survey pointed out.

The pricing of subsidised fertilisers is also probably responsible for higher usage of

The fertiliser subsidy stood at ₹67,971 crore in 2013-14, an increase of 11 per cent over 2009-10.

straight fertilisers and the skewed usage of nutrients.

While NPK ratios were higher than the recommended national 4:2:1 NPK balance in 2009-10, the situation has drastically worsened, it said.

Imbalanced use

"The indiscriminate use of NPK has led to imbalanced use of soil nutrients, especially in Haryana and Punjab, leading to deterioration in soil quality and declining growth in land productivity in these States," the Survey said.

Further, it said that the recommendation of the Task Force for Direct Transfer of Subsidy to shift to a system of direct transfer of fertiliser subsidy farmers in a phased manner needs to be considered.

CHARGED UP FOR THE BUDGET

Solar Cos Expect an Ultra Boost

Developers hope for concrete action to take the concept of ultra-mega power projects forward

MITUL THAKKAR
NEW DELHI

Solar power project developers and equipment makers expect Finance Minister Arun Jaitley's first budget to give a big push to solar energy just as Narendra Modi did in Gujarat when he was chief minister.

They are pegging their hopes on Piyush Goyal with minister renewable energy, power and coal, who wants to expand UPA government launched Jawaharlal Nehru National Solar Mission. Of the country's 2,650 mw of installed solar power generation capacity, close to 1,000 mw are located in Gujarat. Developers expect the Central government to announce concrete steps to take forward the concept of ultra-mega power projects for solar energy. Also, they want government to exploit country's solar power potential for electrifying villages and increasing penetration of solar powered pumps for irrigation

to cut down subsidies on electricity supplies to the agriculture sector. India is aiming to commission 20,000 mw capacity by 2022 under the Solar Mission, which was launched in January 2010. "The industry expects Jaitley to allocate Rs 200 crore for Solar Energy Corporation of India to infuse equity in ultra-mega solar power project at Sambhar in Rajasthan. The move may give boost to six PSUs that have joined hands to set up 4,000 mw ultra-mega solar power project in Rajasthan," said a promoter of one of the project developing firms. He added that stress on implementation of eight ultra-mega solar power plants and its integrated Green Energy Corridor Project would be a welcome measure. Solar power gear makers believe that solar powered water pumps is an answer to burden of subsidies on electricity supplied to the farm sector. "Agriculture that consumes almost one fourth of country's elec-

All Set to Power Ahead

20,000 MW
capacity that India aims to commission by 2022 under the Solar Mission launched in Jan 2010

₹200 cr
corpus expected from Jaitley will charge up six PSUs that are setting up 4,000 mw ultra-mega solar power project in Rajasthan

13,000
Solar pumps installed by govt. 17,000 more are currently being implemented

Industry expects govt to connect rural India through micro and off grid solar power projects to cover 7.5 lakh families



tricity accounts only for 7% revenues for distribution utilities," said a power equipment maker. According to the ministry of new and renewable energy, promotion of solar powered pumps can also give boost to manufacturing sector. Government has already installed

close to 13,000 solar pumps and implementing 17,000 more. The equipment maker quoted above stated that government should raise its target to install one lakh solar powered pumps, which may require about 1,200-1,500 mw of solar panels.

UIDAI Seeks Cabinet Nod to Expand in Hindi Heartland

VIKAS DHOOT
NEW DELHI

The Unique Identification Authority of India or UIDAI has approached the Cabinet Committee on Economic Affairs for an approval to expand its enrollment mandate to the highly populated states of Uttar Pradesh, Bihar, Chhatisgarh and Uttarakhand at a cost of ₹1265 crore.

The Narendra Modi cabinet would have to take a decision on the UIDAI's proposal that was approved by the previous government in its last few months in power through the Cabinet Committee on UIDAI, albeit without appropriate financial nods, for which the authority was asked to submit separate proposals to

the finance ministry.

Prime Minister Modi has scrapped the cabinet panel exclusively for UIDAI and asked for issues pertaining to the Aadhaar project to be referred to the Cabinet Committee on Economic Affairs.

UPA had expanded Aadhaar's mandate to the four Hindi heartland states in February 2014



indians in these states. However, the government had already put

all Aadhaar-based direct benefit transfers or DBT on hold a week earlier in the face of severe ground-level difficulties flagged by top ministers in the previous cabinet.

Last week, the PM held a meeting with the top UIDAI officials and the home ministry to consider the way forward and is learnt to have backed the enrollment exercise for Aadhaar and called for efforts to re-initiate the DBT scheme.

As per a division of states approved in 2012 between the UIDAI and the National Population Register under the home ministry, both of which are doing biometric enrollments of residents, UIDAI was allotted 18 states, while the home ministry was asked to focus on the others.

Stricter FRBM Act needed for better fiscal responsibility

ENS ECONOMIC BUREAU
NEW DELHI, JULY 9

EVEN as the country's supreme auditor announced that it has started the first ever review of the Centre's compliance of the Fiscal Responsibility and Budgetary Management Act, the Economic Survey on Wednesday called for a fresh legislation with more "teeth, better accounting practices and improved Budgetary management".

"The Comptroller and Auditor General has taken up audit of Public Debt Management in India this year which is first of its kind, comprehensive audit effort," said AK Singh, deputy CAG.

There is a reason for it. "The fiscal situation of the Central government is worse than it appears", the Survey notes grimly, as rising inflation covered up for short receipts and reduced the value of outstanding debt.

Though the Centre amended the FRBM Act, 2003 in 2012 to reflect revised goalposts for fiscal consolidation and empowered the CAG to conduct periodic audits to review its compliance, the goalposts have been deferred and changed time and again.

With fiscal deficit still at a high of 4.5 per cent in FY14 as against the target of three per cent by FY17, the finance ministry is mulling a revised roadmap for fiscal consolidation that will be more realistic.

KEY MEASURES

- A fresh FRBM Act with more powers
- Improve tax buoyancy, expenditure cuts are unsustainable
- Check subsidies that rose to 2.26% of GDP in FY 14
- Finance ministry to control Budget making process, review outcome of spending

The Economic Survey 2013-14 that was tabled in Parliament by finance minister Arun Jaitley on Wednesday has also called for a new FRBM Act with fresh goalposts for high quality fiscal adjustment based on improvements in both tax and expenditure.

"The modified Act needs take into account business cycles and to have penalties that are strong enough so that it cannot be ignored," it said, adding that the fiscal situation of the Central government is worse than it appears, given the acceleration of inflation from 2006 to 2014. "Public finances need to be put on a sustainable path. India needs a sharp fiscal correction," it stressed, listing out the government's reform agenda.

For this, a single rate Goods and Services Tax, fewer exemptions in direct taxes, and a transformation of tax administration are required. It also said that government expenditure reform must focus on three elements — shifting subsidy programmes to income support, a

change in focus of government spending towards provision of public goods and a focus on outcomes through an improvement in systems of accountability.

Calling for an improvement in tax buoyancy, the Survey said the fiscal deficit was contained in FY14 largely through expenditure rationalisation. However, "this was achieved by cutting expenditure (majorly plan/capital expenditure) which is unsustainable for an economy," it said.

Analysts agreed that mobilisation of tax revenues is essential. "One of the major issues with Indian public finances has been the low level of revenue, which amplifies its debt/revenue ratios. We believe due to stickiness of expenditure, revenue augmentation by tax reforms is the best way to improve India's public finances," said India Ratings.

Blaming the build-up in subsidies post FY09 for the rising deficit, the Survey also called for addressing the fiscal risk from food, fertiliser and fuel subsidies and suggested that the government should work out a comprehensive reform plan.

Significantly, the Survey has also called for streamlining the Budget making process, calling for its unification at the finance ministry.

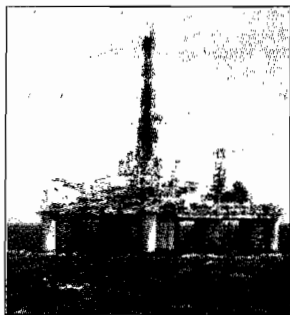
Currently, both the finance ministry and the Planning Commission are involved in the Budget process.

Market-linked price proposed to boost oil, gas output; coal stamps for 'poor' consumers

ENS ECONOMIC BUREAU
NEW DELHI, JULY 9

A fortnight after the government deferred the gas price hike by three months on June 25, the Economic Survey called for market linked pricing in a bid to boost domestic oil and gas exploration and production. In another proposal, the Survey has proposed to extend the food subsidy programme to coal.

It has proposed a subsidy scheme for coal where vouchers will be provided to 'poor' consumers of coal who in turn will pay the market price for the purchase of fuel. The Survey proposed to remove pricing distortions seen by consumers such as admin-



istered pricing for coal. The Survey has also said that paying lower price for extraction of minerals would lead to under investment by respective entities.

"In the field of natural resources where there is global trading, appropriate incentives for exploration and extraction in India are obtained

when there is pricing parity with the world price excluding transport costs or taxes," the Survey said. It has proposed to price domestic natural gas at FoB (free-on-board) rate for liquefied natural gas (LNG) imported into India by ships.

"Auction-based procurement or fixed-price procurement has run into many difficulties. These can be avoided by using a percentage revenue share for the government, through which the government becomes a partner in sharing the risks of exploration, extraction and world price fluctuations, alongside the private firms," the Survey said.

While current gas price of

\$4.2 per mBtu is one-third of the price at which India imports long-term LNG from Qatar, RIL, a key player in the segment feels that the price is not enough to produce from newer fields in the deep sea and has been seeking a rate equivalent to the import price of LNG. "If firms obtain a lower revenue per unit of mineral extracted in India, there will be under-investment in exploration and extraction," the Survey said.

The Survey also proposed to restructure Coal India Limited during the 12th Five Year Plan as recommended by the T L Shankar Committee. "The process needs to be pushed through swiftly."

Survey seeks common market for agriculture, umbrella APMC Act

ENS ECONOMIC BUREAU
NEW DELHI, JULY 9

GOVERNMENT should bring in an overarching Agricultural Produce and Marketing Committees (APMC) law to give freedom to farmers to buy and sell their produce across states, the Economic Survey 2013-14 has suggested.

The Survey has also recommended that 'facilitating organisation of farmer's markets' should be included in the CSR activities allowed under the Companies Act, 2013, to set up supply-chain infrastructure.

According to the APMC Act, farmers can sell only in government-designated *mandis* and a Central legis-

lation should be framed to end the monopoly and create a national market, allowing farmers to sell directly to the consumers.

"This law can override state APMC laws and restrictions that have been placed on the farmer's right to sell food within and outside the state. Under such a law, APMCs would become one among many trading venues in a competitive market," the Survey tabled by finance minister Arun Jaitley said. Apart from the APMC Act, the report has also talked about revamping the Essential Commodities Act, and Land Tenancy Act to boost the agriculture sector.

Further, for removing trade distortions, the report

has also made a case for allowing sale and purchase of all perishable commodities like fruits and vegetables, milk and fish in any market while suggesting exempting market fee on them and reducing commission charges on agricultural produce.

The Survey also suggested inclusion of agriculture-related taxes into the proposed Goods and Services Tax (GST) and developing competition in the agro-processing sector.

The sector attracts levies like VAT, purchase tax, and service tax on agri-related activities. States like Punjab and Haryana, the largest wheat-producing states, have opposed the inclusion of purchase tax in the GST.