

April 2012

Chief Editor : Rina Sonowal Kouli
Editor : Manogyan R. Pal



Vol 56

Joint Director (Production) : V.K. Meena
Cover Design : Bimal Mohan Thakur
E-mail (Editorial) : yojanace@gmail.com
(Circulation) : pdjucir_jcm@yahoo.co.in
Website : www.yojana.gov.in

YOJANA

Let noble thoughts come to us from every side
Rig Veda

CONTENTS

ADDRESSING GROWTH REVIVAL AND IMPROVING DELIVERY SYSTEMS

Srinivasa Sethuraman.....5

CHALLENGES AND OPPORTUNITIES

Pinaki Chakraborty11

NORTH EAST DIARY14

TAXATION PROPOSALS

T N Ashok15

AGRICULTURE AND THE BUDGET

Surinder Sud.....21

ENERGY ACCESS AND GENDER INCLUSION IN ENERGY PLANNING

Jyoti Parikh, Dinoj Kumar Upadhyaya, Rajiv Ratna Panda26

J&K WINDOW32

SHODHYATRA

AUTOMATIC SAREE BORDER WEFT INSERTION.....33

INVESTING IN THE SOCIAL SECTOR

Urmi Goswami.....38

DEFENCE BUDGET:

INDIA'S 'MONSOON' STRATEGY

Jayanta Roy Chowdhury.....43

POWER SECTOR

Hiranmoy Roy, Anil Kumar47

NORTHEAST INDIA

B Singh50

SAFETY, CONSOLIDATION AND MODERNISATION

G Srinivasan55

DO YOU KNOW?

PUBLIC DEBT MANAGEMENT59

BEST PRACTICES

WOMAN FARMER WEAVES MAGIC

Anjana George61

PURSUIT OF DEVELOPMENT AGENDA WITH HONESTY AND INTEGRITY

R C Rajamani64

IMMUNIZATION : NEED AND ITS IMPACT

Rajeshwari.....70

Our Representatives : Ahmedabad: Amita Maru, Bangalore: B.S. Meenakshi, Chennai: I. Vijayan, Guwahati: Anupoma Das, Hyderabad: V. Balakrishna, Kolkata: Antara Ghosh, Mumbai: Minakshi Banerjee, Thiruvananthapuram: VM Ahmad.

YOJANA seeks to carry the message of the Plan to all sections of the people and promote a more earnest discussion on problems of social and economic development. Although published by the Ministry of Information and Broadcasting, Yojana is not restricted to expressing the official point of view. Yojana is published in Assamese, Bengali, English, Gujarati, Hindi, Kannada, Malayalam, Marathi, Oriya, Punjabi, Tamil, Telugu and Urdu.

EDITORIAL OFFICE : Yojana Bhavan, Sansad Marg, New Delhi-110001 Tel.: 23096738, 23042511.
Tlgm.: Yojana. **Business Manager (Hqs.) :** Ph :24367260, 24365609, 24365610

For new subscriptions, renewals, enquiries please contact : Business Manager (Circulation & Advt.), Publications Division, Min. of I&B, East Block-IV, Level-VII, R.K. Puram, New Delhi-110066, Tel.: 26100207, Telegram : Soochprakashan and Sales Emporia : Publications Division: *Soochna Bhavan, CGO Complex, Lodhi Road, New Delhi -110003 (Ph 24365610) *Hall No.196, Old Secretariat, Delhi 110054(Ph 23890205) * 701, B Wing, 7th Floor, Kendriya Sadan, Belapur, Navi Mumbai 400614 (Ph 27570686)*8, Esplanade East, Kolkata-700069 (Ph 22488030) *A' Wing, Rajaji Bhawan, Basant Nagar, Chennai-600090 (Ph 24917673) *Press road, Near Govt. Press, Thiruvananthapuram-695001 (Ph 2330650) *Block No.4, 1st Floor, Gruhakalpa Complex, M G Road, Nampally, Hyderabad-500001 (Ph 24605383) *1st Floor, 'F' Wing, Kendriya Sadan, Koramangala, Bangalore-560034 (Ph 25537244) *Bihar State Co-operative Bank Building, Ashoka Rajpath, Patna-800004 (Ph 2683407) *Hall No 1, 2nd floor, Kendriya Bhawan, Sector-H, Aliganj, Lucknow-226024(Ph 2225455) *Ambica Complex, 1st Floor, above UCO Bank, Paldi, Ahmedabad-380007 (Ph 26588669) *KKB Road, New Colony, House No.7, Chenikuthi, Guwahati 781003 (Ph 2665090)

SUBSCRIPTION : 1 year Rs. 100, 2 years Rs. 180, 3 years Rs. 250. For neighbouring countries by Air Mail Rs. 530 yearly; for European and other countries Rs. 730 yearly.
No. of Pages : 76

Disclaimer :

- The views expressed in various articles are those of the authors' and not necessarily of the government.
- The readers are requested to verify the claims made in the advertisements regarding career guidance books/institutions. Yojana does not own responsibility regarding the contents of the advertisements.

HOW WILL THE BUDGET IMPACT

Consumers

- **Spend At** least 2 percent more on almost every service you consume-both rate and base of service tax hiked
- **Higher Excise** duty to raise prices for products ranging from cigarettes to cars
- **Sharper Increases** in petrol and diesel prices almost certain

Taxpayer

- **Save Up to** ₹2,000 a month on income tax if your tax bracket is 20 percent or 30 percent
- **Tax-Free Interest** on savings bank account (upto ₹10,000 a year) to save money and hassle

- **Executive Health** check of up to ₹5,000 deductible for income tax

Investor

- **Lower Securities Transaction Tax (STT)** but the benefit will be offset by higher service tax that brokers collect from investors

- **Buying Gold &** selling property to get costlier with tax cut at source

- **Savers Yet** to open demat a/c have incentive to invest ₹50,000 for 3 years in stocks for tax break

Business

- **Greater Scrutiny** of tax accounts to minimise tax avoidance

- **Easier IPO Guidelines** to help smaller companies raise money at lower cost

- **Greater Access to Foreign** funds through borrowings (ECB) and Inflow (QI)

Economy


- **One More** step towards DTC and GST-the two big tax reforms that will transform the economy


- **10 Big-Ticket** bills and amendments to be moved in the Budget session


- **Big Boost** to public and private investment in infrastructure

FOR YOU

COSTLIER


 Air conditioners and Refrigerators to cost more

Air travel and Hotel accommodation will be  expensive

 Steel & cement, Cigarettes & Paan masala to cost more

Gold, Platinum, Diamonds to become dearer



 Branded retail garments to cost more


Eating out at restaurants to be costlier



CHEAPER

LPG and Mobile phones will be cheaper



 Iodised salt and match boxes to cost less

Soya products, LCDs and LEDs to cost less



 Imported bicycles and solar power lamps to cost less

Medicines for treating cancer and HIV will be cheaper






About the Issue

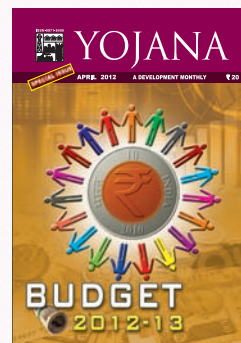
The Union Budget 2012-13 presented by the Finance Minister Mr. Pranab Mukherjee on 16th March 2012 seeks to accomplish the path of rapid, inclusive growth by pursuing five major objectives to be addressed effectively in the ensuing fiscal year. Termed realistic and pragmatic the budget focuses on domestic demand driven growth recovery, create conditions for rapid revival of high growth in private investment, address supply bottleneck in agriculture, energy and transport sectors; address the problem of malnutrition and improve delivery system, governance and transparency, and address the problem of black money and corruption in public life.

These objectives are to be met by raising higher revenue through indirect taxes and tapping the services sector in a major way by hiking excise and services tax levy from 10 to 12 percent. Moreover, Government has taken steps to address the issue of black money, and a White Paper on Black Money is proposed to be laid in the current session of Parliament. A series of measures has been proposed to deter generation and use of unaccounted money.

The budget seeks to strike a balance between fiscal consolidation and strengthening macroeconomic fundamentals and the need to have a closer look at the growth of revenue expenditure, especially on subsidies. Expenditure on central subsidies would be kept to under 2 percent of GDP in 2012-13. Budget 2012-13 also calls for strengthening of investment environment, with efforts being made to arrive at a broad based consensus in respect of decision to allow FDI in multi-brand retail up to 51 per cent.

Outlays in critical sectors such as agriculture, education, healthcare and rural development have been enhanced. Development of infrastructure is an essential prerequisite for sustaining growth momentum. Due emphasis has been given to infrastructure and industrial development with infrastructure investment going up to Rs. 50 lakh crore during the 12th Plan, and half of this is expected from the private sector. Agriculture continues to be a priority with proposed increase of 18 percent in the total Plan Outlay for the Department of Agriculture and Cooperation. A National Mission on Food Processing will be launched in cooperation with the states during 2012-13 for better outreach of food processing sector. Health services will be increased by introducing a new programme- Urban Health Mission encompassing healthcare needs of people in urban areas. The education sector has attracted almost 19 percent hike in its budgetary allocation. Multi-sectoral programmes to address maternal and child malnutrition in selected 200 high burdened districts is also being rolled out during this fiscal. Allocation for Rural Development programmes has been increased and concentrates on drinking water and sanitation, construction of rural roads and houses, and self employment opportunities including self help groups.

The articles inside give perspectives and analysis of experts on the budget. Only the days ahead will show how the economic management of the country shapes up. In the long term we can expect that the fundamental strengths of the Indian economy coupled with the appropriate fiscal policies and investments in key sectors should take India back to a higher growth trajectory. 



BUDGET 2012-13

UNION BUDGET 2012-13 HIGHLIGHTS

- Budget identifies five objectives relating to growth recovery, private investment, supply bottlenecks, malnutrition and governance matters
- GDP growth to be 7.6 percent (+/- 0.25 percent) during 2012-13
- Efforts to reach broadbased consensus on FDI in multi-brand retail
- Investment in 12th Plan in infrastructure to go upto ₹50,00,000 crore; half of this is expected from private sector
- Financial package of ₹3,884 crore for waiver of loans to handloom weavers and their cooperative societies; mega handloom clusters in Andhra, Jharkhand; weaver service centres in Mizoram, Nagaland and Jharkhand ; powerloom mega cluster in Maharashtra; ₹500 crore pilot schemes for geo-textiles in North-Eastern region
- ₹ 200 crore for awards to incentivise agricultural research
- Provisions under rural housing fund increased to ₹4,000 crore from ₹3,000 crore
- National Mission on Food Processing to be started in cooperation with State Governments
- 58 percent rise in allocation to ICDS, at ₹15,850 crore
- Rural drinking water and sanitation gets 27 percent rise in allocation to ₹14,000 crore; PMGSY gets 20 percent rise to ₹24,000 crore
- RTE-SSA gets ₹25,555 crore allocation, showing an increase of 21 percent; 6000 schools to be set up at block level as model schools in the 12th Plan; Credit Guarantee Fund to be set up for better flow of credit to students
- National Urban Health Mission is being launched
- ₹ 1000 crore allocated for National Skill Development Fund
- UID-Aadhar to get adequate funds for enrolment of 40 crore persons, in addition to the 20 crore persons already enrolled
- White Paper on Black Money to be laid in the current session of Parliament
- Income tax exemption limit raised from ₹1,80,000 to ₹2,00,000; upper limit of 20 percent tax slab raised from ₹8 lakh to ₹10 lakh
- All services to attract service tax except those in the negative list
- Standard rate of excise duty raised from 10 percent to 12 percent; service tax rates raised from 10 percent to 12 percent; no change in peak customs duty of 10 percent on non-agricultural goods
- Net gain of ₹41,440 crore due to taxation proposals
- Total expenditure budgeted at ₹14,90,925 crore; plan expenditure at ₹5,21,025 crore – 18 percent higher than 2011-12 budget; non plan expenditure at ₹9,69,900 crore
- Fiscal deficit targeted at 5.1 percent of GDP, as against 5.9 percent in revised estimates for 2011-12

Addressing Growth Revival and Improving Delivery Systems

Srinivasa Sethuraman



***Overall,
Mr Mukherjee's
budget for
2012-13 may signal
that the worst may
be left behind for
new beginnings
in reform and
investment-led
growth***

INDIA'S BUDGET for the fiscal year beginning April 1, 2012 - the first year of the 12th Five-Year Plan (2012-17) - has had to be framed in an extraordinarily difficult context - a sharp slowdown in economic growth, persisting high inflation, unabated surge in international oil prices and resultant subsidies widening fiscal gaps, and trade and finance spillovers from an uncertain global environment.

Adding to complexity are the tensions in polity frustrating efforts so far at consensus-building by the multi-party UPA Government around policies for sound economic management and vibrant advance toward higher growth with inclusiveness as well as global competitiveness.

It is against this sombre background that the mature Finance Minister, Mr Pranab

Mukherjee, has carried out one of the most dexterous exercises in budget-making, designed to bring about a strong economic revival in the new fiscal year with a credible three-year roadmap to reduce subsidies and fiscal imbalances.

Its successful implementation would further enhance India's standing in the world economy both as a source of stability for global growth and a safer investment destination. as the Finance Minister noted while presenting the Budget in Lok Sabha on March 16.

The 14.90 trillion rupee Budget, which aims at kick-starting growth revival without losing sight of fiscal consolidation, has been broadly welcomed as "realistic", in the present political and economic situation but not without doubts about Government's ability to deliver on the new fiscal targets, especially subsidy reduction. There are

The author is a senior economic journalist.

missing gaps to lend credence to such misgivings.

While some analysts commend the Finance Minister for avoiding populism, the budget has belied corporate expectations of big bang reform which could have transformed the investment climate. Mr Mukherjee, has had to keep in view the overall political scene and “ground realities” as he puts it, while calling for “hard decisions”.

A more pertinent criticism centres round lack of specific actions being spelt out to contain the rising oil subsidy bill (2 percent of GDP) as the budget provision under “Petroleum” indicates a reduction by ₹25,000 crores over the excessive spending at over ₹68,000 crores in the revised estimates of 2011-12. Oil prices are ruling higher as we move into the new fiscal year.

Tax Reform : The Budget has again deferred the implementation of Direct Tax Code (on which a Parliamentary Standing Committee has made its recommendations) though the Finance Minister hopes to have the Code enacted early in the new fiscal year. Meanwhile, in the Budget for 2012-13, he has raised the tax-exemption limit for individuals to ₹ two lakhs and revised income slabs for tax rates closer to what is provided for in DTC. Full-scale tax reform by operationalising the proposed Goods and Services Tax (GST) is getting delayed again with all States yet to come on board with agreed rates and exemptions in GST.

For a substantial mobilisation of additional revenue, to help keep

fiscal deficit down, the Budget raises the central rate of Union Excise and the Service tax from 10 to 12 percent to yield around ₹45,000 crores. The major reform is to widen the base of Service Tax, which is being made applicable to all services with a negative list (under 17 heads). Mr Mukherjee says these two taxes are now being brought as close as possible keeping in view the eventual transition to GST.

But this revision, given the imperative of fiscal correction, is still only a partial roll-back of pre-stimulus tariff. According to budget papers, even with this “partial rollback of pre-crisis tariff”, the indirect tax ratio to GDP would rise to 5 percent of GDP from 4.5 percent in 2011-12.

Key Targets : The Budget targets economic growth at 7.6 percent with a 0.25 percent plus or minus, and fiscal estimates are based on 14 percent growth at current market prices. Fiscal deficit is to be held at 5.1 percent of GDP and the policy actions envisaged include containing subsidies to within 2 percent of GDP in 2012-13 and to lower it to 1.6 percent over the next three years.

There is some scepticism about Government achieving the revenue and fiscal deficit reduction targets over the next three years as it would involve a determined cut in non-food subsidies, especially on petroleum products. Equally, there are concerns voiced about the inflationary impact of indirect tax changes - the main vehicle of the budget for revenue augmentation to raise the tax-GDP ratio to 10.6 percent and achieve the new fiscal targets.

The emphasis apparently is more on increasing revenues through taxation for public investments than making cuts in expenditure at this stage of economic recovery.

Objectives : The Finance Minister in his budget speech noted that the economy was turning around and manufacturing was showing signs of revival. He said the pace of reforms has to be accelerated and supply side of management of the economy improved.

The Twelfth Plan (2012-17), being launched with the Budget for 2012-13, aims at “faster, sustainable and more inclusive growth”. Mr. Mukherjee set out five objectives to be addressed effectively in the new fiscal year, in keeping with the 12th plan priorities.

These are: 1. Focus on domestic demand driven growth recovery. 2. Creating conditions for rapid revival of high growth in private investment. 3. Addressing supply bottlenecks in agriculture, energy and transport sectors, particularly in coal, power, national highways, railways and civil aviation. 4. Tackling the problem of malnutrition and 5. Improving delivery systems, governance and transparency, and addressing the problems of black money and corruption in public life.

Government expects to present a White Paper on Black Money during the budget session of Parliament.

Subsidy : The Fiscal Policy Statement in the Budget says policy on subsidies has to be reworked along with reforms in delivery mechanism in order to adhere to the projected reduction in subsidy expenditure

from 1.9 percent of GDP in 2012-13 to 1.6 percent of GDP by 2014-15. Any slippage on this account would impact the future fiscal consolidation process and crowd out financial resources for developmental expenditure, it cautioned.

In a post-budget interview, the Prime Minister Dr Manmohan Singh referred to the Finance Minister's statement on bringing down the level of subsidies to less than 1.7 percent of GDP over the next three years, and said it is a task that would require Government to put forward "an effective programme" for adjusting prices of petroleum products and other relevant prices. "We have to bite the bullet", he said pointedly, and there is no other way in which subsidies can be reduced.

Price Stability : Realisation of the fiscal deficit target of 5.1 per cent of GDP, the Prime Minister said, would be a "material contribution" to stabilising the price level and reducing the extent of crowding out of private investment which happens when government borrowing "goes haywire".

While the phase of elevated inflation may be over, the headline inflation is yet to moderate from around 7 at present to a more comfortable zone, despite the sharp fall in food inflation. Amid expectations of easing of monetary policy, RBI noted in a policy review on March 15 that risks to inflation came from oil prices and it also looked for a credible fiscal consolidation programme in the budget. RBI is now expected to announce

its Monetary and Credit Policy for 2012-13, on April 17.

GDP growth had dropped to 6.9 percent in 2011-12 from the original target of 8.5 percent due to both global and domestic factors, the Finance Minister said. The domestic economy suffered from the decline in industrial slowdown, deceleration in private investment and the impact of monetary tightening. He now envisages GDP growth in 2012-13 at 7.6 percent (plus or minus 0.25 percent) on the basis of signs of revival in manufacturing and moderation in inflation which, he expects, would be lower in the new fiscal year.

Fiscal Consolidation : "The Budget restores the path of fiscal consolidation with new targets of tax-GDP ratio, revenue and "effective revenue" (a new concept) and fiscal deficits fixed in the new Medium-Term Fiscal Policy Statement.

Effective revenue deficit is arrived at by excluding from revenue transfers made to states and other agencies for creation of capital assets. With the mandated elimination of effective revenue deficit by March 2015, more resources could be made available for investment and capital expenditure, according to the Medium-term Fiscal Policy statement.

Effective Revenue Deficit is to be lowered from 2.9 percent of GDP in 2011-12 to 1.8 percent in the new fiscal year and to 1.0 percent the following year and zero percent by 2014-15. Revenue deficit as projected. Revenue Deficit

projections are 3.4, 2.8 and 2.0 percent of GDP in the three years 2012-15.

For 2012-13, the fiscal deficit is fixed at 5.1 percent of GDP as against the over-run deficit of 5.9 percent (against the budgeted 4.6 percent) in 2011-12. FD is projected to decline to 4.5 percent in 2013-14 and 3.9 percent in 2014-15. Tax-GDP ratio would pick up to 10.6 percent of GDP in new fiscal year and reach 11.7 percent in 2014-15.

(The fiscal slippage under Subsidies alone last year totalled 100,451 crores or 1.1 percent of GDP to leave RD at 4.4 percent while the overall fiscal deficit rose to 5.9 percent of GDP)

The strategy adopted for fiscal consolidation over the medium term has to balance the need for aiding the revival in growth without stoking inflationary expectation through "domestic policy actions", according to the Fiscal Policy Strategy Statement.

In the budget 2012-13, Government is addressing the two main reasons of slippage by controlling rise in subsidy related expenditure and improving tax receipts as percentage of GDP through additional resource mobilisation measures (ARM) in indirect taxes.

With ARM from indirect taxes, coupled with estimated receipts of ₹40,000 crore from telecommunication spectrum auction and disinvestment proceeds of ₹30,000 crore, the fiscal deficit for 2012-13 is estimated at 5.1 percent of GDP. The reduction in deficit has been estimated without compromising

on allocations for developmental expenditure, it is pointed out.

As a result of the additional revenue mobilisation under indirect taxes of over ₹41,440 crores after loss of revenue under Direct Taxes (₹4000 crores), it has been possible to raise the tax-GDP ratio from 10.1 percent in the year ending March 2012 to 10.6 percent in the budget for 2012-13.

The outstanding liabilities of the Central Government, more than 90 percent being domestic debt, is estimated to be contained at 45.5 percent in 2012-13 despite the higher budgeted level of market borrowings (net) at 4.79 lakh crores. This is well below the indicative targets of the 13th Finance Commission. The debt ratio is projected to decline to 42 percent in 2014-15.

Expenditure Reform : A three-year rolling target for expenditure indicators is included under the Amendments to the Fiscal Responsibility and Budget Management Act, 2003, as part of the Finance Bill which include giving statutory recognition to the “Effective Revenue Deficit” noted above.

This Medium Term Expenditure Framework Statement will contain the expenditure commitment of major policy changes involving new service and new instruments of services and new schemes and programmes. It will also detail the explicit contingent liabilities and provide a break-up of grants for creation of capital assets. There would be a close monitoring of location of expenditure to priority sectors

thereby improving the quality of expenditure.

Budget Strategy : Mr Pranab Mukherjee said in post-budget remarks that the budget strategy has kept in view the five objectives he listed. While food subsidy would be fully provided for, subsidy reduction in other areas (fuel and fertilisers) on which certain decisions have been taken, would need to be addressed “collectively” with all parties.

He said he would not want political divisiveness on key issues. These issues have become wider in range, not merely subsidies but other policy matters, specially in relation to majority FDI in multi-brand retail.

Plan Outlay : In the first year of the 12th Five Year Plan, the outlay provided ₹521025 is 22.1 percent higher than RE 2011-12. With policy measures, it is estimated that non-plan expenditure could be controlled with a growth of 8.7 percent in BE 2012-13 over RE 2011-12.

The overall expenditure increase (plan and non-plan) would be 13.1 percent in BE 2012-13 over RE 2011-12. As a percentage of GDP, total expenditure is estimated to marginally reduce to 14.7 percent in BE 2012-13 from 14.8 percent in RE 2011-12.

Agriculture : Plan outlay for Agriculture and Rashtriya Krishi Vikas Yojana has been hiked by 18 percent. Import duty on certain equipment has been reduced. Budgetary allocations for rural drinking water and sanitation increased from

₹11,000 crore to ₹14,000 crore representing an increase of over 27 percent. The target for agricultural credit raised by ₹1,00,000 crore to ₹5,75,000 crore in 2012-13.

Social : Provisions for Education, Health and Social Security have been increased (21.7 percent for education) over the BE of 2011-12.

Infrastructure : First Infrastructure Debt Fund with an initial size of ₹8,000 crore has been launched. Tax free bonds of ₹60,000 crore will be allowed for financing infrastructure projects in 2012-13. More sectors have been made eligible for Viability Gap Funding under the scheme “Support to PPP in infrastructure”.

For the Power sector, Coal India Limited has been advised to sign fuel supply agreements with power plants having long-term PPAs with DISCOMs and getting commissioned on or before March 31, 2015. External Commercial Borrowings (ECB) to be allowed to part finance Rupee debt of existing power projects.

ECB facility is also extended to the aviation and road sectors and housing. ECB is to be permitted for working capital requirement of airline industry for a period of one year, subject to a total ceiling of US \$ 1 billion. A proposal to allow foreign airlines to participate up to 49 percent in the equity of an air transport undertaking under active consideration of the government.

Investment Environment

FDI -Government hopes to

continue efforts to arrive at a road based consensus in consultation with the State Governments in respect of decision to allow FDI in multi-brand retail up to 51 percent.

Financial Sector : A Rajiv Gandhi Equity Saving Scheme with 50 percent tax reduction is announced for new retail investors who invest up to ₹ 50,000 directly in equities and whose annual income is below ₹10 lakh. The scheme will have a lock-in period of 3 years.

There are also proposals for deepening reforms in the Capital Market including simplifying the process of IPOs and allowing Qualified Foreign Investors access to Indian Bond Market

Government hopes to move in the Budget session the pending bills on Pension, Banking Laws and Insurance. Other bills are on the anvil to take forward the process of financial sector legislative reforms.

Government proposes to provide

₹15,888 crores for capitalisation of public sector banks. Possibility of creating a financial holding company to raise resources to meet the capital requirements of PSU Banks is being examined.

Budget Impact : Finance Ministry officials have conceded there could be one percentage point increase in the headline inflation as a result of the increase in excise and service taxes, but the hope, however slender it may be, is that it would be absorbed by the manufacturer, which is not normally the case. The higher service tax would be duly passed on to all, directly or indirectly, added on to bills for goods and services.

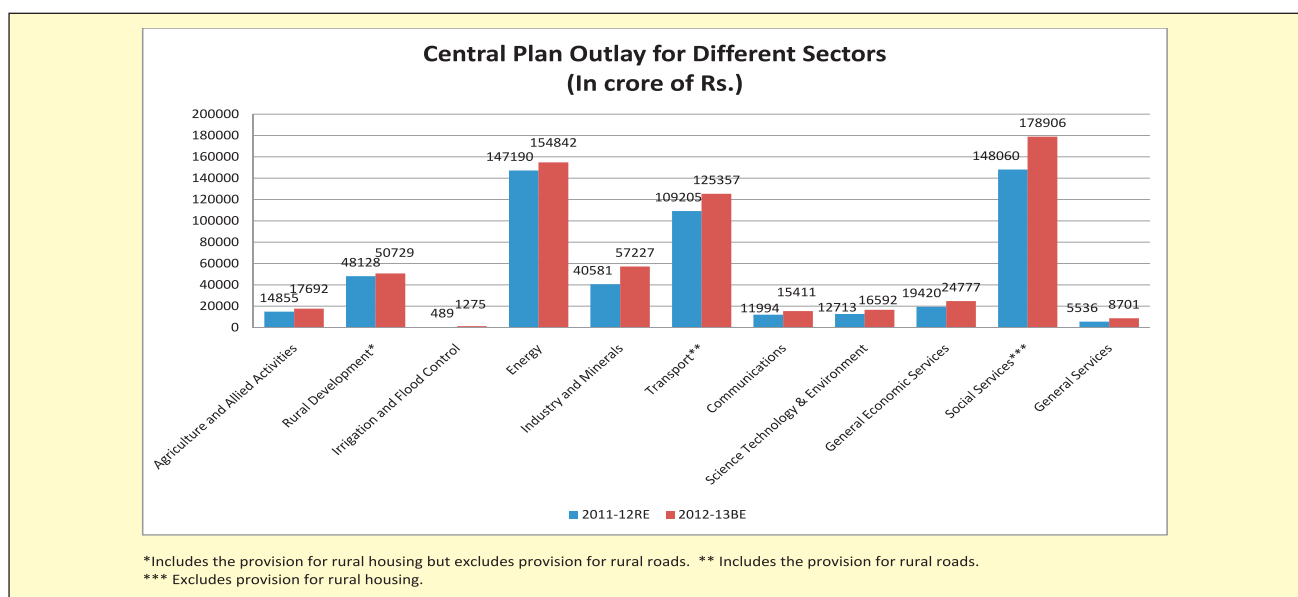
Since spending cut would further hit growth, officials said, the emphasis was on raising revenue keeping fiscal consolidation in view. They are also more hopeful, despite last year's dismal outcome, about realising the disinvestment target kept at a lower ₹30,000 crores.

Conclusion

While some of the individual

sectors, notably infrastructure and power sector, in particular, get a boost, the financial health of the power undertakings would depend more on revision of tariff by the utilities in states, which is overdue. The freight increase by railways and the impending power tariff revision, taken together with the budget hikes in excise and services, could constrain the ongoing efforts at managing inflation to bring about a modicum of tolerable level of prices in the economy.

Overall, Mr Mukherjee's budget for 2012-13 may signal that the worst may be left behind for new beginnings in reform and investment-led growth. However, the Finance Minister should have presented a coherent framework of measures to transform the investment climate and help the economy to grow to its potential in the coming year or two. A largely piecemeal sectoral approach rather than a broader picture of directions for the economy has not helped to lift the prevailing sense of uncertainty, and is rather suggestive of a plod till 2014. □



CHRONICLE IAS ACADEMY

A Civil Services Chronicle Initiative

JUNE BATCH

Batch Starts
30 May 2012

GENERAL STUDIES

with a team of 15 experts

PUBLIC ADMINISTRATION

S. K. Mishra, Retd. IAS Rajeev Ranjan Singh

SOCIOLOGY

Dr. Surendra Kumar Singh

Starting at (Delhi/NCR)

Rajendra Nagar, North Campus, Noida

Call: 09953120676

09582948815

09582263947

visit: chronicleias.com

22 years of Guiding Success



YE-275/2012

Challenges and Opportunities

Pinaki Chakraborty



Growth in government spending in social sector especially in education and health has increased at a trend rate of growth of 21 percent

HIGH FISCAL deficit number for the year 2012-13 cannot be compared with that of 1990s as fiscal fundamentals now are much stronger. Budget is also increasingly getting skewed towards soft sectors like education and health and other rights based entitlements that can provide long term growth dividend. However, if funds allocated for these programmes are not effectively utilized it can create long term fiscal problems.

The Budget 2012-13 has been presented in an uncertain global economic environment and declining Indian economic growth. Multiple challenges that had to be factored in while formulating the budget proposals were global economic uncertainty, eroding investors confidence in India and economic growth and above all the issue of access of government provided services to the poor

and deserving particularly the subsidies. The budget seems to have followed fiscal expansion both on the direct tax side and on plan expenditure. The direct tax proposal, as estimated, would result in a revenue loss of more than ₹ 4000 crore. But in case of indirect taxes, particularly in case of excise duty and service tax there has been a general increase in the rate. Also, a welcome move is the introduction of negative list for service taxation which was recommended way back in 2004 by the Committee on Service Taxation. If implemented effectively, this measure in service taxation can really broaden the base of tax and improve revenues and be a major step towards a comprehensive GST. Indirect tax measures seem to be the key to hold on to the fiscal deficit number at 5.1 percent of GDP which is way above the FRBM target of 3 percent. The real question is whether this

The author is Professor, National Institute of Public Finance and Policy, New Delhi.

fiscal deficit number of 2012-13 is credible. The other important trend that comes out from recent budgets is increased allocation for social sector especially health and education and also in various entitlement based spendings. The share of social sector expenditure which hovered around 5 percent of the total expenditure in 2003-04 increased to 10.35 percent in 2010-11 but expected to decline to around 9 percent as per the 2012-13 BE. However, if we exclude various committed expenditures of the government like interest payment, defence subsidies and pension, the share of social sector increased from 11.84 percent in 2003-04 to 25.16 percent in 2011-12. This ratio will further go up, if the NREGA allocation is also added along with other entitlement spendings. The increase in the coverage of health services by introducing new programmes like urban health mission also shows emphasis on social sector spending. The critical question is how these programmes would be implemented so that desirable outcomes are achieved without compromising fiscal sustainability.

Fiscal Consolidation

Coming back to the discussion on fiscal consolidation, marginal decline in fiscal deficit as evidenced from 5.9 to 5.1 percent of GDP between 2011-12 (RE) and 2012-13 (BE) is not only ambitious but also relies on heavy compression of non-plan expenditure. It appears that the arithmetic has been worked out on a difficult to comply

assumption, i.e. compression of non-plan expenditure. If we look at the aggregate expenditure, the expenditure growth was estimated at 5.04 percent between 2010-11 actual and 2011-12(BE) while the growth in expenditure when compared with RE of 2011-12 has just doubled to 10.14 percent primarily due to the increase in revenue expenditure at a very high rate. The non-plan expenditure growth is estimated to be 8.7 percent for the fiscal year 2012-13. Again the expenditure growth in the last year was 9.02 percent as per the RE against the BE of -0.26 percent. If you look at the non-plan expenditure, the budget estimate for 2011-12 was ₹816182 crores while the revised estimates shows an increase to 892116 crores i.e. an increase to the order of around 10 percent. If such an overshooting of expenditure happens in the next fiscal year, we may not be able to achieve even the 5 percent fiscal deficit target proposed for 2012-13. At the same time, the large revenue deficit of 3.4 percent estimated only shows that capital spending will be much lower than the aggregate fiscal deficit number even if one assumes that Government will be able to meet the disinvestment target of ₹30,000 crore.

In the face of declining savings rate and policy induced increase in the interest rate to keep inflation under control in recent past has acted as a big deterrent for private investment. It is critically important that fiscal deficit does not add further pressure on interest rate and if the number goes up further it would definitely have adverse effect on growth. However, the

silver lining is fiscal concerns now are fundamentally different than in the past. One has to remember that we have lived with bigger fiscal deficit in the past with incredibly weak fiscal fundamentals. Even if the fiscal deficit number is high for the year 2012-13 and definitely not a happy number for the private investors, the fiscal fundamentals now are not weak. Two important ratios would show that (a) the incidence of debt burden on the budget and (b) the debt to GDP ratio. Interest payment now contributing to around 25 per cent of the revenue expenditure and that is almost half of what it used to be during 1990s. This certainly gives fiscal space for other expenditures. The debt to GDP ratio as reported is little more than 45 percent of GDP which is much lower than the 13th Finance Commission's proposed fiscal path of 50 percent by 2014-15. Although these numbers give us some comfort, there is no alternative to fiscal correction especially when the savings rate is on the decline.

Social Sector Speeding and Outcome

As mentioned, with globalization and concern for inclusive growth, fiscal policy focus has been shifted towards right based approach to development. India now has right to employment act, right to education act and in this budget, government has promised to make sufficient allocation as soon as the right to food act is legislated. Although, these entitlement based spendings would have their fiscal pressures it needs to be understood that given

large gaps in social development government probably has no alternative choice. However, one has to ensure appropriate outcome of this expenditures by improving delivery of these services. Growth in government spending in social sector especially in education and health has increased at a trend rate of growth of 21 percent while the total government expenditure has increased at the rate of 15.22 percent during the period 2003-04 to 2012-13 (BE). It is important to see what happens to the outcome with increased allocation in the medium term.

However, much of these social sector spendings are being carried out through various big ticket centrally sponsored schemes (CSS) like Sarva Siksha Abhiyan,

NRHM and MGNREGA. One of the major debates in recent times is “one size fits all” approach adopted in these schemes is a big hindrance towards effective utilization of the funds allocated under these schemes. Also proliferation of CSS considered as a major problem compromising fiscal autonomy of states. The budget 2012-13 highlighted that the recommendations of the Expert Committee to streamline the CSS will be considered seriously while implementing the 12th Five Year Plan. If CSS are rationalized and streamlined it would definitely bring in a lot of transparency in fiscal operations and would reduce the discretion in central transfers through multiple channels.

To conclude, this budget has tried to address concerns of fiscal consolidation in a difficult macroeconomic environment. However, the path of consolidation relies heavily on compression of expenditures, which may not materialise. As mentioned, some of the positive features of this budget are introduction of negative list for service taxation, introduction of national manufacturing policy, step towards financial inclusion through Swabhimaan campaign and proposal to strengthen regional rural banks. It would be interesting to see how some of these critically important measures are implemented without being chocked under the compulsion of coalition politics. □

Get 'India 2012' from us as **Free GIFT** with 2-yr subscription of

News Panorama of India & World (Special Issue) ₹ 50



Pay ₹ 1200/- for 2 years & get following FREE gifts :

● India 2012 (Useful for CS Exam)	₹ 350/-
● Elegant cotton T-shirt	₹ 200/-
● KBC CD (<i>with auto response answers plus many GK facts</i>)	₹ 300/-
● Economic Affairs	₹ 375/-
● Social & Economic Problems (<i>Essential books for all higher competitive exams</i>)	₹ 375/-
Total : ₹ 1600/- You pay : ₹ 1200/- You save : ₹ 400/-	

Thus this subscription is virtually FREE.

Please avail yourself of this golden opportunity. **Every issue of this magazine is a step towards success.** In the 2011 Civil Service Main exam, a large no. of questions in the GS papers were based on the material published in various issues of this magazine.

Read it regularly to get success.

Please send Rs. 1200/- by M.O./Bank Draft, drawn in favour of Ranee Publications to :

RANEE PUBLICATIONS, 12-H, NEW DARYANGANJ ROAD, NEW DELHI - 110002 © : 09810029825, 011-23251502

NORTH EAST DIARY

RAIL LINK IN MEGHALAYA

The long-cherished dream of having a rail link connecting Meghalaya with the rest of the country is all set to come true with Railway Minister recently announcing that Dudhnoi-Mendipathar project which will be completed by 2013. Dudhnoi-Mendipathar (East Garo Hills district) is one of the 45 new projects to be completed in 2012-13. The Minister also announced that the survey work for the Lanka-Sutnga project would continue this year.

With this the first train may puff on into Mendipathar railway station as early as March next year. Construction of the 19.47 km broad gauge railway line is under way at a cost of about ₹150 crore. ₹30 crore has been sanctioned in the Budget for the Lanka-Sutnga rail line. Railway Ministry sources said to begin with there will be an engineering-cum-traffic survey for the new line passing through Umkyrpong and Pala and work will start once the survey is completed.

Meghalaya government had recently handed over about 65.09 hectares of land to the NF Railways for the Mendipathar project. The railway track would cover areas such as Nalbari-Deuripara, Boromiapara, Chotomiapara, Mataranga, Manikganj, Horingkata, Bakenang-Tilapara and Mendipathar. The Lanka-Sutunga project is aimed at exploiting the mineral wealth of Jaintia Hills. It would take the load off from the plying trucks laden with coal, cement and limestone at a much cheaper and faster rate.

The new lines to be completed in 2011-12 include Agartala-Udipur, Jirribam-Dholakhal. There are three new express trains Kamakshya-Lokmanya Tilak (weekly), Kamakshya-Tezpur inter-city (daily) and Dibargarh-Kolkata (weekly). There are some electrification projects taken up in the region and New Bongaigaon station has been declared as adarsha (model) station.

Travel time to Northeastern states is set to reduce considerably with the Railway Minister proposing to connect Agartala with Akhaura in Bangladesh, opening up a direct link between Kolkata to Tripura through the neighbouring country. □

SELF-HELP GROUPS EMPOWERING WOMEN IN MANIPUR

Thousands of women in different parts of Manipur have become members of self-help groups to increase their family incomes and improve their standard of life. These women are working hard to earn some money for their families so that they can send their children to good schools, support their family's medical and other financial needs. The women make decorative items for various household purposes using wires that are sold in the markets. The items range between ₹50-2000, and are sold under the brand of Punshi Mangal, which is also the name of the self-help group.

“We want help from government to expand our business. We have a range of products and whatever we earn from it we use it for the education of our children, on family and for individual expenditure,” said Kh Lewis, secretary, Punshi Mangal Self Help Group. Punshi Mangal self-help group started in 2006 and has women from Meitei, Tangkul and Marring communities. Initially, the group faced a lot of problems in getting finance and loans, and lack of marketing and facilities made difficult for the group to send its finished goods reach the market. Two years ago an NGO provided them a loan of ₹50,000 that helped them boost production and improve operations. Women working here now earn between ₹300-500 everyday.

Most of them have attended training programmes in making decorative and household items in Shillong, Arunachal Pradesh and Guwahati. The goods made by the self-help group women are a testimony of the immense talent of these women. □

Taxation Proposals

T N Ashok



Today with the global economic order still grappling with the back lash of the recessionary trends, no finance minister can indulge in any dream budget or make dramatic announcements but only insulate the Indian economy from any cascading effects from outside

P R A N A B MUKHERJEE will probably go down in history as a Finance Minister who did his job well for the country but was never understood in the right perspective by either Corporate India or the Individual Tax Payer in the 2012-13 budget he presented to Parliament on March 16, 2012.

Corporate India felt disappointed no major announcement had been made to kick-start an economy in a limbo in the wake of a second recession threatening the global economic order and the individual tax payer grappling with a spiralling inflation did not get the much needed tax reliefs as the exemption limit was pushed to just ₹2 lakhs from ₹1.80 lakhs instead of the demand for ₹3 lakhs. Corporate India fears that the excise hikes and the rise in service tax and widening of the service tax base might push up costs of raw materials and consequently

manufacturing costs making it less competitive in both the domestic and international markets. The individual tax payer feels if products become costlier manufacturers will pass on the burden to the customer, then the relief from the marginal rise in the exemption limit of Income Tax would stand negated. Because the cost push inflation will make him pay more for the commodities he seeks to buy with the extra income which does not in real terms become extra at all.

The Finance Minister hopes to mop up an additional tax revenue of ₹45,940 crore (about 10 billion USD), the highest by any Finance Minister in India and probably the highest by any Finance Minister in the developing world. Mr. Mukherjee has sacrificed revenue of ₹4,500 crore (about 1 billion USD) while extending the exemption limit from the existing ₹1.80 lakhs to ₹2 lakhs, raising the taxation slab of 20 percent to ₹10 lakhs from

The author is Ex Economics Editor of PTI and a distinguished finance writer.

the existing ₹8 lakhs. The additional revenue accrues from the hike in excise duties, customs levies, hike in service tax from 10 to 12 percent and widening of the service tax base by defining them clearly under 17 heads in tune with best international practices. Net revenue gain would be about ₹41,400 crore (about 9.2 Billion USD).

Pranab Mukherjee, who presented his seventh budget knows his finances and fiscal proclivities rather well. His sound knowledge of economics emanating from his previous background as a Finance minister of several years standing has guided him to the singular task of reining in fiscal deficit which has threatened to derail the Indian economy. As per his projections fiscal deficit stands at a threatening 5.1 percent of GDP for the next fiscal and revenue deficit of 3.4 percent of GDP. And this too after his taxation measures.

Economists and Corporate India feel that if the hike in excise and customs duties and raise in service tax charge spirals inflation, then these targets too might not be met and the people at large may be left high and dry with eroded purchasing power and manufacturing sector with little incentive to increase production. But the Finance Minister has strongly argued that the only way to rein in fiscal deficit was to raise additional revenue through intra budgetary exercise of raising taxes. But again the attempts to rein in subsidies by providing for a lower amount for both fertilizer and petro products (kerosene and LPG) could actually result in a high cost economy with a cost push

inflation making living standards costlier than before. The country had witnessed an unprecedented food inflation last and year before last. Let's not forget that.

But the Finance Minister guided by his think tank in terms of secretaries RS Gujral, Finance, R Gopalan, Economic Affairs, Sumit Bose, Expenditure and Chief Economic Advisor, Kaushik Basu, feel much of the fears are exaggerated by Corporate India. Any increase in cost in production is not going to be passed entirely to the consumer but shared fifty fifty with them. So costs are not really going north. So the people at large can take solace in this assurance from them.

Again the finance ministry could actually end up with huge amounts of revenue this fiscal as there is a windfall in the offing. As the 122 2G licences have been cancelled, they are up for fresh auctions. Also the 3G and 4G auctions are also due. Finance ministry calculates that they could actually end up with an additional ₹60,000 crores from this. Again the disinvestment target has been fixed at ₹30,000 crores but they could end up with ₹40,000 crore in their hands.

In real terms, if all goes well, government would be flush with funds and fiscal deficit would be under control. The major objective of the government would have been achieved. The Finance Minister had a spectre facing him while preparing the budget which left with very little options or elbow room for making any dramatic announcements as his predecessors

who made "dream budgets". The economic scenario was different then as there was no recession and the country was flush with foreign and domestic investments that put lots of money in people's hands to go out and spend on commodities which were highly competitive and within reach.

Today with the global economic order still grappling with the backlash of the recessionary trends, no Finance Minister can indulge in any dream budget or make dramatic announcements but only insulate the Indian economy from any cascading effects from outside. And these call for tough measures which are unpopular and the Finance Minister has gone boldly where no Finance Minister before him has gone.

It is a gamble and a calculated risk but the odds are it will pay off. The Finance Minister still has the freedom to make extra budgetary statements on policies to kick start new reforms that could provide more growth for the economy as and when the economy starts shaping up. And when inflation comes under reasonable control. These announcements could be in the form of opening up the aviation sector to increased foreign equity at 49 percent to revive a sector that's fast threatening to go sick, opening up further the banking and insurance industry, and more sops to infrastructure sector particularly to the power and gas and oil sectors which fuel the nation as a strong lifeline.

The Finance Minister has already moved in this direction by doubling outlays on the power

sector, extending some concessions to the oil and gas sectors besides easing restrictions on external commercial borrowings for the aviation sector for up to One billion USD dollars and making imports of aircraft parts cheap by easing customs duties as India is emerging as a hub for aircraft maintenance.

What made the Finance Minister to present the budget for 2012-13 in the fiscal consolidation mode bereft of any major reforms push announcements? Simple. Two factors stared him in the face: 1) the fiscal deficit was too high which needed immediate correction and there was no room for announcing major initiatives 2) the reverses in the four assembly elections saw the rise of regional powers and the push into the background for national parties such as Congress and BJP. Reforms have not gone down well with the regional parties as the general feeling is that they have been more urban centric than rural based. The regional parties thrive on their popularity with the vote banks with the minorities and countryside people. Mr. Mukherjee has walked the tight rope by not making any dramatic announcement mainly on this score as he feared to tread a path which the angels had feared. With the 2014 elections just two years away, his political acumen said no risks and no ruffling of feathers of potential allies.

Corporate India might in a way feel justified in saying the Finance Minister has lost an opportunity to come out with measures to stimulate growth in the economy as the next two years would not be conducive for making any

dramatic announcements to push up the economy on the eve of general elections. Yes, the budget for 2012-13 may disappoint, lack lustre but it's certainly corrective. The Finance Minister rightly used the Hamletian adage to describe his predicament: "I have to be cruel in order to be kind", cruel he was in announcing tax hikes for ₹45,000 crores plus and kind he was in announcing reliefs of upto ₹4,500 crores. But he was the medicine man who knew what to do best and not corporate India or the individual tax payers who happened to be his patients lying on a sick bed. The idea was to discharge them from the ICU and not get them to eat *Kheer* there.

While there were no time lines announced on Direct Taxes Code (DTC) and Good and Services Tax (GST), he has already aligned the tax regime towards that direction and announced a shift from August 12 this year.

Let's look at the taxation proposals.

The new tax slab providing relief at the entry level and again at the 20 percent slab by pushing assessable income from ₹8 lakhs to ₹10 lakhs will put about ₹25,000 on

an average to the tax payer.

Those above 60 yrs. of age are still exempt from tax till earnings of ₹2,50,000 and those above 80 yrs. of age exempt till ₹5,00,000.

Let's look at the indirect taxes.

Service tax goes up from 10 percent to 12 percent. Service tax is sought to be widened by defining them under 17 heads clearly in tune with best international practices. Revenue yield would be about ₹18,660 crore (about 4.14 billion USD). This should not be considered high because service sector today accounts for about 59 percent of the nation's GDP as the finance minister rightly says.

Customs and Central Excise hike would yield additional revenue of about ₹27,280 crore (about 6.06 billion USD). Conversion to USD is based on constant exchange parity between the dollar and rupee at ₹45 to a dollar.

In brief some of the other taxation proposals are:

The FM has allowed a deduction of up to ₹10,000 for interest from savings bank accounts for the individual tax payers. Those with salary incomes up to ₹5 lakhs and

Direct Taxes: The new slabs vs. the existing ones

S. No	Income in Rupees	Existing Tax Slab	New Tax Slab
1	Upto 1,80,000	Nil	Nil
2	1,80,000 to 2,00,000	10%	Nil
3	2,00,000 to 5,00,000	10%	10%
4	5,00,000 to 8,00,000	20%	20%
5	8,00,000 to 10,00,000	30%	20%
6	Above Rs 10,00,000	30%	30%

interest from savings bank account up to ₹10,000 benefit. They need not file income tax returns. Also, any expenditure of up to ₹5,000 on preventive health check-up is deductible from the tax amount. Senior citizens don't have to pay advance tax.

No change is contemplated in the corporate tax. However certain measures are being proposed to allow corporate to access lower cost funds and promote higher level of investments in several sectors. The rate of withholding tax on interest payments on external commercial borrowing is being reduced from 20 percent to 5 percent for three years to provide relief to stress out sectors in infrastructure sector such as power, airlines, roads and bridges, ports and shipyards, affordable housing, fertilizer and dams.

In another sop to the corporate sector, the FM has proposed to remove the cascading effect of Dividend Distribution Tax (DDT) in a multi-tier corporate structure. Repatriation of dividends from foreign subsidiaries of Indian companies to India at lower tax rate of 15 percent against existing 30 percent is being allowed for one more year that is up to March 2013.

In a measure aimed at boosting the power sector, the FM has proposed to extend the sunset clause by one year for power sector undertakings so that they can set upon on or before March 31, 2013 for claiming 100 percent deduction of profits for 10 years. Also, additional depreciation of 20 percent in the initial year is

being proposed to be extended to new assets acquired by power generation companies.

Focusing on the capital markets, Mukherjee proposed to reduce the Securities Transaction Tax (STT) by 20 percent that is from 0.125 percent to 0.1 percent on cash delivery transactions. At the same time he proposed to extend the levy of Alternate Minimum Tax (AMT) on all persons other than companies, claiming profit linked deductions. He also proposed to introduce a General Anti Avoidance Rule (GAAR) to counter aggressive tax avoidance schemes, while ensuring that it is used only in appropriate cases.

To end generation and use of unaccounted money (Black Money), he proposed

- Compulsory reporting requirement in case of assets held abroad
- Allowing reopening of assessment up to 16 years in relation assets held abroad
- Tax collection at source on purchase in cash or bullion or jewellery in excess of ₹2 lakh
- Tax deduction at source on transfer of immovable property (other than agricultural land) above a specified threshold
- Tax collection at source on trading in coal, lignite and iron ore
- Increasing the onus of proof on closely held companies for funds received from shareholders as well as taxing share premium in excess of air

market value

- Taxation of unexplained money. Credits, investments, expenditures at the highest rate of 30 percent irrespective of the slab of income

Mr. Mukherjee has promised a white paper on black money to be tabled in Parliament in the current budget session itself. This is something to look forward to as financial experts believe that at least Rs one lakh crore is parked by high net worth individuals of Indian origin in Swiss banks and other tax havens in islands in Indian Ocean or Central America.

Outlining the major indirect taxes proposals, the FM said he proposed to raise service tax from 10 percent to 12 percent. He also proposed to tax all services except those in the negative list. The list comprises 17 heads carefully drawn up in tune with international practices. List of exemptions include health care, services provided by charities, religious persons, sportspersons, performing artists in folk and classical arts, individual advocates providing services to non-business entities, independent journalists and services by way of animal care or car parking.

For the film industry in its centenary year, the FM proposed to exempt the industry from service tax on copyrights relating to recording of cinematographic films. The FM proposed to set up a study team to examine the possibility of a common tax code for service tax and central excise which could be adopted to harmonize the two legislations as

much as possible at the right time. On export of services some sort of relief is sought to be provided by a new scheme to simplify refunds without resorting to voluminous documentation or verification. Such refunds would also be admissible for taxes on taxable services that have been exempted.

Other measures include enhancing the duty on large cars from 22 percent to 24 percent and in case of cars attracting a mixed rate of duty of 22 percent plus ₹15,000 per vehicle, it would now be a uniform duty of 27 percent ad valorem rate. No change is proposed in the peak rate of customs duty of 10 percent on agricultural goods. He has proposed relief to stimulate investment in the agriculture and related sectors, infrastructure, mining, railways and roads, civil aviation, manufacturing.

On the question of civil aviation getting relief, Mr. Mukherjee proposed to fully exempt from basic customs duty parts of aircraft

and testing equipment imported for the purpose. To support the airline industry, he proposed, to fully exempt both new and treaded aircraft tyres from basic customs duty and excise duty.

The minister made no commitment on enhancing foreign participation or equity holding in Indian private airline carriers, but said both were under active consideration. While retaining the ownership pattern in Indian private carriers as Indian, he showed some concessions in external commercial borrowings of up to one billion US dollars for the airlines industry which was severely distressed due to severe competition on fares worldwide and lesser tourist inflow.

For airline passengers, he announced a concession of raising the baggage allowance to ₹ 35,000 from the existing ₹ 25,000 for persons of Indian origin. For children up to 10 years it was raised from ₹ 12,000 to ₹ 15,000.

In the ultimate analysis, while Corporate India might say an opportunity lost to kick-start the economy in limbo to fresh pastures, the Finance Minister has, to use his own words, provided an opportunity to rethink, re-assess and make way for new ideas and policies. The budget was approached in this spirit. The Finance Minister has as he said tried to create an enabling atmosphere for corporates, farmers, entrepreneurs and workers to take initiatives for robust growth with the intention of reaching benefits to all sections.

India stands on the brink of a major resurgence. Whether or not the budget makes for headlines matters little.

The announcements hope to help in shaping the headlines that describe India a decade from now. Posterity should prove if the minister is right or wrong in this statement. My hunch is he is on the right track. □

Union Budget Focuses on Rationalisation Measures in Indirect Taxes

Presenting the General Budget for 2012-13 the Union Finance Minister Shri Pranab Mukherjee has announced various rationalization measures like

- Excise duty rationalized for packaged cement, whether manufactured by mini-cement plants or others.
- Levy of excise duty of 1 percent on branded precious metal jewellery to be extended to include unbranded jewellery. Operations simplified and measures taken to minimize impact on small artisans and goldsmiths.
- Branded Silver jewellery exempted from excise duty.
- Chassis for building of commercial vehicle bodies to be charged excise duty at an ad valorem rate instead of mixed rate.
- Import of foreign-going vessels to be exempted from CVD of 5 percent retrospectively.
- Duty-free allowances increased for eligible passengers and children upto 10 years.
- Proposals relating to Customs and Central excise to result in net revenue gain of ₹27,280 crore.
- Indirect taxes estimated to result in net revenue gain of ₹45,940 crore.
- Net gain of ₹41,440 crore in the Budget due to various taxation proposals.



Geography

IAS

2012

Neetu singh

Main

2010 UPSC Final Result, includes **5th Rank** and in Top 50
 5th, 11th, 13th, 14th, 18th, 23rd, 24th, 30th, 40th, 44th, 50th, **Total Selection 69**
Highest Marks in Geography past years 2008 (411) 2009(397) 2010 (369)

What do you do if you're an IAS Aspirant

mired by large number of Geography Centres

Join **DIRECTION Squad**

Geography Admission Open 25th , May

For the **7th** 'Consecutive' year our institute has maintained the set trend of highest marks and Result attainment in civil services examination.

Today just in few years of its establishment our institute with its orientation has enhanced the capability of large number of aspirants.

All due to our never say -die-spirit , firm belief in the abilities of aspirant and our unwavering determination to overcome absolutely any difficulty

It is the sprit that make each one of our candidates think I can.

I CAN.

the belief that Direction is built on

Course Details : Main classes will begin **1st** , week of **June**, 3 and half month course duration, daily 3 hrs class (Morning & Evening Batch) incl. 11 Main Test paper, complete coverage of notes, with updated map locations



General Studies Main Test series (Examination Pattern) with complete model answer

Begins : 2nd week of June, 2012

Online Admission only

Enroll Now !!

Ultimate Learning Experience (P) Ltd.

Contact

DIRECTION

INSTITUTE FOR IAS EXAMINATION

Hari Bhawan : 14A/103, W.E.A, Karol Bagh

New Delhi - 110005 ■ (Rajinder Nagar Metro)

Ph : 011 - 25719872 , 25719862, 25752444

(M) : 09810382305 **mail :** info@directionias.com

Visit Us at **www.directionias.com**

YE-271/2012

Agriculture and the Budget

Surinder Sud



***Some of the
sops and duty
concessions mooted
in the Budget are
aimed at wooing
private investment
in agriculture
and its allied and
supporting sectors***

THE 2012-13 BUDGET, presented by the Finance Minister, Mr Pranab Mukherjee, has dished out a slew of small, but significant and need-based, measures that are expected to pave way for faster agricultural growth. This seems to be part of the strategy to address the supply bottlenecks in agriculture which has been listed among the five objectives of the Budget for the first year of the 12th plan that begins from April 2012. Some of the sops and duty concessions mooted in the Budget are aimed at wooing private investment in agriculture and its allied and supporting sectors, including agricultural research, fertiliser and irrigation, to assist in achieving the overall growth objective.

The total plan outlay for the department of agriculture for next financial year has been stepped up by 18 percent from ₹17,123 crore in 2011-12 to ₹20,208 crore in 2012-13. Though this increase of around ₹3,085 crores does not

seem adequate, given the vast dimensions of this sector and the need for boosting public investment in it, but this is one of the largest hikes in outlays in recent years. A large part of the additional funding is proposed to be inducted in the agriculture ministry's flagship farm development programme, the Rashtriya Krishi Vikas Yojana (RKVY). A special feature of this scheme that contributed to its success is the flexibility it offers to the state governments in spending the Central funds. This allows the states to take up local situation-specific development projects rather than pursuing those thrust upon them by the Centre.

To supplement the development efforts under the RKVY and provide a shot in the arm to several key areas that require focused attention, the Finance Minister has proposed strengthening of some of the existing subject-specific National Missions and launching a few new ones. The total number of Missions in the farm sector will, thus, be raised to five in the 12th plan. These Missions include:

The author is a veteran agriculture journalist presently working as Consulting Editor of the Business Standard.

1. **National Food Security Mission.** It is mandated to bridge the gap in the present and the potential yields of paddy, wheat, pulses, millet and fodder. The ongoing schemes, such as the Integrated Development of Pulses Villages, the Promotion of Nutri-cereals and the Accelerated Fodder Development Programme, will now become a part of this Mission.
2. **National Mission on Sustainable Agriculture and Micro Irrigation.** This initiative is being taken up as part of the National Action Plan on Climate Change. The Rainfed Area Development Programme will be merged with this.
3. **National Mission on Oilseeds and Oil Palm.** This Mission will strive for raising production and productivity of oilseeds and oil palm to bridge the wide schism in the domestic supply and demand for edible oils which is currently made up through imports.
4. **National Mission on Agricultural Extension and Technology.** This new Mission will focus on adoption of appropriate technologies by farmers for improving productivity and efficiency in farm operations.
5. **National Horticulture Mission.** This concentrates chiefly on diversification of horticulture sector. This Mission will now work for boosting the production of saffron as well.

In a related move, the Finance Minister has sought to give a fillip to food processing for reducing the post-harvest losses and encouraging value-addition of food products with the ultimate objective of ensuring better returns for the farmers. For

this purpose, he has proposed to set up a new “National Mission on Food Processing” funded entirely by the Centre. This Mission will work in collaboration with the state governments to address the local food processing needs. The food processing is deemed a sunrise sector that has been clocking a healthy eight percent annual growth in past five years. The new Mission can be expected to further boost this growth.

Encouraged by the positive outcome of the scheme launched last year for ushering in the green revolution in the eastern India, the Finance Minister has proposed to hike the allocation for this from a meagre ₹400 crore last year to ₹1,000 crore for 2012-13. The eastern region – comprising Bihar, West Bengal, Odisha, Assam, Chhattisgarh, Jharkhand and east Uttar Pradesh – had remained largely unaffected by the green revolution till recently. However, agriculture in many of these states has now begun to turn the corner as reflected by an impressive seven million-tonne surge in paddy production in this zone during 2011 kharif. Further impetus to farming in this area can help make it not only self-sufficient but, in fact, surplus in foodgrains. That would allow farmers in agriculturally progressive areas like the Punjab, Haryana and west Uttar Pradesh in the north and Andhra Pradesh and adjoining states in the south to switch over from labour-intensive and water-gulping paddy to other relatively more valuable crops.

Research and development (R&D) activity being the back bone of modern science-based agriculture, the 2012-13 Budget seeks to promote it further through some well-conceived interventions. “Food security and agricultural

development in the coming decades would depend upon scientific and technological breakthroughs in raising productivity. We have to develop plant and seed varieties that yield more and can resist climate change” Mr Mukherjee observed in his budget speech.

To encourage such R&D, the Budget has proposed special grants for some selected agricultural universities and other organisations engaged in research and capacity building. Under this programme, ₹25 crore has been allocated to the Institute of Rural Management, Anand in Gujarat; ₹50 crores for establishing a world-class centre for water quality in Kolkata with a special focus on arsenic contamination; ₹100 crore to the Kerala Agricultural University; ₹50 crore to the University of Agricultural Sciences, Dharwad in Karnataka; ₹50 crore to the Chaudhary Charan Singh Haryana Agricultural University, Hissar; ₹50 crores to the Orissa University of Agriculture and Technology; and ₹100 crore to the Acharya N.G. Ranga Agricultural University in Hyderabad.

Besides, the tax incentives already being provided for investment in the agricultural R&D by the private corporate sector have been extended for five more years beyond March 31, 2012. The key incentive for this purpose is in the form of weighted deduction of 200 percent on expenditure incurred on in-house R&D facilities.

For the first time the Budget has earmarked ₹200 crores to provide incentive for outstanding agricultural research by offering rewards for both institutions where the research is carried out and the team of scientists who achieve the scientific breakthroughs.

Going a step further and to ensure that the technology being developed at the private and public agricultural research set-ups actually reaches the farmers, the Budget moots tax incentives for investing in technology transfer and agricultural extension activities. A new provision is being made in the Income Tax Act to allow weighted deduction of 150 percent on expenditure incurred by business entities on agricultural extension services. This provision will, however, come into effect from April 1, 2013. This measure assumes significance as the state extension services have mostly been found wanting in delivering expected results and most of the technology being generated by the research organisations have remained unutilised by the farmers.

One of the notable aspects of the 2012-13 Budget is the thrust on stepping up the flow of agricultural credit which is critical for the resource-starved farmers to meet cash needs for purchasing farm inputs and meeting other expenditure on crop cultivation. For this, the target for the total disbursement of institutional credit to agriculture in 2012-13 has been raised to ₹5,75,000 crore, marking an increase of ₹1,00,000 crore over the target for the current year.

The Budget also seeks to ensure that this credit is available to the farmers at reasonable interest. To serve this objective, the ongoing interest subvention scheme for providing short term crop loans to farmers at 7 percent interest per annum is proposed to be continued in 2012-13 as well. Moreover, an additional subvention of 3 percent on the interest will be available to those farmers who repay the loans on time.

This aside, the Finance Minister has conceded the demand of the farmers to give interest subvention

even on the loans taken against their produce kept in the recognised warehouses to facilitate deferred sale for better returns. The same amount of interest subvention will, thus, be available now on post-harvest loans taken by farmers against negotiable warehouse receipts for a period of six months after the crop harvest. Besides, the Budget proposes to allocate ₹10,000 crore to the National Agricultural and Rural Development Bank (Nabard) for refinancing the Regional Rural Banks (RRBs). A short-term RRB credit refinance Fund is being constituted to enhance the capacity of the Regional Rural Banks to disburse short term crop loans to small and marginal farmers. To increase the utility of the Kisan Credit Card (KCC) being held by the farmers, the Budget proposes to transform these cards into smart cards. These will, hence, be capable of being used at ATMs as well to meet the farmers' immediate needs for cash without any hassles.

Keeping in view the importance of irrigation in raising crop yields and the scarcity value of water as a natural resource, the budget has offered incentives for expanding micro irrigation facilities which ensure the most efficient and economical use of available water. Outlining the measures mooted for this purpose, the Finance Minister noted: "Unless we recognise water as a resource, the day is not far when water stress will start threatening our agricultural production. Focus on micro irrigation schemes to dovetail these with water harvesting schemes is necessary." He announced that some structural changes are being introduced in the Accelerated Irrigation Benefit Programme (AIBP) to maximise benefits from investments in this fields. The outlay for the AIBP is being hiked by 13 percent to ₹14,242 crore. Furthermore, the

rate of withholding tax on interest payments on external commercial borrowing for construction and maintenance of irrigation dams is proposed to be reduced from 20 percent to mere five percent for three years.

Significantly, similar reduction in the withholding tax on interest payments on external commercial borrowing from 20 percent to five percent has also been mooted for the fertiliser sector for next three years. This move, obviously, is part of the strategy to woo fresh investments in augmenting fertiliser production capacity through new plants or expansion projects. In addition to that the budget proposes exempting import of equipment for urea projects from the basic Customs duty of five percent for the next three years. Going further, the Budget has raised deduction on capital expenditure to 150 percent from the present 100 percent for fertiliser plants. These measures, the Finance Minister hoped, would help the country in becoming self-sufficient in urea, the most consumed nitrogenous fertiliser, in the next five years.

The Finance Minister, however, did not mention the issues of fertiliser sector reforms, notably deregulation of urea and bringing this fertiliser also under the Nutrient-based Subsidy (NBS) scheme, which the industry has been expecting him to touch upon. Currently the NBS applies to most non-urea fertilisers, including the di-ammonium phosphate (DAP) and Muriate of potash (MOP). The prices of these fertilisers have also been decontrolled. In his budget speech last year, Mr Mukherjee had categorically stated that the government was actively considering extending the NBS scheme to urea as well.

The Finance Minister, however, indirectly hinted at reduction in fertiliser subsidy when he declared that the overall subsidy burden on the exchequer would be limited to below two percent of the gross domestic product (GDP) from the present around 2.5 percent. Subsequently, the subsidies bill would be brought down further to 1.75 percent of the GDP over the next three years without, of course, curtailing the food subsidy. Fertiliser and petroleum products, along with food, account for most of the government subsidy bill.

Mr Mukherjee also announced that the recommendations of the task force headed by Mr Nandan Nilekani on the use of information technology (IT) for direct transfer of fertiliser subsidy have been accepted. Consequently, a mobile-based fertiliser management system (FMS) is being put in place to track the movement of fertilisers and the subsidies. This system would be rolled out throughout the country during 2012 itself. Following that,

the process of direct transfer of subsidy first to the retailers and then to the consumers would be launched in phases. "This will benefit 12 crore farmer families, while reducing the expenditure on subsidies by curtailing misuse of fertilisers", the Minister said. The basic Customs duty on some water soluble and liquid fertilisers, other than urea, has also been trimmed. It would come down from 7.5 percent to five percent in some cases and from five percent to 2.5 percent in some others. This will help bring down subsidy on imported fertilisers.

The total outgo on fertiliser subsidy, which is anticipated to touch ₹90,000 crore in the current fiscal, is expected to be brought down to ₹60,900 crore in the next year, as provided for in the budget. He also announced that the entire amount of fertiliser subsidy would henceforth be given in cash rather than in the form of bonds as was done, at times, in the past.

Customs duty concessions have also been offered on several other items and equipments used in agriculture and its allied sectors to promote their use by reducing their cost to the farmers. As a result, the customs duty will drop to 2.5 percent from 7.5 percent on a wide range of machinery, including sugarcane planters, root or tuber crop harvesting machinery, weeders and rotary tillers as well as on their parts used to assemble them locally. Similar import duty reduction will be extended to installation of mechanised handling systems and pallet racking systems in agricultural mandis or warehouses meant for storing horticultural produce. The equipment for green house and protected cultivation of horticultural and floricultural crops will attract an import duty of just five percent. The Customs duty on specified coffee plantation and processing machinery has been reduced from 7.5 percent to five percent. □

Farmers Have Reasons to Smile: Agriculture Credit Increased to ₹ 5,75,000 Crore, Farmers to Get a Smart Card to Get Easy Money From ATMs

The Finance Minister Shri Pranab Mukherjee has proposed to raise the target for agricultural credit in 2012-13 to ₹5,75,000 crore. This represents an increase of ₹1,00,000 crore over the target for the current year. By this step, the Finance Minister has tried to ensure that the farmers' need of timely access to affordable credit is redressed.

As per the budgetary proposals, the interest subvention scheme for providing short term crop loans to farmers at 7 percent interest per annum will be continued in 2012-13. An additional subvention of 3 percent will be available to prompt paying farmers. In addition, the same interest subvention on post harvest loans up to six months against negotiable warehouse receipt will also be available. This will encourage the farmers to keep their produce in warehouses.

Shri Mukherjee proposed to allocate ₹10,000 crore to NABARD for refinancing the Regional Rural Banks (RRBs). He said a short term RRB credit Refinance Fund is being set up to enhance the capacity of Regional Rural Banks to disburse short term crop loans to the small and marginal farmers.

In a bonanza to the Kisan Credit Card (KCC) holders, the Finance Minister proposed a modification in the KCC scheme. The KCC will now be transformed into smart card which could be used at ATMs also thus making it an effective instrument for making agricultural credit available to the farmers in the simplest available way. To promote agricultural research he has proposed to set aside a sum of ₹200 crore.

The Finance Minister announced to operationalise a Government owned Irrigation and Water Resource Finance Company to mobilize large resources to fund irrigation projects.

Mitra's IAS

Realising your aspiration

77, 11th Floor, Old Rajinder Ngr. Mkt., New Delhi

9560928172, 9868412447, 011-64997681

mitraphilosophy@gmail.com

QUALITY

PERSONAL ATTENTION

DAILY ANSWER WRITING

RESULT

PHILOSOPHY

by Mitrapal

*The Strength of Philosophy in English Med. once again
proved by our students in IAS-2010*



**HAULIANLAL
GUITE**

RANK 33

**Marks
376**

Subjects :
**PHILOSOPHY &
GEOGRAPHY**



**ISHA
PANT**

RANK 191

**Marks
330**

Subjects :
**PHILOSOPHY &
PSYCHOLOGY**



**SANTOSH
BABU K.**

RANK 410

**Marks
385**

Subjects :
**PHILOSOPHY &
POL. SCIENCE**



**JIGYASA
MEENA**

RANK 881

**Marks
332**

Subjects :
**PHILOSOPHY &
HISTORY**



**SIMRAN
KAUR**

RANK 23

Waiting List - 2010

**Marks
325**

Subjects :
**PHILOSOPHY &
PUB. ADMIN.**

**Admission
20 May onwards
on First-cum-First-Serve Basis**

**BATCH - I BATCH - II
8:00 AM 5:30 PM**

• English Med. Only
• Only at Old Rajinder Nagar

OPTIONAL ?

• After the introduction of CSAT , criteria for the selection of optional subject should be governed by the factors e.g. short syllabus, high score potentiality, easy to grasp and some add-on advantages such as help in GS , essay, etc.

In this scenario philosophy stands perfect.

PERFORMANCE IN ENG. MED. (In last few years)

Highest score : 400+

Imp ranks : 14 , 20 , 25 , 27 , 33 etc.

Almost all successful candidates had no background in philosophy

STRATEGIC IMPORTANCE

- Before exams more revisions can be made
- Avg score is 320-325.
- Its 11th paper is very general, hence extremely helpful for essay paper

POSTAL GUIDANCE

- We provide highly competitive , lucid , comprehensive , strictly acc to latest syllabus printed material for both paper 1 & 2
- This course also includes test series consisting of 13 tests.

Helpline - to clear doubts
postal students can call on
mobile (Sat & Sun)

Energy Access and Gender Inclusion in Energy Planning

Jyoti Parikh

Dinoj Kumar Upadhyaya

Rajiv Ratna Panda



If we view energy access from development perspective, adequate supply of energy at affordable price is indispensable for economic growth and social development

DESPITE HIGH economic growth and technological progress in many spheres such as nuclear energy, space and information and communication technologies, rural women still continue to cook as they did centuries ago or even millennia ago. Five year plans spend lakhs of crores in the energy sector allocating funds for coal, oil, gas, renewable and nuclear energy, yet these funds do not solve the problem of access to energy as there is no strict mandate that women must be benefited from these public expenditures. Rajiv Gandhi Grameen Vidyutikaran Yojana has a mandate to provide electricity access to every below poverty households in the country but it covers only electricity. For cooking fuels they continue to rely primarily on biomass as NSSO (2004-5) data shows overwhelmingly 84

percent rural households use non commercial energy for cooking. Women are the key agents of household management and they are mostly involved in gathering the energy resources for cooking and other household activities, therefore, for personal development too, access to modern energy appears to be quite critical. On the other hand, women's role is indispensable for energy efficiency. Though providing adequate access to modern energy services to every household in India is a huge challenge, but considering the potential of renewable sources of energy, it appears viable now to provide a practical solution for harnessing these for providing access to energy in rural India. Though multiple issues ranging from appropriate technologies, financing, subsidies, and business models for training and capacity building are critical for actual

Jyoti Parikh is Executive Director, Integrated Research and Action for Development, (IRADe) New Delhi and Member of Prime Minister Council on Climate Change. Dinoj Kumar Upadhyay and Rajiv Ratna Panda are Research Analysts, IRADe.

realization of full potential, it is clear that a range of solution will be needed to address diverse population with different paying capacities and with diversity of energy resource available to them. No single solution can solve such a vast problem.

Recognizing the significance of modern energy services for sustainable development and achieving Millennium Development Goals, the United Nations declared 2012 as “International Year of Sustainable Energy for All”. The UN resolution calls to “increase awareness of the importance of addressing energy issues, including access to modern energy for all, access to affordable energy, energy efficiency and the sustainability of energy sources and use” at local, national, regional and international levels. Global initiative to achieve sustainable energy for all is based on three objectives: universal access to modern energy services, doubling the global rate of improvement in energy efficiency and doubling the share of renewable energy in the global energy mix. Energy, as described by Secretary General Ban Ki-moon, is ‘golden thread that connects economic growth, increased social equity and an environment’. Gender empowerment is a central and recurring theme with very little progress to show in India. If we view energy access from development perspective, adequate supply of energy at affordable price is indispensable for economic growth and social development as well as empowerment of weaker sections of society, particularly women in rural

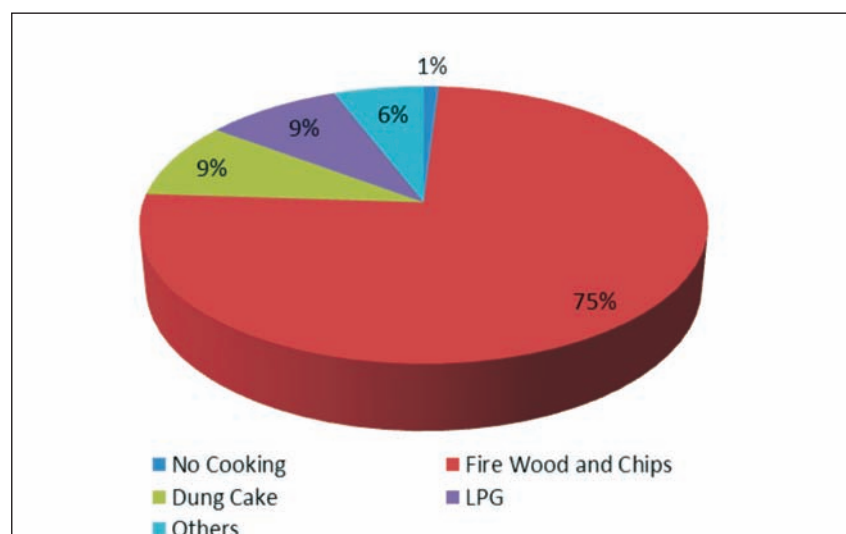
areas of the country. Due to their social status and specific role in household management and society, implications of unavailability of energy for women are severe. Thus, to provide clean and modern energy resources to women and give them greater role in management and decision making of energy resources management and implementation of energy projects is deemed to be a crucial element of current gender empowerment discourse.

Current Status of Energy in India

Briefly speaking, India faces formidable challenges in bridging the energy gap and cope with the ballooning energy demands. Today 1.3 billion people lack access to electricity and 2.7 billion people do not have clean and safe cooking facilities across the world. According to Census 2001, over 625 million people do not have access to modern and clean energy in India. About 70 percent of the energy used for

cooking in Indian households comes from non-commercial fuels. NSSO data shows this number improved somewhat but a large gap remains. Figure 1 shows that majority of households are still dependent on conventional forms of energy for cooking. 84 percent of rural population still uses fire woods, chips and dung cakes for cooking. In such a precarious scenario, the country has every reason to vigorously endeavor to explore, promote production and uses of new and renewable energy. Fortunately the country has been endowed with an immense potential for production of renewable sources energy to address its ever growing energy demands. At the policy level, the Government of India has already recognized that harnessing local renewable resources is critical for environmentally compatible faster economic growth and to meet energy demands at the local level too. The Ministry of New and Renewable Energy Report

Figure 1: Percentage Share of Total Households (Rural) Using Different Fuels for Cooking



Source: NSSO-2004-5

states that India has over 17.5 GW of installed renewable energy capacity, which is approximately 10 percent of India's total installed capacity. Wind represents 11.8 GW, small hydro represents 2.8 GW, and the majority of the remainder is from biomass installations. PV installations have reached 15 MW of cumulative capacity installation for both on-and off-grid applications.

The National Solar Mission intends to significantly increase the share of solar energy in the total energy mix while recognizing the need to expand the scope of other renewable. The National Action Plan on Climate Change (NAPCC) points out, "India is a tropical country, where sunshine is available for longer hours per day and in great intensity. Solar energy, therefore, has great potential as future energy source. It also has advantage of permitting decentralized distribution of energy, thereby empowering people at grassroots level. The Mission document states that the country is endowed with vast solar energy potential as about 5000 trillion kWh per year energy incident over India's land area with most parts receiving 4-7 kWh per sq. m per day. Therefore, the Mission envisions for both technology routes for conversion of solar radiation into heat and electricity, namely solar thermal and solar photovoltaic. The Mission has a target of the deployment of 20,000 MW of solar power by 2022. It has been proposed in the Mission that a decentralized mechanism for power generation (rooftop

installations) and distribution system would be developed in the country. Success of solar mission would also facilitate achieving the objectives of other missions, particularly National Mission on Enhanced Energy Efficiency. As government is heavily subsidizing solar panels by around 30 percent as well as cost of solar panels are declining, therefore, objectives of solar mission seems to be feasible. Solar cookers, lanterns, solar water heater and solar dryers need to be actively promoted under this mission to the poor households across the country.

From gender perspectives, we need to think how many of these projects relieve burden of gathering fuels for women. They can benefit from the range of services that renewable energy products provide such as cooking, lighting, drying, battery charging, street lighting and so on.

Renewable Energy: Facilitating Gender Empowerment

To effectively interlink renewable energy with empowerment of women; initiatives should taken at two levels. First, technology based on renewable sources of energy should be promoted in the daily life; second, women should be given their due role in the management and implementation of energy projects at the community and household levels. Management of household hinges primarily on woman, thus, renewable energy and its appliances can facilitate their basic requirements such as lighting, cooking, cleaning, water lifting, and so on. Certain innovative energy

products could be quite beneficial for women such as improved Chulhas (cook-stoves), biogas, solar cookers, solar lanterns solar dyers, eco-cookers and multiple uses of *Jatropha*. Lighting is essential for education in India in general and rural areas in particular. In the rural areas, children particularly girls are pulled out from the schools to fetch wood, water or do manual work. Installing solar lights in homes enables children to study in the evenings and improve school performance. Solar dryers are deemed to be a boon in remote hilly areas, enabling drying of vegetables, fruits and other post harvest operations. Many women's groups are using such dryers on a commercial scale. Bio-fuels are seen as an alternative to petroleum sources and are derived from renewable bio-resources such as *Jatropha curcas*, *Pongamia pennata*, corn, rape-seed, bagasse, palm oil and other vegetable oils. Integrated Energy Policy (2006) recommends Bio-fuel plantations within 1 km distance could be successfully used to increase access to fuel woods and improve the livelihoods of poor rural women on a sustainable basis as well as facilitates the rehabilitation of degraded lands and improves the environment.

Access to adequate energy will help women in supplying of water and irrigation; enhance food security through better crop productivity, and income from agro food processing, pollution free fuel-prevention of heart and lung diseases. It also helps to generate extra income such as agri-waste processing and storage,

diversification of crop production or higher yields via modern farming tools/ techniques, ability to process materials locally, and storage, diversification of the off-farm activities like dairy product, other small scale businesses. Energy is also essential for self development such as training and education, leisure, entertainment and also they can spend more time with children. Street lighting improves women safety. Modern energy services have several health benefits. Several diseases of women are caused by smoke generated by woods and biomass. World Health Organisation says that indoor pollution kills around 2.0 million people every year. An integrated survey covering 15,293 households from 148 villages in three states of north India and one state of South India conducted by Integrated Research and Action for Development (IRADe) and accepted by the expert committee of Integrated Energy Policy of shows respiratory symptoms are prevalent among adults and majority of them have serious symptoms. Around 5 percent of adults suffer from bronchial asthma, 16 percent from Bronchitis, 8.2 percent from Pulmonary TB and 7 percent from Chest infection. Risks of contracting respiratory diseases and eye diseases increase with longer duration of use of bio-fuels. These can be reduced by promoting uses of renewable energy services and modern energy appliances. Energy and power would also help to provide better medical facilities and medical item storage. Power is a prerequisite for providing medical services in the night and application of many medical devices. It will

improve the functioning of health clinics. Availability energy and uses of modern energy appliance will minimize the environmental losses and reduce the demand of fuel wood.

Management implies organization set-up of renewable energy with participation of women in implementation process of the project and programme, maintenance, resource planning, marketing, and decision making as well. They can participate in village energy schemes as consumers (enterprise), franchisee (tasks like billing, maintaining accounts, and revenue collection). Women's representation should be made mandatory in the decision making process. At the local or community level, women should be part of the installation, operations and management and should be provided with opportunities to enhance their capacity in management and financial issues. The sustainable operations of the different renewable energy technology units get disrupted due to inexperience of operation of these units. These can be strengthened by appropriate interventions which focus on raising the capacity of both men and women to in handling and maintaining the equipments.

A judicious use of energy is another aspect of management. Awareness among the women can be instrumental in not only efficiently use the energy appliances but also minimize the wastage of energy at the household level. Women can be the key for energy efficiency in domestic sector. There is considerable potential for reducing energy consumption

by judicious usages of domestic appliances such as refrigerator, fan, TV, air conditioner and lighting bulb and tube.

Implementable Business Models for Promoting Renewables

We outline here some business model to promote renewables that empower women:

Solar Lanterns

The main problem with solar lantern is maintenance, repair and replacement of batteries. Lanterns distributed to individuals do not last long. Also installing solar panels in many small houses and keeping it from being pilfered may pose a problem. A village or community level central charging station can be operated by women –individually or by a self help group, where lanterns are charged every day for a small price of say 50 paise or 1 rupee so that charging expenses need to be less than the household spends on kerosene today. The Women entrepreneurs can be provided a charging station and number of lanterns which can be financed by the programme partly as subsidy and partly as a loan. This way, households essentially rent lanterns at night. The repair and replacement are easier to take care of by one entrepreneur.

“Golden Carrot” for scaling up with Public Private Partnership: Some Attempts

One can invite bids from manufacturers or private entrepreneurs to set up a large number of such village solar lanterns recharging enterprises and supply lanterns of certified performance. They should be required to

set-up 20000 such systems, each with at least 50 households, on a commercial basis and ensure that they remain operational for two years. At least half of local systems should be managed by women. After independent verification the entrepreneur can be given a large grant (a golden carrot) worth the subsidies involved in the lantern. Thus for example, if 1 million lanterns are distributed and the government is willing to give ₹ 500 as subsidy per lantern, the golden carrot should be at least ₹ 500 million. Better would be to ask entrepreneurs to bid competitively for the size of the payment. The government might consider giving a loan for the amount upfront as reasonable interest, which on successful execution gets converted into a grant.

Fuel-wood Plantation

To reduce burden and time for gathering wood, dedicated fuel-wood plantation can be set-up within one kilometre of the habitat. Since 33 percent of Panchayats are headed by women, 50 percent in Bihar, Uttarakhand, Himachal Pradesh and Madhya Pradesh (now Union Cabinet has approved 50 percent reservation in PRIs for women across the country), it might be easier to persuade them to set aside land for plantation. The plantation should be managed on commercial basis. One possible way is that followed by tree growers' cooperatives. Donor agencies (other sources of funding) can fund planting and nurturing and protection for first five years. A village cooperative self help group of women, set-up upfront, manages this. The

members of the cooperatives should be free to collect the fodder and fuel-wood, logs, and tops only. This way there is no incentive for a person to extract for fear that others will take away all the benefits. This provides fuel to the poor who get paid for their labour. The money collected is then distributed to all members of the cooperatives or spent on the development works agreed to by the members. Trees can be felled periodically in sustainable way and timber sold earning sizable profit. This will provide incentive to all to be members of the cooperatives.

Wood Gasifier Based Power Plants

Once a sustainable source of wood/biomass is ensured one can set-up a gasifier based generator. A women's self-help Group (SHG) enterprise should manage it on a commercial way, paying for wood, distributing electricity and collecting money for it. Adequate training has to be provided so that they can maintain, repair and manage it. There should be incentives for the managers to see that it keeps running.

Community Biogas Plants

The family size biogas plants promoted till now have not been very successful. Nearly half of them do not work. One can also understand that relatively well off families (with 5 cattle heads or more) may not want to bother with the daily chore of feeding dung and water and the problem of slurry disposal. Near the house it may cause nuisance and breed

mosquitoes. Also only a fraction of the households would have adequate number of cattle heads to set-up a bio gas plant. From resource use and energy point of view a community level biogas plant has a number of advantages. It can use dung of all animals in the village. The daily chores are centralized and handled on a commercial basis. The slurry nuisance is not next to the house and gas may be supplied as a modern convenient service that fits the aspirations of people for a better life. Also economies of scale can be reaped. This however requires an operating organization that is incentive compatible for all stakeholders. If dung is bought and gas and fertilizers are sold at a price, this can be accomplished. Buying dung will protect the interest of the poor, who collect it freely. Selling gas distributed by pipes or cylinders and fertilizers can provide revenues that can pay for the maintenance, up-keep and management of the plant. Community kitchens can be also provided at the plant site for poor to come and cook there at a small charge. Of course financing mechanism needs to be worked out, which makes it worthwhile for a local entrepreneur. Some technical innovation can be made to augment dung with other feed-stocks such as agriculture, wastes. Development of gas distribution might also require technological innovation.

Family size Bio-gas Plant with "Eco-cookers"

"Eco cooker" is a set of cooking vessels which require one fourth or less energy to cook a meal. This

makes possible for families with one or two cattle heads to have a biogas plant. If prefab biogas plant are sold along with “eco-cookers” that could meet a major part of women’s cooking energy need. This should be market tested on a number of households first and after the wrinkles are ironed out scaled up using a golden carrot scheme described earlier.

Improved Cook stoves

The attractiveness of improved Cook stoves is that it saves on fuel and keeps out smoke. Cook stoves programme has been on for nearly 50 years and have made only a modest progress. Of course one always believes that the latest model has overcome earlier problems of too much fuel use for small cooking, deterioration in quality over time, etc.

One can distribute freely large number of them but how long they will remain in use is questionable. One should therefore use the golden carrot approach where private bidders are asked to bid for the level of subsidy to be given at the end of two years provided the stoves are in operation then. The bidder will have to sell the stove and that will require that she persuades and satisfies the consumer that it is a useful product.

The eco-cooker, cooking vessel, can also be combined with Cook stoves.

The Rasoi Ghar (Community Kitchen)

The modern cooking fuel (LPG) is a preferred alternative to traditional fuels still used by

the vast majority of rural Indian households. But the access to LPG in rural areas is not very good. To enhance the use of LPG in Rural areas the Rasoi Ghar (Community Kitchen) concept was developed by HPCL. It covers over 850 villages, benefiting over 13000 families. HPCL covers the costs of setting up each Rasoi Ghar and the users pay on an average of ₹ 4/hour for the cost of the gas and facility. The space for building the Rasoi Ghar is given by Gram Panchayat. Women are encouraged to use the community kitchen to cook their food.

Many of these business models need to be encouraged and should be scaled up to meet the need of large no of families. They need public-private partnership and should not be totally left to NGOs or Private sectors or village level institutions.

Having reviewed policies, programmes and status of women in terms of socio-economic development and their role in the energy services, it appears that role of women in the energy services is of significance not only as a user but also as a manager. Access to energy to women and its transformative impacts on their livelihoods, business, life styles, education, safety and so on.

Conclusion

To sum up, significance of energy access for gender empowerment has been established. Renewable energy options should be explored as it is crucial not only for global economy and environment but

also for social development and gender empowerment. *Integrated Energy Policy: Report of the Expert Committee* calls for encouraging renewables and local solutions to meet the energy requirements and suggests taking note of promoting household energy security, gender equity and empowerment through targeted entitlements for the poor. The policy document also suggests providing fuel wood plantations within one kilometre of all habitations and role of women in oil seed plantation or tree growing to maintain sustainable energy supply. This “International Year of Sustainable Energy for All” appears to be an appropriate time to call for implementation of the gender sensitive measures recommended by the expert committee.

There are also growing trends of investment and stakeholders in the renewable energy sector which needs to be complimented with social concerns too. This could also serve the purpose of government subsidy and renew the agenda for empowerment of the weaker sections of society for an inclusive growth and overall construction of equitable society. Engagement of women in energy projects at the grassroots level also help to bring the issues of environment degradation and energy efficiency to the fore and raise social awareness about them. Better success can be ensured if 50 percent of population benefit, participate, implement and manage the renewable energy programmes. □

J&K WINDOW

HELPLINE FOR CHILD RIGHTS IN THE VALLEY

A Mumbai based NGO, Child Line is the country's first toll-free tele-helpline for children in distress. Child Line, launched in 1996, works to protect child rights. The NGO started its help-line in Kashmir, in association with Shehjaar Help Foundation in March 2011. The same helpline has been working in Jammu since 2006.

The helpline is dedicated to protect child rights in the valley and help suffering children. We help child labourers, runaway children, children who are in problems or face any kind of as-sault, said Mehraan, executive director, Help Foundation and director Child Line.

Dialing the toll free help line number 1098, Child Line provide 24 hours service. However, the help line is only operational in Srinagar and is expected to be ex-tended to more districts in March. "We have our team ready for help anytime. As soon as we get any call, we rush for help," said Mehraan. Counselors and doctors also work in association with Child Line to provide counseling to children.

In its emotional guidance and support services, Child Line provides counseling to students faced with examination stress and depression. We received calls from teachers or parents who want us to counsel students undergoing examination stress, said Irfan, coordinator, Child Line. We once received a call from a local who wanted us to help a little boy from West Ben-gal who was all alone in the city. We immediately went to see the boy and finally sent him back home.

Jammu and Kashmir State Programme Head for Child Line, Chander Kumar said that Child Line works as a catalyst with different stake holders to protect child rights. We are looping in police, labour department and education department so that we can work effectively, said Kumar. □

KASHMIR SCIENTISTS CLONE PASHMINA KID

Scientists in Kashmir have cloned the first Pashmina goat using advanced reproductive techniques, officials at the Shere- Kashmir University of Agricultural Sciences & Technology (SKUAST) said recently.

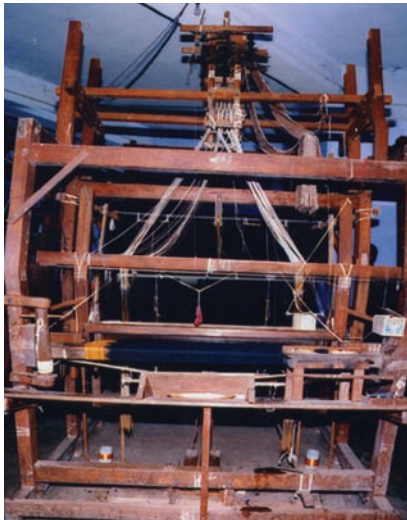
The March 9 birth of female kid Noori could spark breeding programmes across the region and mass production of the highpriced wool, lead project scientist Dr Riaz Ahmad Shah has said. Shah and six other scientists took two years to clone Noori, using the relatively new 'handmade' cloning technique involving only a microscope and a steady hand.

The team has already started work on more clones among the university's herd of goats. This is the cheapest, easier and less time-consuming method of cloning, compared with conventional methods that use high-tech machinery and sometimes chemicals, Shah said. The team of scientists have already started work on more clones like Noori (pictured) among the university's herd of goats.



Pashmina, a kind of fine wool is obtained from the fleece of the goat Capra hircus. They are found in parts of the Himalayas, the Tibetan plateau and upper reaches of Ladakh. The wool is spun through a tedious manual process to produce the finest quality of Pashmina. □

Automatic Saree Border Weft Insertion



This machine enabled him to do body weaving and border weaving uniformly apart from giving him the flexibility to weave borders ranging from 1" to 15" in width

BHANUMURTI (50 years), is an innovative weaver of handloom cotton sarees and has made an attachment to the existing handloom systems to simplify the automatic saree border insertion.

Second eldest among five siblings, Banumurthi did not have a simple childhood. His parents struggled to make ends meet, both weaving on two looms they possessed, and tried to make a living for their family. When he was just thirteen years old, he lost his mother because of which, he had to discontinue his studies and had to start learning weaving to support the family. By the age of sixteen, he was earning for his family by weaving.

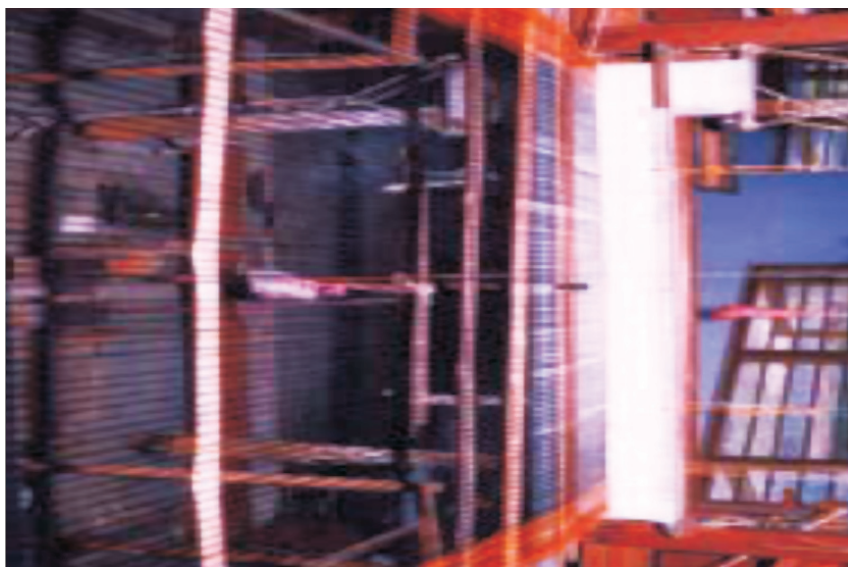
After his marriage in 1977, he separated from the family and started his own work. He got orders from Chennai and made cotton sarees, jacket pieces, chudidhar sets etc., using Jacquard box.

Genesis

Traditionally, all the weavers in his village had the knowledge of weaving in sets only and not korvai loom weaving. Korvai or 'contrast' weaving involves intricate weaving where the design and often the colour of the borders are different from that on the main body of the cloth. Three shuttles are needed: weaver operates two having an assistant on third.

While Banumurthi was happy receiving orders from Chennai and supplying new designs and varieties in clothes, he still fiddled with ways to improve productivity by using the loom effectively. He wanted to incorporate automatic koravi border insertion so that requirement of an assistant can be eliminated.

He worked for a couple of months and in 1985 came up with his automated version on which only simple koravi weaving was possible.



His restless mind did not seek peace with this success and he went on to make a fully automatic korvai loom in 1992, after a dedicated work of three months. This machine enabled him to do body weaving and border weaving uniformly apart from giving him the flexibility to weave borders ranging from 1" to 15" in width. Besides, as in modified handloom 'korvai looms', rakes of all types (Thazampu rake, Sheet rake, Pillaiyar- moku) can be woven on his machine.

Innovation

His automated system is somewhat similar based to the "Catch Cord Technique drawing device for looms" (United States Patent 4616680, 1984) though he was not aware of it. No assistant is needed and productivity gets increased.

In this technique, "Multi Catch Cords" are used to make "Temple Borders". The number of catch

cords is equal to the number of steps required in the Temple borders. Each step in the Temple Border is controlled by a separate Catch Cord and is individually operated by Dobby or Jacquard. In this technique, the picks per inch and the weave in temple border and the body of the sari are equal.

This technique does not employ the "Three/two cut shuttle" style and thereby eliminates an additional manpower requirement. The steps of temple border are formed automatically by the operation of catch cords arranged at different places through Dobby or Jacquard. This results in uniform height of steps and reduces physical and mental strain to the weaver.

The border warp threads are controlled by Healds, which give perfect/clear shedding and avoid mistakes in the interlocking. Of course, each pick is in two-ply and requires double time in picking to

complete, which slows down the rate of production.

On an average, when this innovative technique is used, the production is on higher side when compared to the traditional three cut shuttle weaving.

Bhanumurthi has installed one such device in Ramanathapuram village of Madurai district and trained about fifteen women weavers with the help of SEVA. A couple of years ago there were about 300 families involved in handloom weaving in this village but due to the inadequate income, about 200 families migrated to nearby Tirupur Banian (vest) Factory for labour.

After the installation of this device, response from people has been very good and they are hopeful that those who left the village would be willing to return and take up again, their traditional occupation.

Indian Institute of Handloom Technology has commended this technique and suggested that it may be well adopted in handloom clusters, where Temple Borders are produced. GIAN Cell (Karnataka) is planning to conduct a training programme for handloom weavers in Karnataka region under Technical Education Quality Improvement Programme (TEQIP) of SSIT, Tumkur. Banumurthi was earlier felicitated with the SRISTI samman in 2006 for his innovation and contributions to the weaving society. □



NATIONAL UNIVERSITY OF EDUCATIONAL PLANNING AND ADMINISTRATION

(Declared by the GOI under Section 3 of the UGC Act, 1956)

17-B Sri Aurobindo Marg, New Delhi-110016

Web: www.nuepa.org

ADMISSION NOTICE 2012-13

(i) M.Phil. Programme

(ii) Ph.D. Programme

(iii) Part-time Ph. D. Programme

The National University of Educational Planning and Administration (NUEPA), is engaged in capacity building and research in educational policy, planning and administration. NUEPA, which is fully funded by the Ministry of Human Resource Development, Government of India, offers M.Phil., Ph. D. and Part-time Ph. D. programmes in educational policy, planning and administration from a broader inter-disciplinary social science perspective. The research programmes of NUEPA cover all levels and types of education from both national and international development perspectives. NUEPA invites applications from eligible candidates for admission to its M.Phil., Ph.D. and Part-time Ph.D. programmes for the year 2012-13. While selecting the candidates for admission, NUEPA will follow all mandatory provisions in the reservation policy of the Government of India. Admissions to M.Phil., Ph.D. and Part-time Ph.D. programmes will be made purely on the basis of merit following the prescribed criteria of the University.

Fellowships

Selected candidates for the M.Phil. shall be offered stipend and those selected for Ph.D. shall be offered a fellowship at par with UGC rates. The NET qualified candidates, who have been awarded Junior Research Fellowship by the UGC and who fulfil the required qualifications, are encouraged to apply.

Eligibility Criteria

Full-time Programmes

(a) A candidate seeking admission to the M.Phil. and Ph.D. programmes shall have a minimum of 55% marks (50% marks for SC/ST candidates and Persons with Disabilities) or its equivalent grade in Master's Degree in social sciences and allied disciplines from a recognized university. Candidates possessing Master's degree in other areas may also be considered if he/she has teaching experience or experience of working in the area of educational policy, planning and administration. (b) A candidate seeking admission to Ph.D. programme shall have an M.Phil. degree in an area closely related to educational planning and administration and/or exceptionally brilliant academic record coupled with publications of high quality. (c) M.Phil. graduates of NUEPA will be eligible for admission to the Ph.D. Programme after due scrutiny by a Selection/Admission Committee, if they obtain a FGPA of 6 or above on the ten point scale.

Part-time Programme

A candidate seeking admission to Part-time Ph.D. programme is required to meet the following criteria: (i) Should possess the educational qualifications as mentioned in Para (a) above; (ii) Currently, should be in full-time employment; (iii) Should be a senior level educational functionary with a minimum of five years work experience in teaching, educational planning and administration.

Mode of Selection

The University reserves the right to decide the number of seats to be filled in the year 2012-13; the criteria for screening of applications; and the selection procedure of candidates for admission to its M.Phil. and Ph.D. programmes. The mode of selection of candidates will be as under:

Initial short-listing of applications will be carried out on the basis of relevance and quality of the brief write-up (in the prescribed format) in the proposed area of research to be submitted along with the application form. Short-listed candidates will be required to appear in a written test and those qualifying in written test will be subjected to personal interviews to assess their motivation and potential leading to final short-listing and preparation of panel of selected candidates, in order of merit.

How to Apply

Candidates may apply in the prescribed form for admission to M.Phil. and Ph.D. programmes of the University along with three copies of the brief write-up (in the prescribed format) on the proposed research topic of a contemporary issue within the broad framework of educational policy, planning and administration. For further details, please refer to the M.Phil.-Ph.D. Prospectus, 2012-13 of the University.

The application form and the Prospectus can be obtained from NUEPA by remitting a sum of Rs.200/- (Rs.100/- for SC/ST candidates) by demand draft in favour of Registrar, NUEPA, payable at New Delhi if required by Post or purchased in person. The Prospectus can also be downloaded from our website: www.nuepa.org and demand draft of Rs.200/- (Rs.100/- for SC/ST candidates) should be attached with the application at the time of submission to NUEPA.

Last Date of Applications

Application should reach the Registrar, NUEPA, 17-B, Sri Aurobindo Marg, New Delhi-110016 on or before **18 May 2012**. For further details, please visit our website www.nuepa.org

Registrar

YE-278/2012

FMs &



R.K. Shanmukham Chetty
Year of Budget (YOB): 1947, 1948



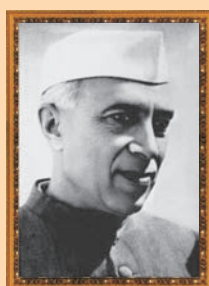
Dr. John Matthai
YOB: 1949, 1950



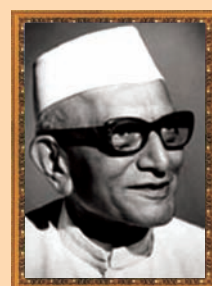
C.D. Deshmukh
YOB: 1951, 1952
1953, 1954, 1955, 1956



T.T. Krishnamachari
YOB: 1956,
1957, 1964, 1965



Jawaharlal Nehru
YOB: 1958



Morarji Desai
Year of Budget: 1959,
1960, 1961, 1962, 1963,
1967, 1968, 1969



Sachindra Chaudhari
YOB: 1966



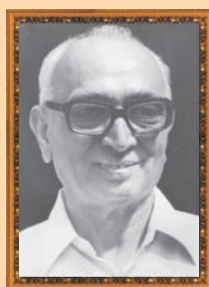
Indira Gandhi
YOB: 1970



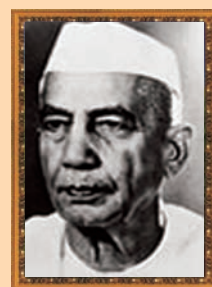
Y.B. Chavan
Year of Budget: 1971, 1972,
1973, 1974



C. Subramaniam
YOB: 1975, 1976

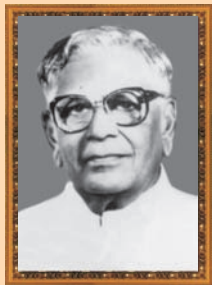


H.M. Patel
YOB: 1977, 1978

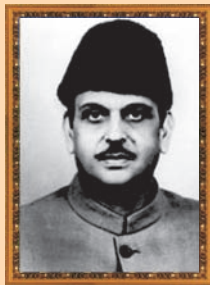


Charan Singh
YOB: 1979

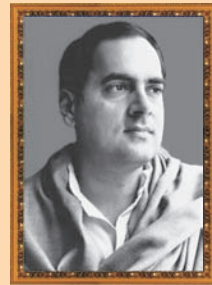
Budgets



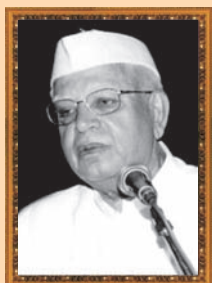
R. Venkataraman
YOB: 1980, 1981



Vishwanath Pratap Singh
YOB:: 1985, 1986



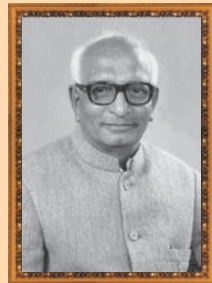
Rajiv Gandhi
YOB: 1987



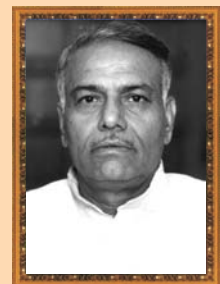
N.D. Tiwari
YOB: 1988



S.B. Chavan
YOB: 1989



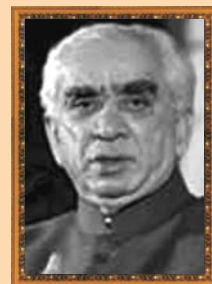
Prof. Madhu Dandavate
YOB: 1990



Yashwant Sinha
YOB: 1991, 1998,
1999, 2000, 2001, 2002



Manmohan Singh
YOB:1991, 1992, 1993,
1994, 1995, 1996



Jaswant Singh
YOB: 2003, 2004



P. Chidambaram
YOB: 1996, 1997,
2004, 2005, 2006, 2007, 2008



Pranab Mukherjee
YOB: 1982,1983, 1984,
2009, 2010, 2011, 2012

Investing in the Social Sector

Urmi Goswami



If the government wants to ensure that “faster, sustainable and more inclusive growth” becomes more than just a pretty slogan, it will do well to invest in its people by focusing on the social sector

LIn a “year of recovery interrupted”, there is cause to cheer the increase, no matter how inadequate, in allocations for the social sector. The sector received a hike of ₹32,215 crore, and the centre’s spend on social services holds steady at the just below 2 percent mark. Given the state of the global economy, the high inflation levels in the country, things could have been worse.

But once the initial relief passes, it is not difficult to see that the 19 percent rise in budgetary allocation is woefully inadequate considering the gamut of social sector services, which ranges from education, health to sanitation to welfare schemes for the disadvantaged, and the size and needs of India’s growing population. This year’s Budget once again stresses the manner in which the government’s

expenditure priorities have been skewed against the social sector.

Many will argue that social sector’s demand for higher allocations is something of a fetish. After all budgetary provision for the social sector increased for ₹39,123 crore in 2004-05 to ₹1,94,442 crore in the 2012-13. But consider this, between 2001 and 2011, India added as many as 1.81 crore persons to its population. And while India has had a healthy growth in GDP in the last ten years, public spend (centre and state) in the social sector only increased from 5.3 percent of GDP in 2004-05 to 6.7 percent in 2011-12.

The continued low share of social sector in the overall government spend raises an important question. How does the government plan to actualize its stated goal of inclusive and sustainable growth in the face

The author is Special Correspondent in the Economic Times.

of continued low priority to key sectors such as education and health?

In budget 2012-13, the two key development indicators—education and health—did not fare too well. Central government total allocation for education is at 0.73 percent of the GDP, marginally up from 0.69 percent in 2011-12. The spend on health is a cause for concern—this year the health budget increased by only ₹4,032 crore over last year's budget estimates. Central government spend on health is at 0.34 percent of GDP compared to 0.25 percent in 2011-12. The marginal increase in allocation is far too small to effect any real changes in the two crucial sectors.

There has been no real move towards the promised 6 percent of GDP for education, total public spend is yet to cross the 4 percent mark. Finance Minister Pranab Mukherjee provided for ₹25,555 crore for implementing the Right to Education through the Sarva Shiksha Abhiyan. Allocation is up by 21.7 percent over the ₹21,000 crore provided in 2011-12. However, this allocation is considerably lower than the ministry's projected requirement of ₹35,000 crore.

The Right to Education makes it compulsory for the government to provide education to all children up to the age of 14. The legislation was notified in April 2010. The first five years of the Act are crucial for ensuring adherence to standards set for schools and teachers. All states are expected

to notify state rules to implement the Right to Education this year. These two factors would push up the demand for funds. Not providing the required financial support could stunt the goal of universalizing elementary education.

There has been an increased dependence of this elementary education programme on the 2 percent cess levied in 2004-05. The share of cess in financing the Sarva Shiksha Abhiyan has been going up. In the current year, the cess accounts for 57 percent of the total Sarva Shiksha Abhiyan spend. For 2012-13, the budget estimates set the share of the education cess at 57 percent or ₹14,743 crore, of the total allocation of ₹25,555 crore. The increased share of the cess in financing elementary education presents a concern, as it is not accompanied by a commensurate increase in budgetary support. With the expenditure on elementary education not showing signs of stabilizing, the dependence on the levy to ensure that the government can meet its constitutional commitment should raise concerns. This over reliance on the education cess along with an increased push for private participation through the public-private participation raises an important question. This could be argued as signs of withdrawal by the government from provisioning for a key development indicator. This needs to be checked. Outsourcing the provision of education will not help; public funding of education needs to be

sustained. Inclusive and sustained growth that the government is pushing on paper can only be actualized if spend in education, a key development indicator, is increased substantially.

Another key area, which requires further investment, especially in light of the Right to Education Act, is teacher training. The Act mandates all teachers need to complete and meet training requirements within three years of the legislation being force. However, budgetary allocation for strengthening teacher-training institutes is constant at ₹450 crore. It needs to be said though in the current year, the ministry was able to utilize only ₹326.50 crore of the allocated ₹450. The low level of spend could explain the Finance Minister allocation in Budget 2011. Nonetheless, given that teachers are a weak link in the elementary education segment, it would be heartening to see a higher allocation and a roadmap for improving both quality and quantity of teachers in the Budget.

There has been a marked reduction in allocations of several schemes that cater to the addressing exclusion in the field of education. Schemes such as inclusive education for the disables at secondary school, information and communication technology in schools, and national scheme for incentive to girls for secondary education have been slashed. It is hoped that the Rashtriya Madhyamik Shiksha Abhiyan, which is geared

towards secondary schools, will incorporate these schemes within it. However, allocation for the Rashtriya Madhyamik Shiksha Abhiyan has not increased significantly. It has been stepped up from ₹2423 crore in 2011-12 to ₹3124 in 2012-13.

Finance Minister Pranab Mukherjee announced setting up a Credit Guarantee Fund for better flow of credit to deserving students. Shades of this mechanism have been announced earlier but failed to take off the ground. However, if implemented this year, it will help improve access to higher education.

What makes Budget 2012-13 unsettling for the education sector is that it fails to address critical concerns of inadequate outlays, unclear prioritization of sectors, under utilization of funds in certain cases, and the apparent withdrawal of the

government. These are issues that the government needs to address and provide some clarity, perhaps in the next Budget.

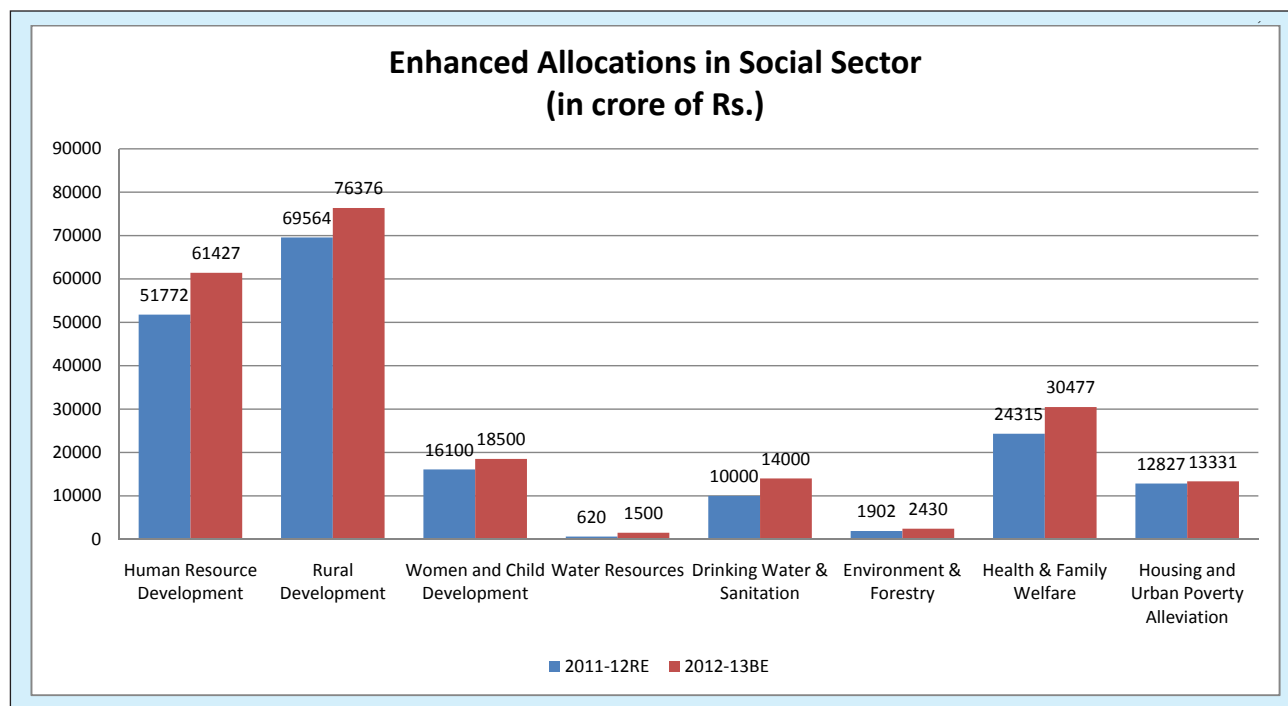
If the Budget 2012-13 raises concerns for the education sector, then the picture it paints for the health sector is one of gloom. There has been an overall increase of only ₹4,032 crore in the Budget.

The combined budgetary expenditure by the Centre and states remained at around 1 percent of GDP in 2010-11. In Budget 2012-13, spend on health accounts for 2.13 percent of the total spending of the central government. Extreme under provisioning for health has somewhat become a standard. Centre's total expenditure on health as a proportion of GDP has only marginally increased from 0.25 percent in 2003-04 to 0.34 percent in 2012-13. For a

country with a vast population, and a high level of people who can be adjudged as poor, such paltry spending on health is a cause of serious concern.

The low spend on health has serious repercussions. A study in Indian poverty by Anirudh Krishna of Duke University found that rural expenditure on health is the primary reason for families decline into poverty. The inability to spend on health and the debts incurred for it are factors that push families into poverty. Given this, the government's National Rural Health Mission was a crucial intervention; unfortunately, under funding has deepened the existing inequities.

The National Rural Health Mission, launched in 2005, envisaged upgrading every district headquarters hospital to provide quality health facilities to all by 2012. This would have been a critical measure given



that district hospitals play a key role in providing health services to the poor and that substantial improvements in infrastructure and other facilities are required so they can function more effectively. But the budget allocations for this scheme have been minuscule with only 20 percent of the recommended outlays during the entire 11th Plan period.

Budget 2012-13 proposes a 15 percent hike in the allocation from the ₹18,115 crore in 2011-12 to ₹20,822 crore in 2012-13. But given the infrastructure gaps and human resource crunch, this additional funding appears to be inadequate.

Spending on Human Resources for Health also projects a gloomy picture, with only 16 percent of the recommended outlays during the entire Plan period

If the National Rural Health Mission is to deliver its goals then substantial budgetary support is required to address the dire need to augment the rural health infrastructure, fill in vacancies of doctors, auxiliary nurse midwives, and paramedics. According to progress report only 27 percent of the primary health care centres are fully functional—just 6,239 of the total of 23,391 primary health care centres. There is a 16 percent shortage in the requirement of doctors at these centres. The norm of one accredited social health activist per 1000 persons is far from being met, the average is currently at 0.74 per 1000 persons.

Only 15 percent of primary health care centres have an auxiliary nurse midwife, while male health assistants can be found in 46 percent of primary health care centres, female assistants are more scarce, available in only 38 percent of centres. The gaps in the country's rural health infrastructure are a major issue given that health is a key indicator for development.

The health administration's track record in utilizing allocated funds for human resources has not been stellar. Mukherjee provisioned ₹348 crore in Budget 2011-12 for human resources for health, however only ₹248 crore was utilized. In recognition of the crucial importance of health personnel, Mukherjee has provided for a significant hike from ₹248 crore in 2011-12 to ₹454.50 crore in 2012-13. Better implementation could perhaps help address the gap in health personnel.

Budget 2012-13 seems to ignore the increase in incidence and geographical spread of vector borne diseases such as malaria, dengue, chikungunya and Japanese encephalitis. The budget for the National Vector borne Disease Control Programme has been marginally increased from ₹437.36 crore to ₹454.66 crore. This is much lower than the provision for 2010-11 of ₹568 crore. The low level of funds for public health is an indicator for another pillar of the government's "sustainable

and sustained" growth aim. Environment is a key public health concern. The lack of investment in public health rollout whether it is through key programmes or health infrastructure will also hinder the need for greater environmental accountability from the people.

Mukherjee announced the launch of the National Urban Health Mission to encompass the primary healthcare needs of people in the urban areas. However, with no allocation in the Budget, there is a likelihood that this announcement may not move beyond the drawing board for now. The Finance Minister also focused on upgrading the tertiary health sector. The Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) aimed at setting up of AIIMS-like institutions and upgrading existing Government medical colleges is being expanded to upgrade seven more Government medical colleges. The budgetary provision has been substantially hiked from ₹918.91 crore to ₹1544.21 crore. However, the promise of an expanded tertiary health care has been long time in the making, and it makes little sense to put much in store by the Budget announcement. It is clearly a case of wait and watch.

The biggest gainer in the social sector has been rural water supply and sanitation. Water supply and sanitation has finally got the attention that it deserved. The overall Budget allocation increased from ₹11,005.2 crore

in 2011-12 to ₹14,005.2 crore in 2012-13. Allocation for the National Rural Drinking Water Programme has been increased from ₹8,500 crore in 2011-12 to ₹10,500 crore in 2012-13. While for the Total Sanitation Campaign, there has been a hike in outlays from ₹1,500 crore in 2011-12 to ₹3,500 crore in 2012-13 (BE). This belated budgetary attention to a crucial facet is welcome, given the health feedback that both drinking water and sanitation have. However, what remains to be seen how the ministry implements its programmes and how far it is successful in effecting real change.

The inadequate provisioning for the social sector, particularly education and health, needs to be seen in the context of concerns about the resource mobilization efforts of the government. In his Budget Speech, the Finance Minister sent out clear signals that while the government would try to reduce borrowings it would not balance this move by increasing the tax burden. The targets for fiscal deficit reduction in 2013-14 and 2014-15 as stated in this Budget show a significant reduction in borrowings. Without a rise in tax revenue, this reduction will need to be effected through a reduction in government expenditure. This is evident from the fact that the central government's total expenditure as a percent of GDP is expected to shrink from 14.8 percent in 2011-12 to 14.7 percent in 2012-

13. This doesn't augur well for the social sector.

The tax -GDP ratio, that is the gross tax revenues as a proportion of the GDP, is low for India. The total tax revenue collected by Centre and states has fallen from the already low level of 17.4 percent of GDP in 2007-08 to 14.7 percent of GDP in 2010-11. The gross tax revenue collected under the Central Government tax system is projected to increase rather slowly from 10.1 percent of GDP in 2011-12 to 10.6 percent of the GDP in 2012-13 and at a similar rate over the next two years. In real terms, it means that public provisioning for the social sector, which is key for ensuring inclusive and sustainable development, are likely to come under pressure. Unfortunately, the Budget fails to provide any concrete proposals for the addressing revenues foregone due to tax exemptions.

Census projections for 2011 put the total population of five to twenty-nine year olds at 57 crore. Projections are that in 2025, over 70 percent of the country's population will be of working age. More often than not, Indian leaders refer to India's growing population as "demographic dividend", which presents the country with a challenge and an opportunity. In order to make good on this demographic dividend, there is a need for higher public spend in the social sector, especially key areas of education, health and sanitation.

However, inadequate provisioning for the social sector in the first year of the Twelfth Plan, which aims at a "faster, sustainable and more inclusive growth", should send the alarm bells ringing.

If the government is really interested in leveraging this demographic dividend it needs to move beyond rhetoric. A higher spend in the social sector, particularly on both education and health, is absolutely essential if the government is serious about inclusive and sustained growth. Improving the quality of the two key development indicators will create the requisite pressure to ensure that the high economic growth is both inclusive and sustainable. A better-educated and healthy populace will mean improved productivity. There is a tendency to view social sector spend as an outflow of resources—especially when it comes to providing education or healthcare. A part of this push for limiting public spend in these sectors comes from those who call for greater privatization of health and education. It would be a big mistake if the government retreats any further from these sectors. Investing in social sector segments like health and education is key to growth.

If the government wants to ensure that "faster, sustainable and more inclusive growth" becomes more than just a pretty slogan, it will do well to invest in its people by focusing on the social sector. □

Defence Budget: India's 'Monsoon' Strategy

Jayanta Roy Chowdhury



***Some 89 percent or
₹66,459.43 crore
of the total capital
spend has been kept
aside for capital
acquisition or
modernisation***

LAST AUGUST, an unidentified Chinese warship confronted an Indian naval ship near the coast of Vietnam and demanded it explain its presence in Chinese waters.

Many in India and elsewhere saw this as an unintended sampler of what the future may hold. As India and China grow, thriving on foreign trade and buying up energy supplies where they can, the two powers quite naturally look towards the sea-lanes which support their outward reach to the rest of the world.

While China earns a hefty 39.5 percent of its GDP from exports alone, India earns a not insignificant 22 percent from its sales to the rest of the world.

Similarly, India depends on imported oil for about 80 percent of its crude oil requirement, needed to drive its \$ 1.8 trillion economy. The giant Chinese economy which

accounts for roughly 13.5 percent of the global economy, also depends on foreign crude imports for at least 50 percent of its needs and this figure is expected to move upwards as China has a mere 1.2 percent of global proven reserves of oil and gas.

In ancient times, with the Monsoon winds, Indian fleets used to travel westwards to the Arabian peninsula and eastwards to the spice islands of Indo-China. Chola, Pala and much later Mughal fleets used to protect these shippers.

In much the same way, as vast Indian and Chinese fleets scour the seas for trade and resources, naval fleets of these two nations need to follow to provide security in far flung seas. China is believed to be laying the groundwork for a naval presence along maritime chokepoints in the South China Sea, the Malacca Straits, the Indian Ocean and the Strait of Hormuz in the Persian Gulf through

The author is a senior financial journalist.

acquisition of naval bases. While India, similarly, gears up to protect routes through which its oil supplies must traverse from the Middle East, Australia, Africa and Russian Siberia's Sakhalin.

China's interest in the port of Gwadar in Balochistan and in Arakanese ports in Myanmar along with oil pipelines and roads from these ports to mainland China is but natural. A casual look at the map of the Indian Ocean will show that the Straits of Hormuz, patrolled by the US and the Straits of Malacca, straddled by India's Andaman Island which boasts of a new integrated command, are the natural choke points for China's oil supplies. China wants to reduce risks and costs run up by its oil tankers, by offloading Middle Eastern crude at Gwadar and piping it to Sinkiang. Similarly, crude from South East Asia could be piped out from Arakan instead of being brought through the Straits of Malacca and then through the contested South China Seas.

It would be but natural, to expect India to respond to China's strategy, termed by one writer as 'String of Pearls' (in reference to the far off Ocean ports the giant nation wishes to control) by seeking friendly access to the Vietnamese, Taiwanese and Japanese ports for deploying its Naval assets to protect India's shipping and trade routes to the Far East and to access its equity oil at Sakhalin.

India's race to reach out and defend its sea-lanes is supported by its neighbours in South East and East Asia. Asean and Far East powers found themselves increasingly worried about China's maritime claims, which cover about 3 million square km. Most of this

is in two areas — the South China Sea, where Beijing's claims overlap mainly with those of Vietnam, the Philippines and Malaysia, and the East China Sea, where its claims are contested by Japan.

Beijing has described its territorial disputes with Japan and Southeast Asian countries as ones involving its "indisputable" or "inalienable" sovereignty. Though it has not ruled out compromise, it has at the same time increased its naval presence in these areas and flexed its muscle from time to time.

No wonder then that some 31 percent of the ₹79,198 crore capital budget for the defence forces have been earmarked for Indian Navy, hitherto the most neglected of India's armed forces. The Air Force which wants to buy new French made fighter aircraft to replace ageing jets is slated to spend slightly more with an allocation of over 38 percent of the capital budget. India's vast land army with more than 1.2 million soldiers will, by contrast, be getting a relatively lower capital outlay.

Some 89 percent or Rs 66,459.43 crore of the total capital spend has been kept aside for capital acquisition or modernisation. In the case of the navy this represents a huge build up – it has managed to garner a 72 percent increase in its budget on this count at Rs 24,151 crore. The Air Force's modernisation budget is pegged at ₹28,503 crore and Army's at just ₹13,804 crore. Navy's demands for building new ships have been given more priority to the Army's demand that new guns be bought to replace the more than two decades old Bofor's 155 mm howitzers.

According to Maritime Research firm AMI, India will spend almost \$45 billion over the next 20 years on 103 new warships, including destroyers and nuclear submarines.

China in contrast, will be spending around \$25 billion for 135 vessels.

However, in contrast to Air Force's buy of Rafael or Army's purchases of night vision equipment from Israel or search for an artillery gun abroad, the Navy has been depending largely on Indian dockyards to build its fleet.

This obviously gives it more bang for the rupee. Foreign equipment is costly. China realised this long ago and adopted the path of reverse engineering to build its missile forces, jet fighter crafts and assault rifles. Just one and half decade back, China, like India was a major importer of weapons. However, in the last decade and a half, it very consciously worked to 'catch up'. It reverse engineered British missiles, worked on Soviet era fighter jet platforms to work in improvements. It used students and scientists sent abroad on exchange programmes to spy on rival systems, a few of which were openly available, some commercially buyable. It hired out-of-work Soviet weapons scientists and specialists and restructured its own defence research and production labyrinths.

The Middle Kingdom has also strategised by coming up with innovative ideas to take on its arch rival – the US – whose military size, strength and spending - dwarfs everyone else. Beijing is believed experimenting with 'bugs' in telecom and power equipment which could cause power systems

in client countries to collapse. It has again reportedly trained armies of hackers and is perfecting satellite warfare capabilities to take out the communication lines of the enemy.

It has specifically designed Dong Feng 21D anti-ship ballistic missile which can strike US aircraft carriers in the event of a battle near Chinese coast. Similarly, it has worked on low cost 'swarm tactics' which would use smaller, cheaper and more manoeuvrable craft to attacks larger US fleets, somewhat akin to what the Somali pirates now do transnational shipping off the East African coast.

India has yet to fully realise the potentials for indigenous manufacture of high tech weapons or for innovating new attack systems which could be cheaper and involve less high tech inputs. Its creaking research and development organisation has been struggling to build a good main battle tank, a fighter jet and even a good assault rifle, even as its best brains have managed to break tech barriers to produce world class missile systems and rockets. Even today, India depends on Bulgarian and other former Soviet Union states to procure assault rifles for its

crack commando forces, while successfully building nuclear shields and 3,500 km-range nuclear capable missiles.

This inability to build 'nuts and bolts' while making far more sophisticated weaponry, has meant a huge drain on the treasury and far less 'bang' for the rupee for the Indian armed forces. Attempts are being made to remedy it, partly by introducing the private sector to defence production, partly by letting them rope in foreign partners to build systems and sub-systems for aircraft, armoured carriers and other weapon systems. However, an overhaul of India's basic defence R&D set-up and more extensive and leveraged use of India's ordinance factory network are still awaited.

However, in terms of overall defence spending, despite the Chinese depending on low cost indigenous manufacture as opposed to India's strategy of purchase of equipment from abroad, India's spending on its armed forces will still be drawfed by China. India's defence budget this year (2012-2013) will be just \$40 billion compared to China's gigantic spend of \$106 billion for the current year. While India's spend in rupee terms is 17 percent more than last year's,

China's is 11 percent more in Yuan terms than last year's.

An analysis of this year's budget papers show that out of the money sanctioned last year (2011-2012), large chunks remained unspent on the capital account. Some ₹3,055 crore remained unspent from last year, which was surrendered. The unspent budget surrendered would have been higher by over ₹2,800 crore, but for the fact that the Navy spent more than what was initially allotted to it.

The main head under which money has been surrendered is aero engines for the Air Force and Army. The surrender of monies on this account reflects poorly on a professional force which is trying to rapidly modernise to face up to multiple threats.

The natural question which follows any discussion on India's defence budget and its comparison with China's is : Will this rise in spending on both sides of the border necessarily fuel an arms race or worse, a conflict between two rising powers? Not necessarily. Both are mature nations and both are aware of their vulnerabilities. It would be wise on the part of both to be ready, and wiser to be even more ready to negotiate points of conflict. □

Harmonized Master List of Infrastructure Approved

The Finance Minister, informed that an Infrastructure Debt Fund with an initial size of ₹8000 crore has been launched to tap the overseas markets for long term pension and insurance funds, for financing infrastructure projects. In order to provide ease of access of credit to infrastructure projects, India Infrastructure Finance Company Limited (IIFCL) has set-up a structure for credit enhancement and take-out finance. Towards the same aim, a consortium for direct lending and grant of in-principle approval to infrastructure developers before bid submission for PPP projects has also been created.

The Finance Minister stated that the Government has approved guidelines under which defence Public Sector Undertakings adopting the PPP mode, can establish joint venture companies. This, he mentioned, will serve the two-fold objective of achieving substantive self-reliance in the defence sector while leading to production of state-of-the-art defence goods.

VAJIRAM-IAS '12

*VAJIRAM & RAVI has the **Unique Record** of having achieved **All-India first rank** in the IAS Examination for **10 years successively** from 1999 to 2009 and in 2010 & 2011 All-India 2nd & 3rd rank. And **many more ranks** within the first ten. Such is the **quality of teaching** in VAJIRAM & RAVI !*

2011 Exam Results: Over 400 selections including Four Ranks in top 10 (2,3,6& 10)

Main Examination courses will commence in May '12 for the Civil Services Examination in

***GENERAL STUDIES * CSAT**

***PUBLIC ADMINISTRATION * COMMERCE**

*** GEOGRAPHY * POLITICAL SCIENCE**

*** SOCIOLOGY * PSYCHOLOGY & GENERAL ESSAY**

**Online Registration for Admission
opens from 15th - 22nd May, 2012
www.vajiramandravi.com**

Postal coaching also available.

For details contact:

Vajiram & Ravi

9-B , Bada Bazar Marg, Old Rajinder Nagar , New Delhi - 110 060

Phone: 011-25820000, 25734058. E- mail: vajiramandravi79@gmail.com

Visit us at : www.vajiramandravi.com

YE-274/2012

Power Sector

*Hiranmoy Roy
Anil Kumar*



For the power sector, besides access to low cost funds, budget also proposed extension of the sunset date by one year for power sector undertakings so that they can be set up on or before March 31, 2013

INDIA'S FAST paced economy is looking at sources of capital to fund its infrastructure development.

Corporates too are looking to raise funds through bond issues. So the infra sector enthusiastically awaited some energetic stimuli from Union Budget 2012-13. A good beginning has been made with private-sector infra-NBFCs and public sector undertakings offering infra-bonds.

The modest expectation of different stakeholders of power sector from Union Budget 2012-13 were (1) With acute fuel shortage hurting projects, for the private power producers Finance Ministry must abolish five percent duty on coal imported for power plants. (2) Customs duty exemption for various facilities such as coal transportation

required for mega power projects. (3) Waiver of withholding tax in case of External Commercial Borrowings. Further, the companies venturing into power sector should be allowed to raise funds by issuing tax-free bonds (4) Plan Expenditures to be increased (5) Set up funds for loans (6) Coal tax to be abolished in view of its importance as one of the prime input in thermal power industry (7) Fund to provide soft loans to distribution companies (8) Under Section 80IA tax holiday to be extended to power projects (9) Increase spending towards distribution of power (10) Coal India Ltd (CIL) should reduce tariff levels for coal (11) Zero import duty on Solar Power equipments to be continued (12) Tax holiday to be continued for Solar Power Projects and also for Photo Voltaic (P.V.) material, zero import duty to be continued (13) Import duty for fuel and

The authors are Assistant Professor (S.S.), Dept of Economics and IB and Professor and HoD, Department of Power and Infra, College of Management and Economic Studies (CoMES), University of Petroleum and Energy Studies (UPES), Dehradun respectively.

equipments of Nuclear Power projects should be minimum (14) Taxes on Transmission equipments to be reduced (15) Improve the financial health of State Electricity Boards with higher subsidy and allocation.

In the light of the above expectations of power sector from Union Budget, let us see how far these expectations are being fulfilled in the present budget.

Overall Provision for Infrastructure: The general provisions for infrastructure in this budget which includes power sector also are as follows:

During Twelfth Plan period, investment in infrastructure to go up to ₹50 lakh crores with half of this, expected from private sector.

First Infrastructure Debt Fund with an initial size of ₹8,000 crore launched earlier this month

Tax free bonds of ₹60,000 crore to be allowed for financing infrastructure projects in 2012-13. This includes ₹10,000 crore for power sector.

A harmonized master list of infrastructure sector has been approved by the Government. This will help in removing ambiguity in the policy and regulatory domain and encourage investment in the infrastructure sector.

To ease access of credit to infrastructure projects, India Infrastructure Finance Company Limited (IIFCL) has put in place a structure for credit enhancement and take-out finance. A consortium

for direct lending and grant of in-principle approval to developers before the submission of bids for PPP projects has also been created

Specific to Power Sector: Coal India Limited advised to sign fuel supply agreements with power plants, having long-term PPAs with DISCOMs and getting commissioned on or before March 31, 2015.

External Commercial Borrowings (ECB) to be allowed to part finance Rupee debt of existing power projects.

Direct Tax Proposals for Power Sector: To provide low cost funds to stressed infrastructure sectors, rate of withholding tax on interest payment on ECBs proposed to be reduced from 20 percent to 5 percent for 3 years for certain sectors.

For the power sector, besides access to low cost funds as outlined above, budget also proposed extension of the sunset date by one year for power sector undertakings so that they can be set up on or before March 31, 2013 for claiming 100 percent deduction of profits for 10 years. Additional depreciation of 20 percent in the initial year is proposed to be extended to new assets acquired by power generation companies.

In the case of corporates, Finance Minister has not proposed any change in the tax rates. However, he has proposed certain measures to allow corporate

to access lower cost funds and to promote higher level of investments in several sectors.

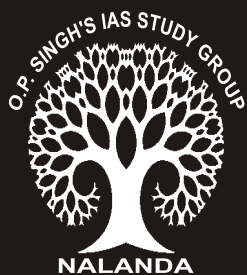
In order to provide low cost funds to some stressed infrastructure sectors, the rate of withholding tax on interest payments on external commercial borrowings is proposed to be reduced from 20 percent to 5 percent for three years.

Indirect Tax Proposals for Power Sector: Domestic producers of thermal power have been under stress because of high prices of coal. So the budget proposed to ease the situation by providing full exemption from basic customs duty and a concessional CVD of 1 percent to Steam coal for a period of two years till March 31, 2014. Full exemption from basic duty is also being provided to the following fuels for power generation:

- Natural Gas and Liquefied Natural Gas; and
- Uranium concentrates, Sintered Uranium Dioxide in natural and pellet form.

Some of the important expectations like investible funds for power sector (through external commercial borrowings), provision of low cost funds for power sector, exemption of custom duty to control the price of coal as an important input for power industries, exemption of natural gas and LNG from basic duty as an input, and additional depreciation of 20 percent are supposed to bring good fortune for power industry this year. □

YOJANA invites its readers to send in their valuable feedback and suggestions about the articles carried in the journal at the e-mail id yojanace@gmail.com



O.P. SINGH'S

IAS STUDY GROUP

G.S. + CSAT

**Economics
History**

**Public Administration
Geography**

REGULAR & WEEKEND

- ★ Foundation course for G.S. + CSAT - 2013
- ★ Weekend course for G.S. + CSAT - 2013
- ★ Mains course for G.S. and optionals in the end of May-2012

Why you should join the O.P. Singh's IAS Study Group

- ★ Focus on quality of material so that you read only important information.
- ★ A new approach of teaching synchronized with changing face of UPSC.
- ★ Current updates on national and international issues.
- ★ Online Blogs to read intellectual views on relevant issues.
- ★ There is definitely short route to success.
- ★ Balanced coverage of all the areas.
- ★ Strictly time-bound course.
- ★ 24 x 7 online support.

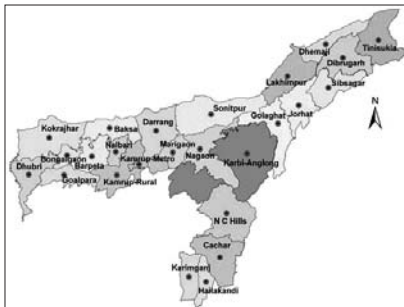
www.opsinghias.com

Ph.: 011-31, 32905959, 47401118, 09711881848
B-13, First Floor, Commercial Complex, Dr. Mukherjee Nagar,

YE-290/2012

Northeast India

B Singh



***For the
Agriculture sector
announcement
covered all the five
“I’s” including
Infrastructure,
Incentives,
Investment,
Initiative and
Institution with
special emphasis on
the eastern region***

UNION BUDGET 2012-13 has made an attempt to address research and development framework in various areas including education, handloom, and erosion control in the Northeast India.

Finance Minister, Pranab Mukerjee has shown resolve to take banking services in the far flung areas when he announced to extend Swabhimaan campaign to habitation with population of more than 1000.

The scheme which was launched last year in the country provided for providing banking services through business correspondent (BC) model to population of more than 2000. Several areas of the region still do not have banking service.

Mr. Mukerjee has been advocating financial inclusion and this measure are expected to

penetrate banking service in the accessible areas of the region.

Industry body, Federation of Industries for Northeast Region (FINER) President, R.S Joshi said that this will assist in promoting financial inclusion.

He added that the credit deposit ratio of the region is hanging around a meager 35 percent against an all India average of 57 percent. “This scheme will help in taking banking services to the inaccessible areas of the region.”

Mr. Mukerjee has proposed innovative scheme of ₹500 crore pilot schemes for geo-textiles in North-Eastern region. Geo bags are large cylindrical tubes made from Geo-Textile fabric which is woven from heavy plastic threads have been used in Matmora dykes in Lakimpur district in Upper Assam which breached almost 20 times since 1980’s. Repeated attempt made by government for

The author is a Guwahati based journalist.

creation of earthen embankment has failed in the area.

S.K Mahanta, who runs a consultancy firm working in the field of geo textile said, "Presently geo textile works are undertaken in river island of Majuli and in Arunachal Pradesh. The results have shown that geo bags are useful in arresting flooding and erosion. This announcement will benefit the region in the big way as presently we are importing geo bags from Malaysia."

This announcement is expected to boost indigenous production of geo bags and lessen dependency on imports.

Around 8000 hectares of land is being washed away by river Brahmaputra every year in Assam. Since 1954, land area of 4260 Sq km has been lost due to erosion.

Another important aspect of the Mr. Mukerjee's budget is creation of new knowledge and to this aspect he has provided ₹10 crore to Rajiv Gandhi University, Department of Economics, Itanagar in Arunachal Pradesh.

To cater to better training and design the union budget 2012-13 has proposed to come up with weavers' service centres in Mizoram and Nagaland. Handloom marketing is expected to receive a boost as these centres will focus on technology transfer and research besides research and development activity.

Sriparna Baruah, head of centre for industrial extension, Indian Institute of Entrepreneurship

remarked, "These centre will make huge difference to the design and research process. There are several lakhs weavers in Northeast India."

Union budget 2012-13 has hiked the budgetary allocation of Ministry of Development of Northeastern Region (DoNER) from ₹1664.27 Crore to ₹1929.33 crore.

The allocation under grants from Non-Lapsable Central Pool of Resources (NLCPR) has also been raised to ₹879 Crore from ₹799 Crore in 2011-12. Under special fund for infrastructure development in Arunachal Pradesh and other border areas budget has allocated ₹170 crore.

However industry bodies had mixed response on the budget, while Confederation of Indian Industry (CII) welcomed the budget, FINER termed the first budget of the 12th five year as a routine affair and financially crippled.

Abhijit Barooah, Co- Chairman, CII North East Council felt that this budget was more or less on expected lines.

"Onus would now be on implementation and delivery. Major emphasis has been accorded to Skill development sector. These would have immense implication in the North East and help mitigate the demand supply gap for skilled manpower in the region in general and the nation as a whole. Budgetary provisions have been announced for Skill development

institutes, ₹1,000 crore to be provided for NSDC in 2012-13."

He added, "Increase in service Tax and excise duty from 10-12 percent will add to the prices rise."

Dipak Chakravarty, Chairman, CII Assam State Council & Managing Director, Numaligarh Refinery Limited said that major emphasis has been accorded to cluster development. This together with announced PPP projects is a step forward that would translate and accelerate economic activities in the region."

The announcement of setting up of the ₹5000 crore venture fund for MSME sector through SIDBI would encourage this sector. This coupled with the interest subvention to women self-help groups is a boon for entrepreneurs of the region, CII observed.

For the Agriculture sector announcement covered all the five "I's" including Infrastructure, Incentives, Investment, Initiative and Institution with special emphasis on the eastern region. The region will definitely benefit from the announcements in this sector like the continuation of the green revolution."

The outlay for the second Green revolution in the Eastern India has been increased from ₹400 crore to ₹1000 crore.

FINER however opined that when economy is facing slowdown, instead of coming out with stimulus measures, like he did in 2008, the Finance Minister has resorted to

stiff hike of 20 percent in rates of Central Excise and Service tax, which would not only adversely effect the economic growth, but will badly hurt the common man, as he would have to pay for the resultant across the board price hike of goods and services.

FINER stated that another disappointing factor is that the Finance Minister has not come up with a clear roadmap for Goods and service tax (GST) and Direct Tax Code (DTC). People of the North Eastern Region will be more disappointed as the effect of price hike will be much more in the region than elsewhere in the country.

According to FINER Union budget 2012-13 failed to restore the fiscal incentives cuts of the Northeast Industrial North East Industrial and Investment Promotion Policy (NEIIPP). Industries and oil refineries were expecting that government will restore the excise benefit which the oil refineries of Northeast India were getting prior to the cut last year.

Chairman of Federation of Industries for Northeast Region (FINER) said, "Finance minister has disappointed industry of the region as well, as we do not find any measures in the budget to restore the spirit of NEIIPP 2007, by doing away with the arbitrary distortions made by his ministry earlier."

Sounding optimistic, Indian Oil Corporation Limited (IOCL) Chairman, R.S Butola explained that the viability gap funding as proposed by the Union budget 2012-13 for pipelines will help Northeast India in a big way.

Assam Chief Minister Tarun Gogoi has termed the Union Budget 2012-13 as a pragmatic one. He said the budget has to be looked into against the backdrop of global economic recession.

"Global recession has its impact in the country's economy leading to a fall in GDP growth rate last year. However, with the new initiatives taken up by the Finance Minister, the country's GDP is bound to reach the target this year", the Chief Minister remarked.

Quoting the Finance Minister's statement 'I must be cruel to be kind', Gogoi said sometimes tough measures have to be initiated to take the economy on growth path. "If taxes are not levied how will it be possible to meet the rising expenses? Sometimes you have to cut subsidies also."

The Chief Minister added the budget has rightly stressed on skilled development, building up surface communication, extending support to small and medium enterprises and most importantly on food security. "Even before the Union Budget, Government of India waived a whopping loan amount of the State worth ₹1500 crore owing to good fiscal management and discipline. The World Bank has extended a loan worth ₹2000 crore for road projects. So we can expect to get more by way of assistance from Government of India in the agriculture sector as well given the fact that the State has done well in the entire Eastern region of the country." □



YOJANA

Forthcoming Issues

**May 2012
&
June 2012**

May 2012
Environment and Development

June 2012
Women's Empowerment

Concessions and Exemptions Extended to Energy Saving Devices, Plants and Equipments Required for Solar Thermal Projects

Presenting the Budget in the Lok Sabha the Union Finance Minister Shri Pranab Mukherjee has proposed concessions and exemptions for encouraging the consumption of energy-saving devices, plant and equipment needed for solar thermal projects. The Finance Minister proposed to fully exempt a coating chemical used for compact fluorescent lamps from basic customs duty. Excise duty on LED lamps is also being reduced to 6 percent. Concession from basic customs duty and special CVD is being extended to certain items imported for manufacture for hybrid or electric vehicle and battery packs for such vehicles. Specified parts required for the manufacture of hybrid vehicles enjoy full exemption from basic customs duty and special CVD with concessional excise duty / CVD of 6 percent.

Shri Mukherjee proposed to increase basic customs duty on import of gold and other precious metals as a measure for reducing current account deficit. It has been proposed to impose basic customs duty of 2 percent on cut and polished, coloured gem stones at par with diamonds.

Service Tax Exempted for Items on Negative List Health Care, Services Provided by Charities, Religious Persons, Independent Journalists, Sportspersons Exempted from Service Tax

In his Budget Speech, the Union Finance Minister Shri Pranab Mukherjee said that the Government has proposed to tax all services except those in the negative list. The list comprises 17 heads. The important inclusions in the negative list comprise all services provided by the Government or local authorities, except a few specified services where they compete with private sector. The list also includes pre-school and school education, recognized education at higher levels and approved vocational education, renting of residential dwellings, entertainment and amusement services and a large part of public transportation including inland waterways, urban railways and metered cabs. Presenting the Union Budget 2012-13 Finance Minister Shri Pranab Mukherjee said that agriculture and animal husbandry enjoy a very important place in our lives. Practically all services required for cultivation, breeding, production, processing or marketing up to the stage the produce is sold in the primary markets are covered by the list.

The Finance Minister further stated that in addition to the negative list, there is a list of exemptions which include health care, services provided by charities, religious persons, sportspersons, performing artists in folk and classical arts, individual advocates providing services to non-business entities, independent journalists, and services by way of animal care or car parking.

Shri Mukherjee also announced exemption of the services of business facilitators and correspondents to banks and insurance companies. Construction services relating to specified infrastructure, canals, irrigation works, post-harvest infrastructure, residential dwelling, and low-cost mass housing up to an area of 60 sq.mtr. under the Scheme of Affordable Housing in Partnership are also included in the exemptions. He also proposed to raise the exemption for the monthly charges payable by a member to a housing society from ₹3,000 to ₹5,000.

KSG

Passionate about your success.....

KHAN STUDY GROUP

Ranked best school in imparting training in IAS Exam.



GENERAL STUDIES/ CSAT

with DR. KHAN

(Formerly, Lecturer in University of Delhi)

General Studies is not about a few optional themes...

It has its own identity

Study at an institute dedicated to G. S.

★★ **IT PAYS TO STUDY WITH SPECIALISTS** ★★

Classroom Courses: P.O.D Technique for General Studies Preparation

General Studies, CSAT, Public Administration

Foundation Course

JUNE 2012

Registration Started



Correspondence Course (English & हिन्दी)

- ▶ General Studies
- ▶ Geography
- ▶ History
- ▶ Public Administration
- ▶ Sociology (H)
- ▶ Psychology

Separate hostel facility arranged for Boys and Girls

Distance Learning Programme (DLP)

Avail the benefits of classroom study while staying at home; Ideal for early starters and working professionals (Call for details).

Send Rs.50/- DD/MO for Brochure

हिन्दी एवं अंग्रेजी माध्यम में पृथक बैच

We do not claim your success
we are party to your hard work

We are a dedicated team and expect only those
who are willing to work hard should join us.

Please Note: We do not know any short-cut to success.

Delhi: North Campus

2521, Hudson Line, Vijay Nagar
Chowk, Near G.T.B Nagar Metro
Station, New Delhi - 110 009
Ph: 011- 4555 2607/8, 2713 0786,
2713 1786, (M) 09717 380 832

Delhi: Rajender Nagar

52, Old Rajender Nagar Market,
Near Karol Bagh Metro Station,
New Delhi - 110 060
Ph: 011- 4517 0303, 4764 0303,
(M) 09717 380 832

Jaipur: Tonk Road

404, Apex Tower, Lal Kothi, Tonk
Road, Jaipur 302015,
Ph: 0141 - 4052441, 2743441
(M) 8290 800 441

Bhopal: M. P. Nagar

Plot No. 43 R. R. Arcade,
Second Floor (S-1,S-3)
Zone II, M. P. Nagar, Bhopal -
462011, Madhya Pradesh -
(M) 07509975361

Send us email: drkhan@ksgindia.com, You can also download Registration Form from our Website www.ksgindia.com

Safety, Consolidation and Modernisation

G Srinivasan



The thrust of the rail budget centred around five pillars of safety, consolidation, decongestion and capacity augmentation, modernisation and improving the operating ratio from 95 percent to 74 percent in the terminal year of the 12th Plan to 74 percent

THE RAIL Budget 2012-13 presented to Parliament on March 14 by the Railway Minister Mr. Dinesh Trivedi was a bold exercise in book-keeping ever attempted in the past several years. It was bold in the sense that after a lapse of eight years the Rail Budget proposed revision of passenger fares, an area that had been treated as a landmine by successive rail ministers. Even as the matter raised controversy in the political annals of the country, the fact of the matter is that the nitty-gritty of the Rail Budget need to be analysed threadbare so as to demonstrate how this budget will turn the fortunes of the system and put the Indian Railways (IR) back on track, if the provisions unveiled in the budget are followed up with implementation after passage in both houses of Parliament.

Before a thorough analysis of the contents of the rail budget is made, it would be relevant to note that ahead of the Rail Budget, on

March 6 the Railways hiked freight charges for most commodities including coal, foodgrains and fertiliser with the new rates coming into effect from the same day. The charges have gone up by up to 20 percent for most of the commodities with the range of increase being 20-28 percent. As a token concession, rates for iron ore exports for which the railways had been charging the highest as it is the second bulk item being hauled after coal, have been brought down by up to 31 percent. This move was likely to pan out ₹18,000 crore in a year. The Railways justified the pre-budget freight hike, arguing that this move was planned much earlier. But following the announcement of State Assembly elections they could not do so because the model code of conduct came into force. Hence the decision to hike the freight charges was announced on March 6. So over and above this pre-budget hike, the rail budget on March 14 effected a hike in

The author is a senior journalist based in New Delhi.

passenger fares ranging from 8 to 33 percent. In justification of the twin hikes, the Minister said in his budget speech that “I had two very clear yet contrasting options—either to keep the railways in status quo mode with just incremental annual changes or as the phrase goes, bite the bullet”. But sound economics and logic scored over short-term political brownie points of being populist in the larger interests of keeping the system’s finances in fine fettle and beef up revenue for a slew of programmes in the medium-term.

As a sequel to the hike in freight and passenger fares in the budget, the staff cost of IR that accounts for 51 percent of ordinary working expenses for fiscal 2012-13 would be down from 52 percent in the fiscal year 2011-12. Being the largest single employer with an army of workforce, this single percentage point implies a cost saving of about ₹5000 crore. The

rail budget also proposed the highest ever investment plan of ₹ 60,000 crore, of which 40 percent will come from the gross budgetary support (GBS), 30 percent from internal generation and 25 percent from market borrowing.

The thrust of the rail budget centred around five pillars of safety, consolidation, decongestion and capacity augmentation, modernisation and improving the operating ratio from 95 percent to 74 percent in the terminal year of the 12th Plan to 74 percent.

Towards this raft of objectives, it is proposed to set up a Railway Safety Authority as a statutory regulatory body as recommended by the Kakodkar Committee on safety.

Alongside, to lend more credibility to the system’s commitment to ensure safety for the travelling public, it is proposed to induct a new member to the Railway Board as solely in charge

of safety/research. There is a move to create missions as suggested by Pitroda Committee to implement the modernisation programme. More specifically, it is also proposed to align the annual plan investment with five focus areas identified by both the Committees that cover track, bridges, signalling and telecommunications, rolling stock and stations and freight terminals

In order to make meaningful the railways bid to raise resources for its various and ongoing expansion and modernisation programmes, a slew of measures was announced. Indian Railway Station Development Corporation would be set up to redevelop stations through public-private partnerships (PPP). There would also be a Logistics Corporation for development and management of existing railway goods sheds and multi-modal logistics parks. Besides, private investment schemes for wagon leasing, sidings, private freight terminals, container train operations,

RAILWAY BUDGET 2012-13

- 50 percent concession in fare in AC-2, AC-3, Chair Car & Sleeper classes to patients suffering from ‘Aplastic Anaemia’ and ‘Sickle Cell Anaemia’.
- SMS on passenger mobile phone in case of e-ticket to be accepted as proof of valid reservation.
- Introduction of satellite based real time train information system (SIMRAN) to provide train running information to passengers through SMS, internet, etc.
- Upgradation of 929 stations as Adarsh Stations including 84 stations proposed in 2012-13; 490 stations have been completed so far.
- Specially designed coaches for differently-abled persons to be provided in each Mail/Express trains.
- 75 new Express trains to be introduced.
- 21 new passenger services, 9 DEMU services and 8 MEMU services to be introduced.
- A wagon factory to be set up at Sitapali (Ganjam District of Odisha)
- A rail coach factory with the support of Government of Kerala to be set up at Palakkad; two additional new manufacturing units for coaches to be established in the Kutch area in Gujarat and at Kolar in Karnataka with active participation of the State Governments.
- Setting up of a factory at Shyamnagar in West Bengal to manufacture next generation technology propulsion system for use in high power electric locomotives.
- Setting up of 200 remote railway stations as ‘green energy stations’ powered entirely by solar energy.
- Providing solar lighting system at 1,000 manned level crossing gates.
- Three ‘Safety Villages’ to be set up at Bengaluru, Kharagpur and Lucknow for skill development for disaster management.

rail connectivity projects would be made more attractive.

On the financial performance, freight loading target was reduced by 23 million tonnes to 970 million tonnes (mt) for the fiscal year 2011-12 because of the general slowdown of the economy and the resultant weaker demand for movement of goods. But in consonance with the expected recovery in growth of the economy, the freight loading target is fixed at 1025 mt for 2012-13, which is 55 mt more than the fiscal 2011-12.

For the fiscal 2012-13, passenger growth is predicated on a 5.4 percent growth and the gross traffic receipts (combined freight and passenger) would be ₹1,32,552 crore, which is 27.6 percent increase over the revised estimate of ₹1,03,000 crore for the current fiscal. As a result of budgetary proposals and likely increase in traffic in the system, provision for Depreciation Reserve Fund (DRF) has been substantially stepped up to ₹9500 crore for 2012-13 and Pension Fund to ₹18,500 crore.

Two crucial initiatives in the rail budget deserve mention. One relates to the setting up of Railway Tariff Regulatory Authority. This has been suggested by several Committees in the past and also strongly pitched for by the Planning Commission. This long pending proposal, once in place, would ensure that the system gets progressively insulated against populism and

tariff revisions would be made easier depending on contingencies and rising input costs that impact on the operational viability. Again the rail budget flagged off fuel adjustment component in fares just as airlines do. Being the largest consumer of diesel and electric power the costs of which invariably soar, the proposal to adjust fare cost to the gyrations of fuel prices, if implemented, would really reflect the scarcity value of these vital energy inputs. This would also help efficiency gains to the system and compel it to conserve energy as a priority action.

Analysts found a few positive features in the rail budget for commendations. One such pertains to capacity augmentation. Here the objective is to modernise 19,000 kms high density network which carries 80 percent of the traffic in the popular Golden Quadrilateral linking Delhi-Mumbai-Chennai-Kolkatta. This is a significant programme since the dedicated freight corridors are not making any major headway.

Again, taking a perspective approach, the rail budget said that IR would invest ₹7.35 lakh crore during the 12th Plan (2012-17) against ₹1.92 lakh crore in the 11th Plan (2007-12). In five years from now, IR will almost double its contribution to India's gross domestic product (GDP), taking it well-nigh over two percent. The budget unveils a plan to introduce advance in signalling technology

and train protection system in over 3000 km. It has also given primacy of importance for the completion of accounting reforms since traffic costing in Railways has been a Sisyphean task with a substantial portion of joint costs (costs which get allocated between passenger and freight, on ratios), according to IR's former Financial Commissioner Ms. Vijayalakshmi Viswanathan. The accounting revamping once done would be able to capture the cost of running a passenger train in a more precise fashion.

One worrisome feature on the performance of the IR is that during 2011-12 the operating ratio skidded to 95 percent, overshooting the budget estimates by full five percentage points. The operating ratio measures to extent to which operating expenses eat up revenue. While this may partly be explained by shortfall in revenue targets and excessive expenditure, the rail budget makes bold to bring this to 84.9 percent in the fiscal year (2012-13) the inaugural year of the 12th Plan. Given the recent hikes in freight and passenger fares and other forward-moving thrust provided in the budget to augment revenue through PPP and marketing efforts, the Railways is confident to do better than the bygone year. If the economic growth too picks up as projected, the traffic offerings to the railways too would improve vastly, enabling the system to chug along confidently, analysts say. □

Farehike Rollback to cost ₹4,000 crore

The Railway Minister has reversed the hike in passenger fares for second class, sleeper, AC chair car and AC 3-tier categories proposed by his predecessor Dinesh Trivedi, saying it was needed to give relief to common man battling high inflation. He, however, did not withdraw the hike in AC 2-tier and first-class AC fares.

The rollbacks would mean a ₹3,500-4,000-crore hole in the budgeted gross traffic receipts of the railways, against ₹5,700 crore expected to be made from the first increase in passenger fares in eight years, the national transporter will mobilise less than ₹2,000 crore from this head.

R.C. SINHA'S

TM

NEW DELHI IAS

By attending classes of

R.C.SINHA

A PROFESSIONAL OF NATIONAL REPUTE

New Batches From 5-6-2012

- ★ MAIN-CUM-PRE- GENERAL-STUDIES
- ★ PUBLIC ADMN
- ★ SOCIOLOGY
- ★ GEOGRAPHY

CRASH COURSE (45 DAYS) for all the Subjects

**PUBLIC ADMN, GENERAL STUDIES,
SOCIOLOGY, GEOGRAPHY**

★ **IAS MAIN TEST-SERIES FROM -7-7-2012**

(NOTE-GET REGISTERED IN ADVANCE)

Ph.: 011-25751890, 09313431890, 09999871099

**Corp. Off.: 11A/19 Old Rajender Nagar Market
New Delhi-60. Visit us www.newdelhiiias.com**

Mail us : newdelhiiias@gmail.com

YE-291/2012

DO YOU KNOW?

PUBLIC DEBT MANAGEMENT

What is Public Debt Management?

Sovereign debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals the government may have set, such as developing and maintaining an efficient market for government securities.

In a broader macroeconomic context for public policy, governments should seek to ensure that both the level and rate of growth in their public debt is fundamentally sustainable, and can be serviced under a wide range of circumstances while meeting cost and risk objectives

What is the Objective of Debt Management?

The main objective of public debt management is to ensure that the government's financing needs and its payment obligations are met at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk.

What is the importance of Public Debt Management?

Poorly structured debt in terms of maturity, currency, or interest rate composition and large and unfunded contingent liabilities have been important factors in inducing or propagating economic crises in many countries

throughout history. For example, irrespective of the exchange rate regime, or whether domestic or foreign currency debt is involved, crises have often arisen because of an excessive focus by governments on possible cost savings associated with large volumes of short-term or floating rate debt. This has left government budgets seriously exposed to changing financial market conditions, including changes in the country's creditworthiness, when this debt has to be rolled over. Foreign currency debt also poses particular risks, and excessive reliance on foreign currency debt can lead to exchange rate and/or monetary pressures if investors become reluctant to refinance the government's foreign-currency debt. By reducing the risk that the government's own portfolio management will become a source of instability for the private sector, prudent government debt management, along with sound policies for managing contingent liabilities, can make countries less susceptible to contagion and financial risk.

What are the different categories of Public Debt Management?

Under current budgetary practice, there are three categories of Union government liability that constitute public debt - internal, external and "other" liabilities.

Internal debt is classified into (1) market loans, (2) other long and medium-term borrowing and

(3) short-term borrowing and is shown in the receipt budget of the Union government. It includes market loans, special securities issued to the Reserve Bank of India (RBI), compensation and other bonds, treasury bills (including 14-day treasury bills issued to States only), commercial banks and other parties, as well as non-negotiable and non-interest bearing rupee securities issued to international financial institutions.

External debt represents loans received from foreign governments and multilateral institutions. The Union Government does not borrow directly from international capital markets. Its foreign currency borrowing takes place from multilateral agencies and bilateral sources, and is a part of official development assistance (ODA). At present, the Government of India does not borrow in the international capital markets.

However, as noted by the Report on Ministry of Finance for the 21st Century (Kelkar Report), this is a partial picture and does not account for "proxy" foreign exchange borrowing, in the form of contingent liabilities. Foreign exchange borrowing by para-statal agencies is substantially influenced by the Union Government. For example, the State Bank of India (SBI), which is majority owned by the Union Government and the RBI, borrows in foreign currency through instruments

such as Resurgent India Bonds, India Millennium Deposits and Millennium India Bonds (MIB). The Union Government and RBI restrict how SBI can use these funds, and the Union Government provides exchange rate guarantees for this borrowing. Government-owned banks have raised substantial funds through this route for many years now; 1.6 billion USD was raised using the “India Development Bond” in 1991, 4.2 billion USD using the “Resurgent India Bond” in 1998 and 5.3 billion USD using the “Millennium India Deposit” in 2000, (MoF, 2004).

The “**other**” liabilities category, not a part of public debt, includes other interest bearing obligations of the government, such as post office savings deposits, deposits under small savings schemes, loans raised through post office cash certificates, provident funds and certain other deposits

What is the Debt Portfolio of the Government?

A government’s debt portfolio is usually the largest financial portfolio in the country. It often contains complex and risky financial structures, and can generate substantial risk to the government’s balance sheet and to the country’s financial stability. As noted by the Financial Stability

Forum’s Working Group on Capital Flows, “recent experience has highlighted the need for governments to limit the build-up of liquidity exposures and other risks that make their economies especially vulnerable to external shocks.” Therefore, sound risk management by the public sector is also essential for risk management by other sectors of the economy “because individual entities within the private sector typically are faced with enormous problems when inadequate sovereign risk management generates vulnerability to a liquidity crisis.” Sound debt structures help governments reduce their exposure to interest rate, currency and other risks. Many governments seek to support these structures by establishing, where feasible, portfolio benchmarks related to the desired currency composition, duration, and maturity structure of the debt to guide the future composition of the portfolio.

What is Cash Management and Annual Financial Statement?

Cash management in India is a collaborative effort of the Reserve Bank of India (RBI) and the Budget Division, Ministry of Finance. The RBI acts as the banker to the Government and in this process maintains the Consolidated Fund of India. It also participates actively in the cash forecasting process, which

is carried out via negotiations between the Budget Division and the RBI. The Monitoring Group on Cash and Debt Management coordinates this process in its meetings. The RBI uses the Ways and Means Advances, which are short-term (three month) loans to States to smooth temporary mis-matches in revenues and expenditures.

Under Article 112, the Central Government is required to submit an annual financial statement before both Houses of Parliament each year, showing estimated receipts and expenditures for that year. The estimates of expenditure in the annual financial statement fall into two categories: (1) sums required to meet expenditure that the Constitution provides is to be charged upon the CFI and (2) sums required to meet other expenditure proposed by the Central Government.

Under Article 113(1), estimated expenditure charged on the Consolidated Fund of India under the first category is not submitted to the vote of the Parliament, but nothing in Article 113 prevents either house of Parliament from discussing those estimates.

Under Article 113(2), the Lok Sabha shall have the power to vote on “other expenditure”, i.e. the second category of proposed expenditure in the annual financial statement.

Once Parliament sanctions grants based on the annual financial statement, an Appropriations Bill is introduced to provide for the appropriation out of the CFI of all monies required to meet these grants and any expenditure charged on the CFI. □

Table 3.1: Debt Management Functions of the Central Government

	Front Office	Middle Office	Back Office
Function	Implementation of debt strategy	Strategy formulation	Record keeping etc.
Domestic debt	PDO, RBI, Banks, Post Offices	IDMD, RBI, Budget Division	DGBA and CAS, RBI, CCA(F), MoF
External debt	BC and FB Division of MoF	External Debt Management Unit	CAAA

Woman Farmer Weaves Magic

Anjana George



Kunjumol has developed integrated farming in her farm, planning, calculating and applying it well

FOR MANY, agriculture is just a way for living. But for Kunjumol in Kerala's Idukki district, farming was also a way to distract herself from the sudden loneliness she faced when her husband died 16 years back.

The passion took a 'serious turn' recently with the fifty-one-year-old Kunjumol Jose being selected for the Karshakasree award instituted by Malayala Manorama group. Significantly this is the first time that the ten year old biennial award has gone to a woman farmer.

Her 10-acre plot in Parathodu in the outskirts of Idukki is a testimony to her vision. Coffee, pepper, paddy, vegetables and other spices nurtured with love and care grow side by side with coconut trees in this sprawling farm. The site was by no means easy given the adverse geography and sharp climatic variations in the hilly

district where the terrain is located at altitudes ranging from 2500 to 7000 feet above sea level.

This agriculture explorer, the daughter of Kunjachan and Mariyama from Munnar was married to Jose George from Parathodu when she was 25. Till then agriculture was something which she had only seen from far away. It was her marriage that introduced her to farming. The couple was blessed with two children, Anoop and Arun.

"I had no idea about farming. In the initial days I used to go with my husband and in-laws to the farm. My father-in-law taught me to sow the seeds. Coming from a non agricultural background it took me a lot of time to get accustomed to the new situation," recalled Kunjumol.

When Jose George died in 1995, she was shattered. Though she was pushed into deep depression Kunjumol had to manage herself to

The author is an electronic media professional based in Kerala.



come out of it as the responsibility of the whole family was now on her shoulder.

This is when Kunjumol turned to farming, deciding to do it seriously. The plants and soil gave her support and strength to overcome her loneliness. After 16 years, she is now a successful farmer having adopted sustainable and integrated farming.

“I wanted to overcome my sadness. It was hard to accept my husband’s death. But I had no other way. I had to take care of my kids. I never wanted to work outside. Then I felt farming will be the best option. Here I depend on nature and I am my own master.”

The woman farmer has combined agriculture and animal husbandry with proper water management system in her farm which is basically the ancestral property of her husband. She also raises cows, goats, a buffalo, poultry and fish.

Every seed, plant and animal in Kunjumol’s farm gets individual attention from her. The piece of land also has an excellent water management system with 5 ponds. Officials from the state agricultural department provide weekly tips on scientific cultivation.

“I personally treat each plant and animal over here. These are my

strength. I do not feel lonely when I am with them.”

Kunjumol has developed integrated farming in her farm, planning, calculating and applying it well. Bench type terracing has been adopted for raising the crops as the farm is a sloping terrain. Coffee, pepper, nutmeg and peppermint are grown at the first level, coconut, tubers, ginger and plantains on the second while paddy and vegetables take the third, in the descending order. The cow dung and other wastes from animals are used as manures and for biogas. Agricultural wastes are used to feed these animals.

“We have vermi compost pits. This is a good way to manage the wastes and it is used as manure,” she explains.

The farm has completely adopted organic farming system by avoiding artificial pesticides and chemicals. Pest control is achieved naturally by using a mixture of Cassia fistula with cow dung or washing soap and Nicotiana tabacum on the crops.

Given the adverse weather condition like sudden hail storms and sharp sun, the small plants are given shade while the bigger ones are saved from the heat by heaping the dead leaves around the bottom of the trunk.

The main crop here is coffee which is best suited for the weather. There are also 10,000 plantains, 4000 pepper climbers and 250 elaichi plants. Paddy is cultivated in one and a half acres and it yields 3000 kilograms annually.

Her greatest support is a group of faithful farm hands. There are

six permanent members to help her including men and women.

“They are very dedicated and hardworking. I have heard many of my relatives complaining about their farm hands. But I treat mine as my brothers and sisters. They are given good wages and food. They are happy to work with me and I do not have any tension. I feel satisfied that six families live happily with my support,” beams Kunjmol.

Though there is no proper transport facility from this remote area Kunjumol successfully markets her yield. Plantains and vegetables are sold in the market run by Vegetable and Fruit Promotion Council every Wednesday and Saturday. The rest of the products are sold in the nearest towns- Adimali and Kambilikandam .

“I get immense support from my relatives and neighbours. Our agricultural officers and people over here are of great help. I could not have survived if I were alone,” says Kunjumol.

Being a realist Kunjumol ensured that her children get proper education. Her elder son is a veterinary doctor and the younger one is pursuing his post graduation. “I do not think my kids can survive only by farming. I want them to go for job outside. Now I am energetic enough to take care of this property. I have not thought of the future.”

“I wanted to set an example for women who struggle to pull themselves out of depressing situations. Instead of mourning the losses we can rescue ourselves by concentrating on other creative things,” she remarks. □

RESULT

INDIAN ECONOMIC SERVICE 2010-11



ADITI GARG



MOLISHREE



KOKILA JAIRAM



NEHA MEENA



TARUNA

ALL INDIA SELECTION 18, 5 FROM KALINGA IAS

Join No. **1** Institute For

ECONOMICS

BY : ABANI KUMAR DASH

MAINS 2012/ IND. ECO. SERVICE 2012/TEST SERIES

SPECIAL BATCH FOR UGC - NET

Correspondence Course is also available

ORIENTATION : 5 PM. 3rd JUNE

G.S. MAINS MODULAR

ECONOMY

BATCH : 11th JUNE 2012

RBI Gr- B PRELIMS & MAINS BATCHES



**THE
ECONOMIST**

KALINGA IAS

77, Old Rajender Nagar Market, New Delhi - 110060

Ph. : 011-24510818, 9871952220, 09313684458 Visit us : www.kalingaias.com

YE-276/2012

Pursuit of Development Agenda with Honesty and Integrity

R C Rajamani



As India enters the 12th Five Year Plan on April 1, 2012, the challenges before it are to lay down a sound foundation for a major push to infrastructure investment, building human capital, and eradicating poverty and malnutrition, the survey argues

PERHAPS IN a first such instance, the Economic Survey (2011-12), tabled in Parliament on March 15, has sent out a strong political message, commending honesty, integrity, and trustworthiness in the pursuit of development agenda. Presented by the Union Finance Minister, Mr Pranab Mukherjee, the annual document that surveys the economic scene over a one year period has warned that the country will stagnate and remain in the trap of chaotic poverty in the absence of morality and persistence of corruption.

“We now know that a market economy cannot function if people are totally self-serving,” says the survey.

“While self-interest is a major driver of economic growth, it is important to recognize that honesty, integrity, and trustworthiness

constitute the cement that binds society,” the survey says.

“Honesty and integrity can be nurtured and aversion to corruption can be shored up,” it says, and adds: “If these traits are absent or inadequate in a nation, it is likely that that nation will stagnate and remain in a chaotic poverty trap.”

As India enters the 12th Five Year Plan on April 1, 2012, the challenges before it are to lay down a sound foundation for a major push to infrastructure investment, building human capital, and eradicating poverty and malnutrition, the survey argues.

The survey also dwells on the different estimates of people below the poverty line, notably based on the Lakdawala Committee and the Tendulkar Committee, pegged at 27.5 percent and 37.2 percent, respectively, for 2004-05.

But the survey also points out that poverty levels have, indeed, fallen in India. “Even though the

The author is Editorial Consultant, The Statesman, New Delhi.

Tendulkar methodology gives higher estimates of headcount ratios for both 1993-4 and 2004-5, the extent of poverty reduction is 8.1 percentage points which is not very different from the reduction of 8.5 percentage points during the same period as per Lakdawala Methodology,” it says.

“The state-wise estimates of poverty as recomputed by the Tendulkar Committee show that the highest poverty headcount ratios for 2004-5 exist in Odisha (57.2 percent), followed by Bihar (54.4 percent) and Chhattisgarh (49.4 percent) against the national average of 37.2 percent.

On the growth front, the document as a whole is in line with informed estimates in preceding weeks and says the country’s economy is estimated to grow only by 6.9 percent in the current fiscal ending March 31 and blames the decline on poor industrial expansion. Nevertheless, it holds out hopes of higher growth for future. The Planning Commission, RBI and Prime Minister’s Economic Advisory Council (PMEAC) have all more or less zeroed in on 6.9 growth in the recent past.

The estimate indicates a slowdown compared not just to the previous two years, when the economy grew by 8.4 percent, but also from 2003 to 2011, except 2008-9 economic downturn, when the growth rate was 6.7 percent.

However, the Survey predicts 7.6 percent GDP growth in 2012-13 and 8.6 percent in 2013-14.

Taking comfort from the situation in the rest of the world, the survey maintains that despite the low growth figure of 6.9 percent, India

remains one of the fastest growing economies of the world as all major countries including the fast growing emerging economies are seeing a significant slowdown. The global economic environment which was tenuous at best throughout the year, turned sharply adverse in September, 2011, owing to the turmoil in the euro-zone countries and questions about others, reflected in sharp ratings downgrades of sovereign debt in most major advanced countries.

With agriculture and services continuing to perform well, the slowdown can be attributed almost entirely to weakening industrial growth, the Survey contends.

The services sector continues to be a star performer as its share in GDP has climbed from 58 percent in 2010-11 to 59 percent in 2011-12 with a growth rate of 9.4 percent. Similarly, agriculture and allied sectors are estimated to achieve a growth rate of 2.5 percent in 2011-12 with foodgrains production likely to cross 250.42 million tonnes owing to increase in the production of rice in some States.

The industrial sector has performed poorly, retreating to a 27 percent share of the GDP. Overall growth during April-December 2011 reached 3.6 percent compared to 8.3 percent in the corresponding period of the previous year.

While a large part of the reason for the slowing of the Indian economy can be attributed to global factors, domestic factors also played role. Among these are the tightening of monetary policy owing to high and persistent headline inflation and slowing investment and industrial activity.

The Survey expects the growth rate of real GDP to pick up to 7.6 percent in 2012-13 and faster beyond that. Pointing to the decline in overall investment rate, the Survey says that the Gross capital formation during the third quarter of 2011-12 as a ratio of GDP was at 30 percent, down from 32 percent one year ago.

As fiscal consolidation gets back to track, savings and capital formation should begin to rise, it says, adding, “with the easing of inflationary pressures in the months to come, there could be a reduction in policy rates by RBI, which should encourage investment activity and have a positive impact on growth.”

Preliminary calculations suggest that the growth rate of GDP in 2013-14 will be 8.6 percent, the survey says but adds a rider: “These projections are based on assumptions regarding factors like normal monsoons, reasonably stable international prices, particularly oil prices, and global growth somewhere between where it now stands and 0.5 percent higher.”

Noting that global economy remains quite fragile, the survey says concerted efforts will be needed through G-20 and other forums to restore stability and renewed growth, including addressing the sovereign debt crisis, financial regulation, growth and job creation efforts and energy security.

The Survey suggests that the progressive deregulation of interest rates on savings accounts will help raise financial savings and improve transmission of monetary policy. Other key areas include the deepening of domestic financial

markets, especially corporate bond market and attracting longer-term inflows from abroad.

Predicting that India's foreign trade performance will remain a key driver of growth, the survey recalls that during the first half of 2011-12, India's export growth was a high 40.5 percent, but has been decelerating since. Imports have grown rapidly, by 30.4 percent during 2011-12 (April-December). Similarly, country's Balance of Payments has widened to \$32.8 billion in the first half of 2011-12, compared to \$29.6 billion during the corresponding period of 2010-11. The foreign exchange reserves increased from US \$279 billion at end March 2010 to US \$305 billion at end March 2011. Reserves varied from an all-time peak of US \$ 322.2 billion at end August, 2011 and a

low of US \$292.8 billion at end-January, 2012.

The Survey points out that India is now much more closely integrated with the world economy as its share of trade to GDP of goods and services has tripled between 1990-2010. At the same time, the extent of financial integration, measured by flows of capital as a share of GDP, has also increased dramatically and the role of India in the world economy has commensurately expanded, along with the other major members of emerging markets, the survey says.

Generally, the Economic Survey throws hints on what to expect in the following central budget. As the finance minister himself pointed outside parliament after tabling the survey, it provides vital inputs for

Budget preparation and can also be critical of government policies.

"It (Survey) charts economic development and challenges faced during the fiscal year. It is a vital input for the preparation of the Budget. I view this economic survey as a vehicle for 14 new ideas and alternative policy options. It (Survey) need not necessarily play the views of the government alone. Sometimes, it criticises the views of the Government or policies of the Government," he said.

This year's Economic Survey has added two new Chapters- financing of climate change and India's emergence in the global economy, which analyses the current global slowdown, eurozone crisis and what it means to India.

The 2011-12 Survey has also suggested the government adopt

Highlights of Economic Survey 2011-12

1. Rate of growth estimated to be 6.9 percent. Outlook for growth and stability is promising with real GDP growth expected to pick up to 7.6 percent in 2012-13 and 8.6 percent in 2013-14.
2. Agriculture and Services sectors continue to perform well. 2.5 percent growth in Agro sector forecast. Services sector grows by 9.4 percent, its share in GDP goes up to 59 percent.
3. Industrial growth pegged at 4-5 percent, expected to improve as economic recovery resumes.
4. Inflation on WPI was high but showed clear slow down by the year-end; this is likely to spur investment activities leading to positive impact on growth.
5. WPI food inflation dropped from 20.2 percent in February 2010 to 1.6 percent in January 2012; calibrated steps initiated to rein-in inflation on top priority.
6. India remains among the fastest growing economies of the world. Country's sovereign credit rating rose by a substantial 2.98 percent in 2007-12.
7. Fiscal consolidation on track - savings & capital formation expected to rise.
8. Exports grew @ 40.5 percent in the first half of this fiscal and imports grew by 30.4 percent. Foreign trade performance to remain a key driver of growth. Forex reserves enhanced - covering nearly the entire external debt stock.
9. Central spending on social services goes up to 18.5 percent this fiscal from 13.4 percent in 2006-07.
10. MNREGA coverage increases to 5.49 crore households in 2010-11.

the path of fiscal consolidation to bring down fiscal deficit, besides undertaking a crackdown on corruption.

The Survey says the slowdown in economic growth should act as “a wake-up call” for the government and the RBI to address the domestic issues hampering recovery.

Referring to tight monetary policy, persistently high inflation and slowing investment and industrial activity, it says, “there is room and need to be innovative in terms of policy; the slowing of economy is a wake-up call in that respect”.

The Survey hopes that inflation would come down to 6.5-7 percent by March end. “Reining in inflation and containing inflationary expectations will continue to be important objectives of monetary policy; the shift to growth objectives has started. As inflation eases, it will open up opportunities to reduce policy rates.”

The fiscal deficit, it says, will narrow to 4.1 percent in 2012-13 fiscal. For the current fiscal, it is widely expected that the Budget projection of 4.6 percent will overshoot by one percentage point.

“Going forward there is a need to anchor fiscal consolidation on structural reforms in expenditure,” the survey says, adding that lower-than-expected growth in revenue receipts, slowdown in industry, rising costs and additional expenditure on account of stickiness in high global commodity prices, brought about slippages in the government finances.

The Survey also hopes that industrial growth is likely to

rebound next fiscal on moderation in inflation and easing global commodity prices and declining interest rates.

It projected the economic growth to rebound to 8.6 percent in 2013-14 fiscal, however, according to the Chief Economic Advisor to the Finance Minister, Mr Kaushik Basu, “there could be one more year of slowdown in investment and savings.”

Currently investment and savings rate stands at 35.1 percent and 32.3 percent respectively. Three year ago investment rate was over 38 percent, while the savings was more than 36 percent.

FDI in multi-brand retail

Favouring a phased opening of India’s multi-brand retail trade to FDI, the survey says foreign investment could help in curbing food inflation in a significant way.

“Allowing FDI in multi-brand retail is one of the major issues in this sector. This could begin in a phased manner in the metros, with the cap at a lower level coupled with incentivising the existing ‘mom and pop’ stores (kirana shops) to modernise and compete effectively with the retail shops, foreign or domestic.”

The Inter-Ministerial Group (IMG) on inflation has recommended leveraging FDI in multi-brand retail as one of the means for addressing issues relating to high rates of food inflation and low prices realised by Indian farmers.

While agricultural marketing could improve immensely with the growth of modern retail trade, revenue to the government could also increase, as at present the retail

sector is largely unorganised and has low tax compliance, it adds. As per IMG on inflation, FDI in multi-brand retail would help in developing a ‘farm-to-fork’ retail supply system, and addressing the investment gaps in post harvest infrastructure for agricultural produce.

Since 2006, India has been allowing FDI in single brand retail to the extent of 51 percent. In January 2012, the government removed restrictions on FDI in the single brand retail sector, allowing 100 percent FDI.

The government has, however, put a condition in respect of proposals involving FDI beyond 51 percent, making mandatory sourcing of at least 30 percent of the value of products sold from Indian ‘small industries/ village and cottage industries, artisans and craftsmen’

The value of trade (inclusive of wholesale and retail in the organised and unorganised sectors) in India’s GDP at constant prices has grown from ₹433,967 crore in 2004-05 to ₹7,42,621 crore in 2010-11, at a CAGR of 9.4 percent.

“With a high GDP growth in the last five years, and high growth in consuming population, the retail business is of late being hailed as one of the sunrise sectors in the economy,” the survey says, noting that A T Kearney, an international management consultancy firm, has identified India as one of the topmost retail destinations.

Sectoral Analysis

Providing a sectoral analysis, the survey says retail trading companies have witnessed a decline

in sales growth in 2010-11 by 12 percent and so far in 2011-12 by 9.4 percent.

“A sharp rise in prices of branded apparels, due to the imposition of 10.3 percent excise duty as well as a rise in prices of yarn and fabrics, led to lower consumer spending and this has hit the sales volumes of garment retailing companies.” However, during 2012-13 sales are expected to grow by 15.7 percent. PAT during 2011-12 is expected to show an impressive growth of 53.1 percent and during 2012-13 is expected to grow by 34.4 percent, it adds.

“India has emerged as the fourth largest economy globally with a high growth rate and has improved its global ranking in terms of per capita income. Yet, the fact remains that its per capita income continues to be quite low,” it says, pointing out, “India has moved up the ranks, but is still the poorest among the G-20.”

The per capita income of India stood at \$1,527 in 2011, it says, adding. “...this is perhaps the most visible challenge. Nevertheless, India has a diverse set of factors, domestic as well as external, that could drive growth well into the future.”

Between 1980 and 2010, India achieved a growth of 6.2 percent, while the world as a whole registered a growth rate of 3.3 percent. As a result, India's share in global GDP more than doubled from 2.5 percent in 1980 to 5.5 percent in 2010, it says.

Consequently, India's rank in per capita GDP showed an improvement from 117 in 1990 to 101 in 2000 and further to 94 in 2009. China, however, improved

its rank from 127 to 74 during the same period.

G-20 or the Group of 20 nations was formed in 1999 after the East Asian crisis as a forum of finance ministers and central bank governors.

The survey says that any slowdown in eurozone, which accounts for 19 percent of the global GDP, could impact the Indian economy. The International Monetary Fund (IMF) has forecast that the eurozone is likely to go through a mild recession in 2012.

India has become the fourth largest economy in the world due to a strong economic growth but still has a low per capita income.

Conditions not appropriate for going ahead with scheduled disinvestment plan

The Survey stresses the need for concerted steps to cut spending and check slippage in government finances so as to achieve fiscal consolidation.

Although the fiscal deficit is likely to come down to 4.1 percent in 2012-13, the Survey notes, “Going forward there is a need to anchor fiscal consolidation on structural reforms in expenditure”.

The hint is towards focussed spending on key social sectors and infrastructure development and pruning leakages in subsidies by identifying targeted beneficiaries through direct transfer as proposed.

With lower-than-expected growth in revenue receipts coupled with slowdown in industry, rising costs and additional spending on account of stickiness in high global commodity prices, the Survey says

that there had been slippages in government finances.

“Besides, the financial market conditions were not appropriate for going ahead with the scheduled disinvestment plan. “As such, a slippage on the targets of the deficit indicators is likely though efforts are afoot to minimise them.”

Explaining the reasons for such a situation, the Survey points essentially to an exceptional year when a whole host of factors have turned out differently than envisaged at the time of presentation of the Budget for the current fiscal. It pointed out that while fiscal consolidation is taking place across nations since 2010, India's fiscal deficit has been among the highest in 2010 and 2011.

“In India's case ... a larger correction is needed in terms of key fiscal indicators,” it says even while projecting that the fiscal deficit in 2013-14 would narrow down to 3.5 percent of the GDP.

“The fiscal outcome in 2011-12 is likely to be affected by the macroeconomic setting which indicates sharp slowdown in industry and rising costs affecting profits,” it says. The government had fixed a fiscal deficit target of 4.6 percent of the GDP for the current fiscal, but has already overshot the estimates in January. It is widely expected to be pegged at around 5.5 percent for 2011-12.

As per the survey, the provisional estimates of Centre's resources indicate that the fiscal deficit will be 4.1 percent in 2012-13, 3.5 percent (2013-14) and 3 percent (2014-15, 2015-16 and 2016-17). □

Achievements in Some Infrastructure Sector ‘Remarkable’ Need to Attract Large Scale Investment into Infrastructure

The Economic Survey 2011-12 tabled in Lok Sabha by the Finance Minister Shri Pranab Mukherjee, says that the overall performance in creation of infrastructure in physical terms, in some sectors, during Eleventh Five Year Plan, have been remarkable as compared to the previous Five Year Plan, though there have been slippages in some sectors. The success in garnering private sector investment in infrastructure through the public-private partnership (PPP) route during the Plan has laid solid foundation for a substantial step in private-sector funding in coming years. PPPs are expected to augment resource availability as well as improve the efficiency of infrastructure service delivery. The Planning Commission has projected an investment requirement of over ₹ 45 lakh crore (about US \$ 1 trillion) during the Twelfth Plan (2012-12). It is projected that at least 50 percent of this investment will come from the private sector as against the 36 percent anticipated in the Eleventh Plan and public sector investment will need to increase to over ₹ 22.5 lakh crore as against an expenditure of ₹ 13.1 lakh crore during the Eleventh Plan. Financing infrastructure will, therefore, be a big challenge in the coming year and will require some innovative ideas and new models of financing, says the Survey.

The Survey has pointed out that the performance of broad sectors and sub sectors in key infrastructure areas in the current year presents a mixed picture. There was improvement in growth in power, petroleum refinery, cement, railway freight traffic, passenger handled at domestic terminals and upgradation of NHAI. Coal, Natural Gas, Fertilizers, handling of Export Cargo at airports and number of cell phone connections show negative growth. Steel sector witnessed moderation in growth.

According to the Survey, the performance in core and infrastructure sector is still to a large extent dependent in public sector projects the flash report for the month of October 2011 tracks the progress report of 583 projects in different sectors of which-only 7 are a head of schedule, 166 are on schedule, 235 are delayed and remaining 175 projects have been sanctioned without specifying any commissioning schedule. This has implied of cost over run of 15.3%. The Survey says that such delays increase project risk and cost, and could be minimized.

As per the Survey, credit growth to the infrastructure sector turned negative in the current financial year. The incremental credit flow to the infrastructure sector during April-December 2011 was nearly 61 percent of the credit to this sector during April-December 2010. A significant reduction in credit flow was observed for the power and telecom sectors. The total FDI inflows into majors infrastructure sectors during April-December 2011 however, registered a growth of 23.6 percent as compared to the FDI inflows during April-December 2010. Power (43.6 percent), Non Conventional Energy (338 percent) and Telecommunications (499 percent) were the preferred sectors for foreign investors. Other sectors, however, failed to share the buoyancy in FDI inflows.

The Survey has commented that in the coming years, financing of infrastructure also need to consider the plateauing of the domestic savings and macro availability of resources. There is need for introducing more innovative schemes to attract large-scale investment into infrastructure. In view of the massive requirements of funds, all efforts need to be made to attract big ticket long-term investors such as strategic investor, private equity funds, pension funds, and sovereign funds. Strengthening domestic financial institutions and development of a long-term bonds market may be critical. Besides financing, the infrastructure sector has also suffered due to a time lag in physical capacity creation and time over-run. These not only delay availability, but also raise pricing and affordability issues. Infrastructure costs as these are often non-tradable may also affect competitiveness of economy in long run. The Survey has stated that a harmonized list of main sectors and sub-sectors of infrastructure approved by the Government to serve as a guide for all agencies responsible for supporting infrastructure, is a welcome move.

Immunization : Need and Its Impact

Rajeshwari



Eradication of polio has opened up the opportunities to introduce newer vaccine in the immunization programme so that the other deadly diseases may also be wiped out from the country and the children grow up as healthy adults

IT IS heartening to read that India's name has been removed from the list of polio-endemic countries by World Health Organisation. It may be noted that in 1988, half of the world's 3.5 lakh children which were annually paralysed by polio were in India. The polio free status has been largely attributed to remarkable progress made in immunization during the past few years. Immunisation is an act of preventing mortality among children and childhood diseases such as whooping cough, measles, diphtheria, chicken pox, small pox, poliomyelitis and yellow fever. About two decades ago, majority of children died because they were not immunized from these deadly childhood diseases. The successful eradication of small pox is also largely due to vaccination programme and perhaps this realization has made the Indian Government to chalk

out Expanded Programme on Immunization (EPI) in 1978 aiming to protect the newborns against 6 vaccine preventable diseases. More recently, Hepatitis B vaccine and injectable Vi antigen Typhoid vaccine are also being included in the programme.

Patterns of Infant and child health:

Child Health in India is landscaped with experiences of both success and failure. Infant mortality is often considered as an index of the state of public health, availability and accessibility of health care infrastructure and socio-economic development. In our country, IMR shows wide spatial variations. Kerala has the least IMR and may be compared with any developed country of world, i.e 11 per thousand live births, while in some other economically affluent states like Haryana, it hovers around 55 per thousand live births, which

The author is with Kurukshetra University, Kurukshetra.

is quite high given its levels of public health care infrastructure and economic development. The decline in mortality is consistently larger for child mortality and smallest for neonatal mortality. The three major primary reasons for neonatal mortality in India, as pointed out by SRS (Sample Registration System) have been sepsis, asphyxia, and prematurity. In case of post neonatal and infants, the major causes are diarrhoea, pneumonia, sepsis, asphyxia, and malnutrition, while for childhood deaths, these are diarrhoea, acute respiratory infections, measles, malaria and malnutrition. Strengthening routine immunization may not contribute significantly to reducing IMR, but it does have a major impact on under five mortality and morbidity.

Child Population and Immunization Coverage

The common childhood diseases are vaccine preventable and various National Family Health Survey and District Level Health Care Facility Surveys do reveal that though the immunization coverage has increased, yet the full immunization, i.e. immunization for all diseases and as per

immunization schedule is still a distant goal. The full vaccination includes one dose of BCG, three injections against DPT, three doses of Polio (excluding polio 0) and one vaccine against measles. At all India level, even after a massive door to door campaign, vaccination could not achieve the targeted coverage. At the national level, the proportion of children with full vaccination was 54 percent. About five percent of the children at the national level had not received single vaccine. The trends in immunization coverage at the national level are not at all encouraging with 5 states having less than 45 percent of their children as fully immunized. From 593 districts, 64 districts have less than 20 percent children fully immunized in 12 to 23 months. It may be noted that even in states like Haryana, there are wide variations in immunization coverage. In case of Mewat alone, where 23 percent of its population is in 0 to 6 years, also comes in this category. DLHS statistics reveal that in 12 to 23 months, immunization of individual vaccine is also low. Only 16 percent children in this age receive 3 doses of OPV. Same is the situation with DPT immunization.

Areas of Concern: The dominant reason for low immunization of children is still the lack of awareness among parents especially of mothers regarding the need for immunization. Another important factor has been lack of required personnel or infrastructure. It underscores the fact that even after the enormous efforts by the government to popularise childhood immunization, mothers need to be made aware of the need and importance of immunizing their children. The programme management skills of the lower- and mid level managers need to be strengthened to address the high drop out rates. In order to maintain the momentum, public expenditure on health need to be wisely planned with focus on health education and awareness.

Eradication of polio has opened up the opportunities to introduce newer vaccine in the immunization programme so that the other deadly diseases may also be wiped out from the country and the children grow up as healthy adults. With such opportunities only, demographic bonus or dividend can be enjoyed. □

Government to Achieve Vaccine Security

To keep the pressure up on disease eradication and prevention, the government plans to set up new vaccine units in the country and modernize the existing ones. Announcing this while presenting Union Budget 2012-13, the Finance Minister Shri Pranab Mukherjee proposed to set up a new integrated vaccine unit near Chennai. Buoyed by no polio case in the last one year, Shri Mukherjee was emphatic that the government will achieve vaccine security. The Finance Minister enlarged the scope of Accredited Social Health Activist's (ASHA) activities to include prevention of Iodine Deficiency Disorders, ensure 100 percent immunization and better spacing of children. The Finance Minister said that Pradhan Mantri Swasthya Suraksha Yojana is being expanded to cover upgradation of seven more Government Medical Colleges.

Measures Proposed for Skill Development and Augmenting Funds for SMEs

In order to augment funds for SMEs (Small and Medium Enterprises), Union Finance Minister Shri Pranab Mukherjee, in the General Budget 2012-13 has proposed to exempt capital gains tax on sale of a residential property, if the sale consideration is used for subscription in equity of a manufacturing SME company for purchase of new plant and machinery.

Further, considering the shortage of skilled manpower in the manufacture sector and in order to generate employment, Shri Mukherjee has proposed to provide weighted deduction at the rate of 150 per cent of expenditure incurred on skill development in manufacturing sector in accordance with specified guidelines.

Providing relief to a large number of SMEs, it has been proposed to raise the turnover limit for compulsory tax audit of accounts as well as for presumptive taxation from ₹60 lakh to ₹One crore.

Curbing Black Money A Priority Concern for the Government

The Budget proposals envision a multi-pronged strategy to prevent the generation and circulation of black money and its illegitimate transfer outside India. Laying a special emphasis on the issue, the Finance Minister Shri Pranab Mukherjee also proposed to lay a white paper on black money on the Table of the House in the current session of Parliament. Shri Mukherjee has announced an advancement in tracking the trail of black money menace. The following has been already done:

1. 82 Double Taxation Avoidance Agreements (DTAA) and 17 Tax Information Exchange Agreements (TIEA) have been finalized and information regarding bank accounts and assets held by Indians abroad has started flowing in. In some cases prosecution will be initiated;
2. Dedicated exchange of information cell for speedy exchange of tax information with treaty countries is fully functional in CBDT;
3. India became the 33rd signatory of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters; and
4. Directorate of Income Tax Criminal Investigation has been established in CBDT.

To ensure transparency and efficiency in the public procurement process, a Bill is to be introduced in the Budget Session of Parliament as announced by the Finance Minister today as part of his budget speech. The following legislative measures for strengthening anti-corruption framework are in various stages of enactment:

1. Prevention of Money Laundering (Amendment) Bill, 2011 introduced in Parliament with a view to bring certain provisions of the act in line with global standards;
2. Benami Transactions (Prohibition) Bill, 2011 is currently being examined by the Standing Committee on Finance. It would replace the 'Benami Transactions (Prohibition) Act, 1988; and
3. National Drugs and Psychotropic Substances (Amendment) Bill, 2011 introduced in Parliament with a view to strengthen legal provisions for implementation of the national policy on Narcotic Drugs and Psychotropic Substances.