Marketing- Price and Procurement

Crops- MSP

- The 22 mandated crops include
  - 14 Kharif crops viz. paddy, jowar, bajra, maize, ragi, tur (arhar), moong, urad, groundnut, soybean (yellow), sunflower seed, sesamum, nigerseed, cotton and
  - 6 Rabi crops viz. wheat, barley, gram, masur (lentil), rapeseed and mustard, safflower and 2 commercial crops viz. jute and copra.
  - In addition to that, MSP for toria and de-husked coconut are also fixed on the basis of MSPs of rapeseed & mustard and copra respectively.

22 MANDATED CROPS

14 Kharif crops

- Paddy
- Jowar
- Bajra
- Maize,
- Ragi Tur (arhar) Moong
- Urad
- Groundnut
- Soybean (yellow)
- Sunflower
- Seed
- Sesamum
- Nigerseed
- Cotton

6 Rabi crops

- Wheat
- Barley
- Gram
- Masur (lentil)
- Rapeseed and Mustard
- Safflower

2 Commercial crops

- Jute
- Copra

- Cost
  - A1 =
    - Value of hired human labour (HL),
    - value of hired bullock labour (BL),
    - value of owned bullock labour,
    - value of owned machine labour (ML),
    - hired machinery charges,
    - value of seed (both farm produced and purchased),
    - value of insecticides and pesticides,
    - value of manure (owned and purchase)
    - value of fertilizers,
    - irrigation charges,
    - Depreciation on implements and farm building,
    - Land revenue, cesses and other taxes, and
    - interest on working capital

- **Cost A2 = Cost A1+ Rent paid for leased-in land**

- FL- imputed value of family labour

- C2-
  - A2 + FL +
  - interest on the value of owned capital assets (excluding land) +
  - rental value of owned land (net of land revenue)

Cost comparison & MSP for kharif crops

	2017-18					2018-19					Increase in cost A2+FL for 2018-19 (₹)	Increase in MSP for 2018-19 (₹)
	A2+FL (₹)	C2 (₹)	MSP (₹)	MSP as % of A2+FL	MSP as % of C2	A2+FL (₹)	C2 (₹)	MSP (₹)	MSP as % of A2+FL	MSP as % of C2		
Paddy	1,117	1,484	1,550	138.76	104	1,166	1,560	1,750	150	112	49	200
Jowar	1,556	2,089	1,700	109.25	81	1,619	2,183	2,430	150	111	63	730
Bajra	949	1,278	1,425	150.16	112	990	1,324	1,950	197	147	41	525
Maize	1,044	1,396	1,425	136.49	102	1,131	1,480	1,700	150	115	87	275
Ragi	1,861	2,351	1,900	102.10	81	1,931	2,370	2,897	150	122	70	997
Arhar	3,318	4,612	5,450	164.26	118	3,432	4,981	5,675	165	114	114	225
Moong	4,286	5,700	5,575	130.07	98	4,650	6,161	6,975	150	113	364	1,400
Urad	3,265	4,517	5,400	165.39	120	3,438	4,989	5,600	163	112	173	200
Groundnut	3,159	4,089	4,450	140.87	109	3,260	4,186	4,890	150	117	101	440
Soybean	2,121	2,921	3,050	143.8	104	2,266	2,972	3,399	150	114	145	349
Sunflower seed	3,481	4,526	4,100	117.78	91	3,592	4,501	5,388	150	120	111	1,288
Sesamum	4,067	5,706	5,300	130.32	93	4,166	6,053	6,249	150	103	99	949
Nigerseed	3,912	5,108	4,050	103.53	79	3,918	5,135	5,877	150	114	6	1,827
Cotton	3,276	4,376	4,020	122.71	92	3,433	4,514	5,150	150	114	157	1,130

Source: 'Price Policy for Kharif Crops: The Marketing Season 2018-19' by CACP

Figure 1: Percentage of crop production that was procured at MSP in 2019-20

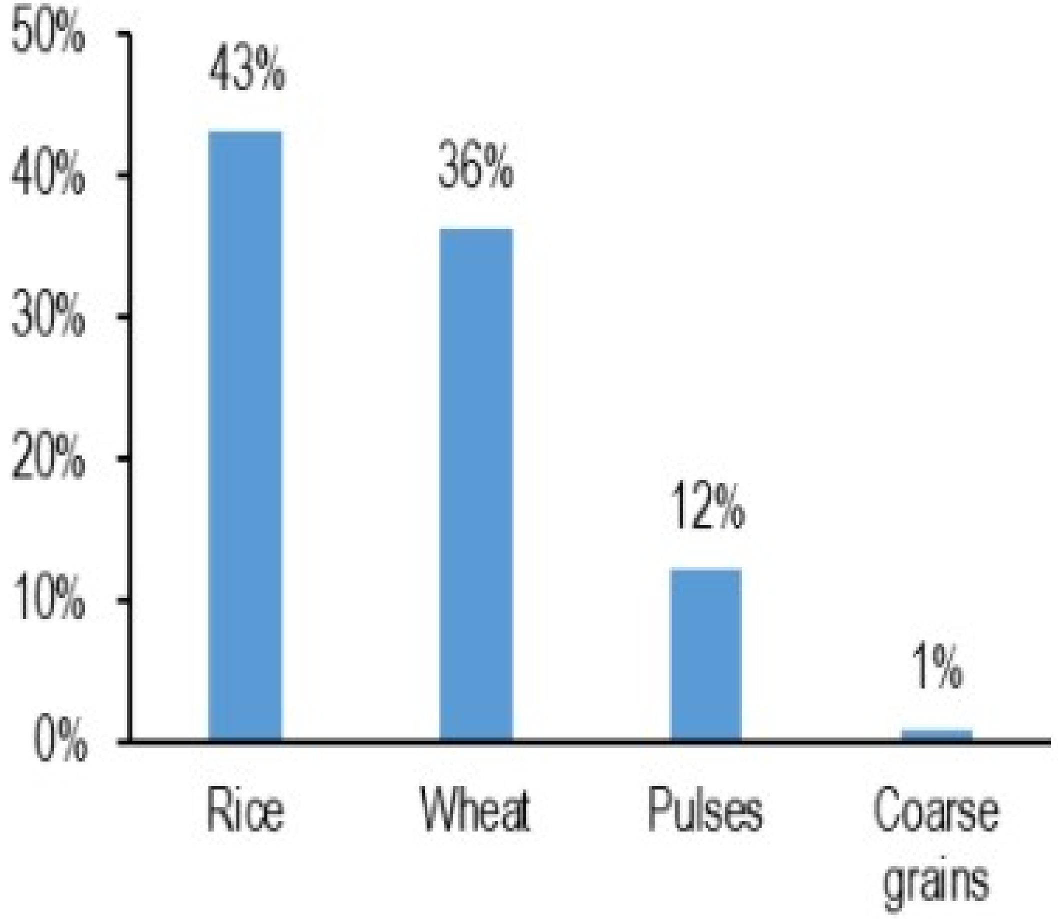


Figure 2: 85% wheat procurement is from three states (2019-20)

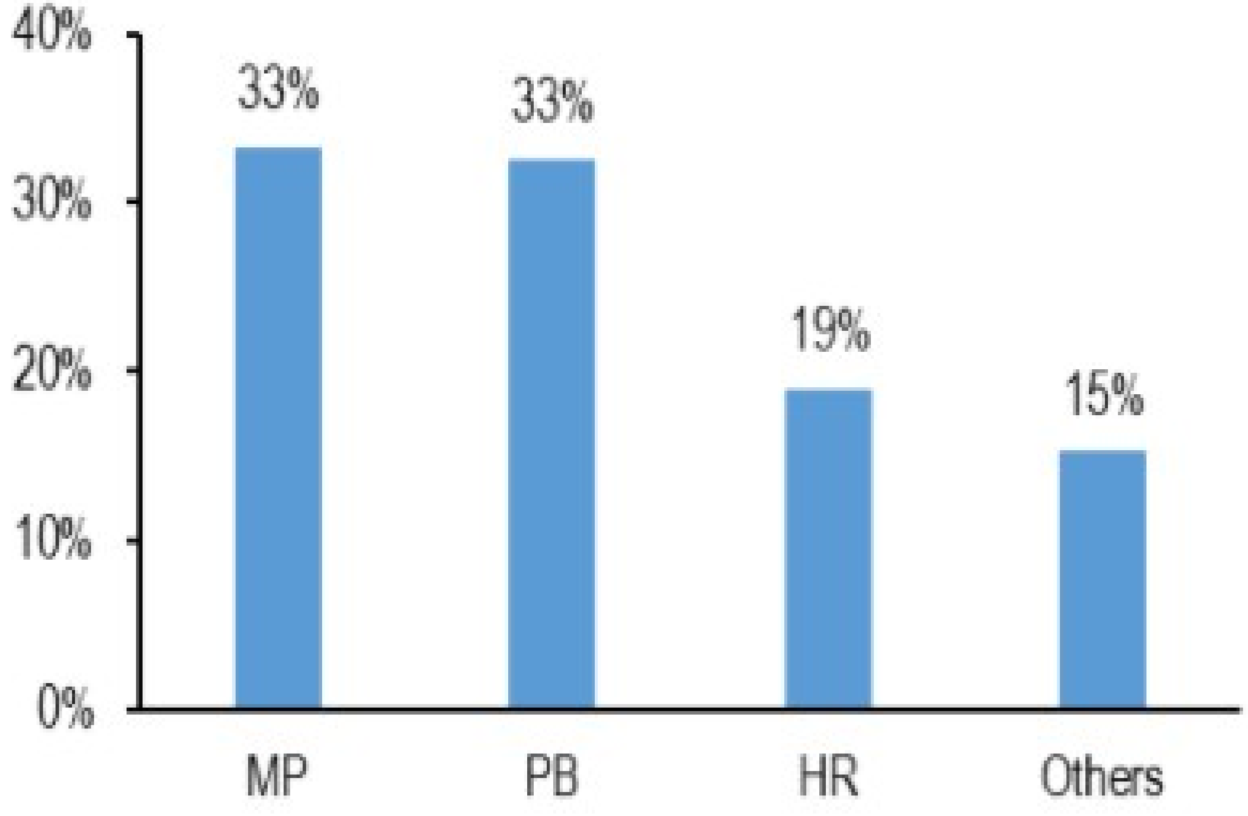
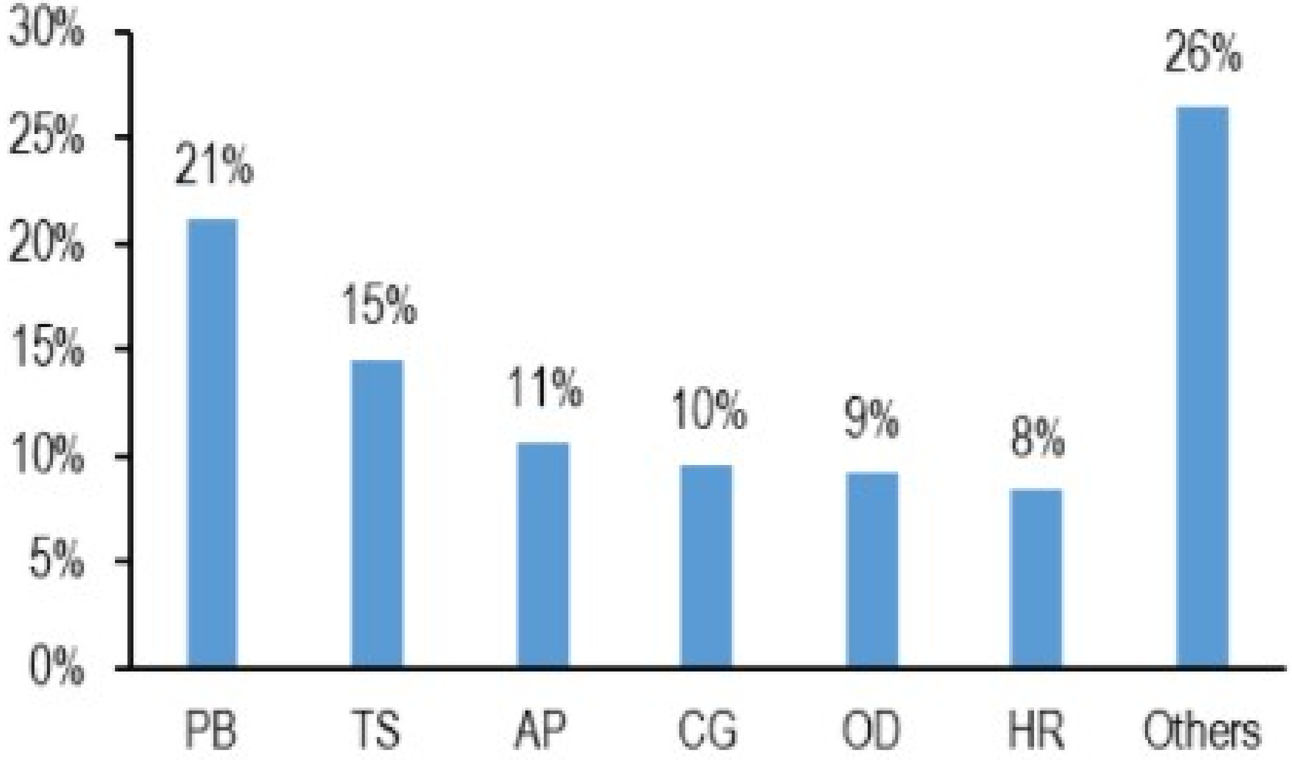


Figure 3: 76% of the rice procured comes from six states (2019-20)



Procurement

- Centralized Procurement System

  - Under Centralized Procurement System, the procurement of foodgrains in Central Pool are **undertaken either by FCI directly or State Government agencies procures the foodgrains and handover the stocks to FCI for storage and subsequent issue against GOI allocations in the same State or movement of surplus stocks to other States**.

  - The cost of the foodgrains procured by State agencies is reimbursed by FCI as soon as the stocks are delivered to FCI as per cost-sheets issued by GOI.

- Decentralized Procurement System (DCP)

  - The scheme of Decentralized Procurement of foodgrains was introduced by the Government in 1997-98 with a view to
    - enhancing the **efficiency of procurement and PDS** and
    - encouraging **local procurement to the maximum extent** thereby extending the benefits of MSP to local farmers as well as to save on transit costs.
    - This also enables **procurement of foodgrains more suited to the local taste**.

  - Role-
    - **State Government itself undertakes direct purchase** of paddy/rice and wheat and also stores and distributes these foodgrains under NFSA and other welfare schemes.

    - The **Central Government undertakes to meet the entire expenditure incurred by the State Governments on the procurement operations as per the approved costing**. The **Central Government also monitors the quality of foodgrains procured** under the scheme and reviews the arrangements made to ensure that the procurement operations are carried smoothly.

- Price Support Scheme (PSS) –
  - Applicable in case of **MSP notified crops.**
  - Intervention by DAC&FW, GoI whenever market prices fall below MSP.
  - Initiated at the request of State governments, conditional upon agreeing to abide by PSS guidelines (waiver of mandi fee; gunny bags; general support).
  - Procurement limited to 25 per cent of State production estimates; but can go beyond the norm with approval of the central government.
  - Procurement by central agencies – NAFED, SFAC, FCI.
  - Open to all notified crops, but operations have been limited to pulses, oilseeds and cotton; however other crops can be assigned by government.

- Market Intervention Scheme (MIS) –
    - To support commodities, for which MSPs are not notified - fruits/vegetables/other horti-products.
    - Owned by GoI (DAC&FW), but operated jointly by Central & State governments, in the interest of farmers.
    - Market intervention made if prevailing market prices less than 10 per cent or production more than 10 per cent compared to the corresponding figures in the previous year.
    - Initiated at the request of state governments, on they agreeing to bear 50 per cent of procurement cost. - GoI bears 50 per cent of procurement price (fixed by it based on cultivation cost determined by technical committee), and overhead charges.
    - Disposal, a responsibility of the State government. Profit, if any allowed to be retained by the state.

- Price Stabilisation Fund (PSF) –

  - A scheme to protect consumers from rising prices. - Owned & operated by the Department of Consumer Affairs (DoCA), GoI.

  - The scheme aims at building buffer stock of pulses by purchasing from the domestic market at prevailing market rate (could be more or less than MSP). Even imports allowed.

  - In the year 2016-17, domestic procurement of 16.46 mmt of pulses at MSP undertaken in the interest of farmers-producers by a special order of the government.

FRP- Sugarcane

- With the amendment of the **Sugarcane (Control) Order, 1966** on 22.10.2009, the concept of Statutory Minimum Price (SMP) of sugarcane was replaced with the 'Fair and Remunerative Price (FRP)' of sugarcane for 2009-10 and subsequent sugar seasons.

- The cane price announced by the Central Government is decided on the **basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP**) in consultation with the State Governments and after taking feedback from associations of sugar industry.

- In order to ensure that higher sugar recoveries are adequately rewarded and considering variations amongst sugar mills, the **FRP is linked to a basic recovery rate of sugar, with a premium payable to farmers for higher recoveries of sugar from sugarcane.**

- Factors

    - cost of production of sugarcane
    - return to the growers from alternative crops and the general trend of prices of agricultural commodities
    - Availability of sugar to consumers at a fair price;
    - price at which sugar produced from sugarcane is sold by sugar producers;
    - recovery of sugar from sugarcane;
    - the realization made from sale of by-products viz. molasses, bagasse and press mud or their imputed value
    - reasonable margins for the growers of sugarcane on account of risk and profits

- Price of sugar are market driven & depends on demand & supply of sugar.

- However, with a view to protect the interests of farmers, concept of Minimum Selling Price (MSP) of sugar has been introduced w.e.f. 07.06.2018 so **that industry may get atleast the minimum cost of production of sugar, so as to enable them to clear cane price dues of farmers.**

- Done under section 3 of the Essential Commodities Act, 1955, Government has notified Sugar Price (Control) Order, 2018.

Sugar Development Fund

- The SDF was established in 1982, through an act of Parliament.

- It is currently used
  - to grant loans to the sugar mills for facilitating their rehabilitation and modernisation;
  - Bagasse-based co-generation power projects;
  - production of anhydrous alcohol or ethanol from alcohol;
  - conversion of existing ethanol plant into ZLD plant; and
  - development of sugarcane.

- The loans are provided at a concessional rate of 2% below the prevailing bank rate.

- Further, SDF also covers:
  - defraying expenditure for the purpose of building up and maintenance of a buffer stock of sugar
  - internal transport and freight charges to the sugar factories on export shipments of sugar
    iii.
  - financial assistance to sugar factories towards interest on loan given in terms of any scheme approved by the Central government from time to time
  - marketing and promotion service for raw production
  - interest subvention on scheme for extending soft loan to sugar mills
  - production subsidy to sugar mills to offset cost of cane and facilitate timely payment of cane price dues to farmers

2015

13. The Fair and Remunerative Price (FRP) of sugarcane is approved by the

(a) Cabinet Committee on Economic Affairs

(b) Commission for Agricultural Costs and Prices

(c) Directorate of Marketing and Inspection, Ministry of Agriculture

(d) Agricultural Produce Market Committee

2018

93. Consider the following :

1. Areca nut
2. Barley
3. Coffee
4. Finger millet
5. Groundnut
6. Sesamum
7. Turmeric

The Cabinet Committee on Economic Affairs has announced the Minimum Support Price for which of the above ?

(a) 1, 2, 3 and 7 only

(b) 2, 4, 5 and 6 only

(c) 1, 3, 4, 5 and 6 only

(d) 1, 2, 3, 4, 5, 6 and 7

2019

79. The economic cost of food grains to the Food Corporation of India is Minimum Support Price and bonus (if any) paid to the farmers plus

(a) transportation cost only

(b) interest cost only

(c) procurement incidentals and distribution cost

(d) procurement incidentals and charges for godowns

2020

61. In India, which of the following can be considered as public investment in agriculture ?

1. Fixing Minimum Support Price for agricultural produce of all crops
2. Computerization of Primary Agricultural Credit Societies
3. Social Capital development
4. Free electricity supply to farmers
5. Waiver of agricultural loans by the banking system
6. Setting up of cold storage facilities by the governments

Select the correct answer using the code given below :

(a) 1, 2 and 5 only

(b) 1, 3, 4 and 5 only

(c) 2, 3 and 6 only

(d) 1, 2, 3, 4, 5 and 6

2020

69. Consider the following statements :

1. In the case of all cereals, pulses and oil-seeds, the procurement at Minimum Support Price (MSP) is unlimited in any State/UT of India.
2. In the case of cereals and pulses, the MSP is fixed in any State/UT at a level to which the market price will never rise.

Which of the statements given above is/are correct ?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

2020

94. With reference to chemical fertilizers in India, consider the following statements :

1. At present, the retail price of chemical fertilizers is market-driven and not administered by the Government.
2. Ammonia, which is an input of urea, is produced from natural gas.
3. Sulphur, which is a raw material for phosphoric acid fertilizer, is a by-product of oil refineries.

Which of the statements given above is/are correct ?

(a) 1 only

(b) 2 and 3 only

(c) 2 only

(d) 1, 2 and 3

What is a cooperative?

- A cooperative is an autonomous association of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

History of Cooperatives in India

- The introduction of the Co-operative Credit Societies Act in 1904 marked the commencement of the cooperative movement in the country. The goal, as specified in the preamble of this Act, was to boost thrift, self-help and co-operation amongst farmers, artisans and persons of limited means.

- However, the movement did not make the progress expected of it. By 1911, there were only 8,177 credit societies consisting of around 4 lakh members throughout the country, with a share capital of around Rs. 50.5 lakh. This concern pushed the government to take stock of the circumstances, and a committee headed by Sir Edward Maclagan, was appointed in 1915, to study and report whether the cooperative movement was proceeding on reasonable and financially sound lines.

- The Committee submitted its Report in 1915 and it resulted in reorganisation and thorough overhauling of the whole administration of Co-operatives. An attempt was made to get rid of societies which did not live up to the ideals of co-operation,and in particular, to insist upon prompt repayments.

- Under the Reforms Act of 1919, co-operation became a transferred subject with the result, that the control and course of the movement passed completely into the hands of the new Provincial Governments. This gave the movement the advantage of greater flexibility since it could now be modified in accordance with the needs of every province.

- Thereafter, the Government in the year 1945 appointed the Cooperative Planning Committee to draw up a plan of cooperative development in the country.

- A distinct shift in cooperative guidelines happened in 1958 when the National Development Council passed a resolution, which in effect, led to 'the rejection of the old large-sized credit society and the emergence of small sized 'Service Cooperatives'.

Need for Cooperatives in Agriculture

- Lack of sufficient numbers significantly reduces the bargaining power of small and marginal farmers both in case of input procurement as well as sale of produce.

- Small and marginal farmers require agricultural inputs in small quantities, which they procure from local traders at a considerably higher price than the wholesale rate. Most of the times, inferior quality of these inputs further aggravates the problem.

- Often for small and marginal farmers transporting small quantities of produce to urban markets is not a feasible option, and they end up selling their produce (most often perishable produces) to local traders at lower prices than normal.

- Lack of techniques for access to credit and insurance services and vulnerability to several forms of risks (climate change, pests and other risks) complicate the scenario for small and marginal farmers in India.

Different types of agricultural cooperative societies

1. **Farming Cooperative Societies:** Planning Commission proposed the idea to pool the land owned by small farmers for joint management. The proposed approach was either to retain individual ownership of the land and lease to the cooperative or transfer land ownership to the cooperative and collect shares worth the value of the land. The Cooperative could then pool the holdings for land improvement and intensive cultivation, using modern technologies. These farming cooperatives were supported financially to develop land and water resources.

2. **<u>Agricultural Processing Cooperatives</u>**: cooperatives for sugar processing, paddy milling, groundnut decorticating, copra and oil seed crushing, processing of fruit, vegetables, tea and jute have been established in India. These processing cooperatives with individual farmers, cooperative marketing societies and local service cooperatives as members are regulated under the cooperative rules and by-laws.

3. **<u>Agricultural Marketing Societies</u>**: Establishment of marketing cooperatives was encouraged to provide marketing facilities to small farmers. The anticipated advantages were increase in bargaining strength of farmers, removal of intermediaries and direct interaction with consumers. There was also scope for availing credit and cheaper transport, storage facilities, grading and processing of agricultural produce to fetch better prices.

   a. **The National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED)** was established in 1958 for promoting cooperative marketing of agricultural produce. NAFED procure food grains, pulses, oilseeds, spices, cotton, tribal produce, jute products, eggs, fresh fruits and vegetables from farmers through its cooperative network in selected areas whenever farmers have faced problems of marking their produce as manifest in low remunerative in the market.

   b. **The Indian Farmers' Fertiliser Cooperative Limited (IFFCO)** was established in 1967 to produce and distribute fertilisers through cooperatives. Presently, over 40,000 cooperative societies are members of IFFCO.

4. **<u>Agricultural Service Cooperatives</u>**: Cooperatives play an important role in disbursement of agricultural credit. These cooperatives have been aiming at increasing agricultural production through credit supply to agricultural producers, agricultural labourers, artisans, supply of agricultural inputs, arranging storage, marketing and processing of agricultural produce, arranging raw materials for industries and providing technical guidance, while promoting social and economic welfare.

a. The **Primary Agricultural Cooperative Credit Society (PACS)** at the village level is the base for many of these activities. They federate into Central Cooperative Bank at the district level (DCCB) and further into Apex Bank at State level.

Benefits of Cooperatives

- **Information and Farm Advisory Centre**: Cooperatives can play an effective role in providing extension and advisory services for crop cultivation and animal husbandry, fishery and aqua-culture.

- **Market Led Extension**: Cooperative personnel can be trained for linking farmer produce to the market.

- **Value Creation, Processing and Branding**: Individual farmers can be organized through cooperatives to go for value creation and brand building of their produce. Farmers can bring their produce to cooperatives for value addition and market integration.

- **Storage and Warehousing**: Warehousing of agricultural produce and inputs can be effectively done by the cooperatives as they present at village level and are in close proximity to the farmer fields.

- **Better Market Price Realisation**: Cooperative registered warehouse can act as a mandi (market) or hub for shifting produce, physical grading, cold-chains for perishables, etc. so that better price realisation of farmers produce is possible. Farm produce can further be assayed for export purpose.

- **Soil-Water-Seed-Fertiliser Testing:** Cooperatives can be provide accredited services for soil testing, water testing, seed and fertilizer testing, etc. This will help farmers get assured product quality for higher crop yields and also diversification of business cooperatives.

- **Farm Machinery and also Other Facilities for Custom Hiring**: Cooperatives can provide custom hiring services for farm mechanisation. They can also tender their services for farmers for transportation of their farm produce.

Successful Cooperatives in India

- Maharashtra has been home to some successful cooperative movements in agriculture, with the strong emergence of sugarcane farming and sugar production cooperatives, as well as in consolidation of cooperative credit banking system.

- The dairy cooperative is another success story in India. The Anand model for cooperative milk marketing in Gujarat launched in the year 1946, with its well-recognized Amul brand, provided later the blueprint for replicating its success elsewhere under the National Dairy Development Board program, contributing to the success of Operation Flood.

- In case of fertilizer production and distribution, the Indian Farmers Fertilizer Cooperative (IFFCO) controls over 35 per cent of the market.

- In the production of sugar, the cooperative share of the market is 58 per cent, while in the marketing and distribution of cotton it is 60 per cent. Cooperative sector accounts for 55 per cent of the production in the hand-woven textiles sector, whereas cooperative marketing and distribution channels account for 50 per cent of the edible oil market in India.

Major areas of concern

1. **Government interference**: Right from the beginning, the cooperative movement in India has been patronized by the government, which also provided a window for interference. Cooperative institutions were treated as if they were part and parcel of the administrative set up of the government making such intrusion an indispensable element in working of these institutions. Also, often cooperative societies are enforced upon the people irrespective of their desire or willingness for such togetherness. This top down approach has only brought about increase in number of members, while compromising the cooperative spirit.

2. **Mismanagement and manipulation**: The essence of the cooperative movement is that it gives the farmers the status of shareholders and assures them of agricultural, educational and medical facilities. Over

the years, this truly democratic idea got corrupted and farmers with larger holdings grew more powerful. A more disturbing trend, however,was the domination of co-operative institutions by group politics. Various other parochial interest associate into its vitals. The result was that either a society did not do much work or there was favouritism and nepotism in the grant of loans restricting the benefits to favoured members. There were instances where members of rival faction persuaded people not to repay their dues.

3. **Lack of awareness**: People are not well informed about the objectives of the movement, the contributions it can make in rebuilding the society and the rules and regulations of cooperative institutions. Members did not understand and appreciate the aims, objectives, and the possibilities of the coopeartives. Lack of education, politics of the village, caste-ridden elections to the offices of cooperative societies, bureaucratic attitudes of the government officers, particularly, at the lower rank are some of the hurdles in diffusion of right information and spread of cooperative spirit.

4. **Restricted coverage**: The cooperative movement has also suffered on account of two important limitations in its working.

    a. One, is that the **size of these societies has been very small**. Most of these societies are confined to a few members and their operations extend to only one or two villages. As a result, their resources remain limited, which makes it impossible for them to expand their means and extend their operations.
    b. Two, most of the societies have been **single purpose societies**, rendering them unable to take a total view of the persons seeking help, nor be able to analyse and solve problems from different angles.

5. **Functional weakness**: The cooperative movement has suffered from **inadequacy of trained personnel** right from its inception. As a consequence, often co-operative institutions suffered with issues such as the **lack of proper accounting, irregularities of loans, maintenance of records** etc. Despite the introduction of training

programme, the quality of staff in the co-operative institutions has failed to attain high standard of efficiency.

Farmer Producer Organizations

- **Cooperatives being traditional in structure, lack linkages with buyers, input suppliers**, etc., who are vital actors across the larger supply chain. This undermines long term sustainability of cooperatives. Thus came a new **form of collectives called Farmer Producer Organisations (FPOs)** to address the challenges faced by the small and marginal farmers, particularly those to do with enhanced access to investments, technological advancements, and efficient inputs and market.

- The basic purpose envisioned for the FPOs is to **collectivise the small farmers for backward linkage** for inputs like seeds, fertilizers, credit, insurance, knowledge and extension services; and **forward linkages** such as collective marketing, processing, and market-led agriculture production.

- While cooperatives entail benefits to farmers via state intervention, FPOs are perceived to empower farmers **through collective bargaining** along **with imparting an entrepreneurial quality** to farming, which otherwise is practised as a subsistence, particularly by the small and marginal farmers.

Benefits provided

Major services delivery by FPOs leverage the **benefits of economics of scale for both production and marketing** enabling more efficient production and better price discovery. Some of the major services that is being delivered are as follows:

- **Farm inputs**: The FPO buys essential inputs such as seed, fertilizer, pesticide in bulk and sells through its retail outlet. The inputs are sold to the members at a price which is far below the market price and thereby help the member farmers to reduce the cost of inputs.

- **Custom Hiring Centre**: To address the ever increasing cost of farming by small and marginal farmers many FPOs have established Custom Hiring Centres with assistance from Central/ State Schemes on farm machinery. The FPOs rent out machineries and implements to members at affordable cost (much below the cost charged by private players).

- **Output market linkage**: Many FPOs have succeeded in creating market linkages for their produce. FPOs have tied with major retailers for selling their produce and have succeeded in getting remunerative prices for their produce. Besides, many FPOs, with assistance from State Government, have established retail outlets for marketing their produce. Some of the FPOs have also gone ahead with value addition, processing and branding of their produce.

Government Measures to promote FPOs

1. **The Small Farmers Agri-business Consortium (SFAC)** mandated by Department of Agriculture, Cooperation and Farmers Welfare, Ministry of Agriculture and Farmers Welfare, Govt. of India, supports the state governments in the formation of Farmer Producer Organisations (FPOs). Besides providing initial grant, it also provides venture capital assistance.

2. **Central Sector Scheme of "Formation and Promotion of 10,000 Farmers Produce Organization (FPOs)"** under which professional handholding support is to be provided for a period of five years to the new FPOs formed under the scheme. Provision of financial assistance to the tune of Rs.18 lakhs to each FPOs under the scheme towards establishment cost for 3 years has been made.
    a. In addition to this, provision has been made for matching equity grant upto Rs. 2,000 per farmer member of FPO with a limit of Rs. 15.00 lakh per FPO and a credit guarantee facility upto Rs. 2 crore of project loan per FPO from eligible lending institution to ensure institutional credit accessibility to FPOs. Suitable provision for skill buildings of the FPOs has been made.

3. Under Deendayal Antyodaya Yojana- National Rural Livelihood Mission (DAY-NRLM), Ministry of Rural Development, Government of India, had been **promoting FPOs by mobilizing farmers, building market linkages through a value chain development approach for farm based livelihood is an important strategy under this mission.** DAY-NRLM has promoted 177 FPOs in the country.

4. **National Bank for Agriculture and Rural Development (NABARD)** hasbeen also promoting FPOs in the States.

    a. NABARD had set up dedicated Funds, viz., **Producers Organization Development Fund and PRODUCE** and so far promoted 4878 FPOs. During 2020-21, NABARD promoted 394 FPOs and provided grant assistance of Rs 38.41 crore leading to a cumulative grant support of Rs 244.40 crore.
    b. Subsidiary NABKISAN complements NABARD's efforts in formation and nurturing of FPOs by sanctioning credit facilities to the tune of Rs 108 crore to 365 FPOs both directly and indirectly. Cumulatively, NABKISAN has supported 675 FPOs directly and 400 FPOs indirectly so far and in the process carved out a niche for itself as the largest lender in the FPO ecosystem.

Types of Farmer Producer Organizations

Farmers can be mobilised into farmer producers organisations (FPOs) through different instruments. These include:

- FPOs registered under Societies Act.
- FPOs registered under State Cooperatives Act.
- FPOs registered under Indian Companies Act.

FPOs registered under the Companies Act are called as farmer producers companies (FPCs).These are a hybrid that combine the strength of cooperatives and companies. FPCs stand to benefit from the collective spirit of a cooperative society and management flexibility of a private company.

Challenges and Issues in Building Robust FPOs

1. **Lack of technical Skills/ Awareness**- Inadequate awareness among the farmers about the potential benefits of collectivization & non availability of competent agency for providing handholding support are the major constraints in the rural areas in promoting strong FPOs. Further, there is lack of legal and technical knowledge about various Acts and Regulations related to formation of FPOs and statutory compliances thereunder.

2. **Lack of/ Inadequate Professional Management**-A Farmers' Organization is required to be efficiently managed by experienced, trained and professionally qualified CEO and other personnel under the supervision and control of democratically-elected Board of Directors. However, such trained manpower is presently not available in the rural space to manage FPO business professionally.

3. **Weak Financials**- FPOs are mostly represented by small and marginal farmers having poor resource base and, hence, initially they are not financially strong enough to deliver vibrant products and services to the members and build their confidence.

4. **Inadequate Access to credit-** Lack of access to affordable credit for want of collaterals and lack of credit history are also major constraints the FPOs are facing today. Further, the credit guarantee cover being offered by SFAC for collateral-free lending is available only to Producer Companies (other forms of FPOs are not covered) having minimum 500 shareholder membership. Due to this, large number of FPOs, particularly those which are registered under other legal statutes as also FPOs with lesser than 500 members are not able to access the benefits of credit guarantee scheme.

5. **Lack of Risk Mitigation Mechanism**- Presently, while the risks related to production at farmers' level are partly covered under the existing crop / livestock / other insurance schemes, there is no provision to cover business risks of FPOs.

6. **Inadequate Access to Market-** Marketing of produce at remunerative prices is the most critical requirement for the success of FPOs. The input prices are largely fixed by corporate

producers. The cultivators lose through the complex gamut of market processes in the input and output prices. There are more market opportunities, if FPOs can identify local market needs of the consumers and have tie-ups for sale of its produce. A linkage with industry/ other market players, large retailers, etc. is necessary for long term sustainability of FPOs.

7. **Inadequate Access to Infrastructure**- The producers' collectives have inadequate access to basic infrastructure required for aggregation such as transport facilities, storage, value addition (cleaning, sorting, grading, etc.) and processing, brand building and marketing. Further, in most of the commercial farming models, the primary producers are generally excluded from the value chain.

Needed Policy Support/ Suggested Measures

Some of the critical policy reforms and other suggested measures to be initiated by the Govt. of India/ other stakeholders for further strengthening the FPO movement in the country are as under:

- **Suitable amendments in the APMC Act** to treat the country as a single, unified market for agri produce with no restrictions on commodity movement as also to enable FPOs market their produce directly to the consumers/ bulk-buyers, without payment of mandi fee would go a long way in strengthening FPOs. Buyers may be encouraged to set up collection centres near to FPOs /crop clusters". Provision may also be made in the amended Act to provide direct market access to FPOs, treating the FPO as a place of Gramin Agri Market (GrAM) and building up of required marketing infrastructure to be owned and managed by FPO.

- **Convergence of resources for creation of farm level infrastructure at FPO leve**l for cleaning, grading, sorting, assaying, processing, branding & transportation of agri commodities up to delivery/ market centres as also for establishment of custom hiring centres for the benefit of shareholder members. Specific fund allocation may be made under these schemes by Govt. of India for FPOs.

- **Appropriate provisions may be made in the Food Grain Procurement Policy** of GoI specifying procurement of agricultural commodities directly through FPOs under MSP scheme.

- **Suitable amendments in the Producer Companies Act, 2013 may be made to make provision for small private equity participation/ refundable long-term capital infusion by the private investors so as to strengthen the financials of FPOs** and create appropriate business model for commercial sustainability. Also, Angel/ Venture capital support to FPOs on the lines of Start-ups may be extended.

- The benefits of Equity Grant & Credit Guarantee Fund schemes of SFAC may be extended to all forms of FPOs as also to FPOs having shareholder membership of less than the existing limit of 500 producers.

- The concerned Ministries/ Departments of the Central / State Governments may be **mandated to implement all "Farmer-centric Schemes" through the FPOs** for efficient delivery of services and improved outcomes.

- **Relief to FPOs from various statutory compliances** may be provided at least during initial 5 years so as to help them adjust with the regulatory business environments and stabilize business operations as a part of "ease of doing business" concept of GoI.

- **Private Institutions and Agricultural Universities may introduce special courses on FPO promotion and agribusiness management**, with focus on rural youth including women, so as to create large pool of professionals in rural areas for managing FPO activities. Further, the existing scheme of Agriclinics and agribusiness Centre (ACABC) may be redesigned to create professionals for not only promoting FPOs but also acting as CEOs of the FPOs in their local areas.

Table 2: Proportion of households that do not own any agricultural land, rural India in per cent

Year	NSSO-SLLH	NFHS	SECC	NSSO-EUS[1]
1991–92	29.3	—	—	—
1992–93	—	35.4	—	—
1993–94	—	—	—	35.0
1998–99	—	38.7	—	—
1999–00	—	—	—	39.0
2002–03	32.1	—	—	—
2004–05	—	—	—	43.0
2005–06	—	41.5	—	—
2009–10	—	—	—	47.0
2011	—	—	56.4	—
2011–12	—	—	—	49.0
2012–13	34.5	—	—	—
2015–16	—	47.4	—	—
2018–19	40.8	—	—	—

Note: Estimates based on NSSO-EUS data are for households not having any operational holding of land. See Rawal (2013).

Source: Based on NSSO Surveys of Land and Livestock Holdings, National Family Health Surveys, Socio-Economic Caste Census and NSSO Employment-Unemployment Surveys.

Table 3: Proportion of households that do not own any agricultural land, by state, in per cent

States	NSSO-SLLH 2018–19	SECC 2011	NFHS-4 2015–16
Himachal Pradesh	10.9	22.0	28.4
Punjab	64.5	64.5	65.0
Haryana	47.9	55.9	55.8
Bihar	49.9	65.6	54.1
West Bengal	55.0	69.6	62.1
Jharkhand	20.0	37.7	30.9
Odisha	43.4	54.3	41.9
Rajasthan	25.0	38.0	33.8
Gujarat	37.4	55.3	43.3
Maharashtra	40.9	53.7	44.8
Andhra Pradesh	63.7	73.4	60.9
Karnataka	34.5	46.6	44.3
Kerala	37.5	72.5	79.7
Tamil Nadu	65.3	73.4	69.1
Telangana	41.5	57.5	44.5
Uttarakhand	29.7	43.3	41.9

Uttarakhand	[illegible]	[illegible]	[illegible]
Uttar Pradesh	32.6	44.8	33.2
Chhattisgarh	34.6	46.7	33.8
Madhya Pradesh	31.9	54.7	39.0
Assam	39.4	56.7	51.9
Jammu & Kashmir	13.9	22.4	20.3
Sikkim	22.1	39.8	34.7
Arunachal Pradesh	14.4	44.1	39.4
Nagaland	8.8	42.6	38.5
Manipur	23.2	70.0	69.4
Goa	54.5	91.6	82.6
Mizoram	21.5	79.5	46.8
Tripura	54.4	68.3	72.7
Meghalaya	19.6	76.0	66.3
India (incl UT)	40.8	56.4	47.4

Source: Based on NSSO Surveys of Land and Livestock Holdings, 77[th] round, Socio-Economic Caste Census and National Family Health Survey, 4[th] round.

Table 4: Proportion of households with no owned land, by social group, rural India, per cent

Social group	Dalit	Adivasi	Muslim	Others
	NSSO Land and Livestock Surveys			
1991–92	42.4	22.9	—	—
2002–03	41.8	24.8	39.2	28.6
2012–13	46.2	26.7	41.9	30.6
2018–19	57.3	32.8	53.1	35.2
	National Family Health Survey			
1992–93	51.2	30.2	46.3	31.3
1998–99	54.7	32.4	51.8	31.8
2005–06	57.4	33.0	54.5	34.5
2015–16	61.7	40.8	61.3	40.3

Source: Based on different rounds of NSSO Surveys of Land and Livestock Holdings and the National Family Health Surveys.

Table 8: Distribution of households and owned land across size-classes of ownership holdings, NFHS, 1998–99, 2005–06 and 2015–16, in per cent

	Households			Area		
	1998–99	2005–06	2015–16	1998–99	2005–06	2015–16
Landless	38.7	41.5	47.4	0.0	0.0	0.0
Marginal (0-1 ha)	34.9	33.8	19.6	14.0	19.5	14.9
Small (1-2 ha)	11.7	9.9	6.9	15.0	17.9	13.9
Marginal & Small	46.6	43.7	26.5	29.0	37.4	28.8
Medium-I (2-4 ha)	8.2	6.2	4.6	20.0	21.3	17.4
Medium-II (4-10 ha)	4.7	3.4	2.1	25.4	24.9	17.8
Medium	12.9	9.6	6.7	45.4	46.2	35.2
Large-I (10-20 ha)	0.9	0.5	0.4	11.5	8.4	7.8
Large-II (20-30 ha)	0.3	0.1	0.1	5.8	3.4	3.5
Large-III(>30 ha)	0.2	0.1	0.2	8.2	4.6	24.7
Large	1.4	0.7	0.7	25.5	16.4	36.0
Land specified in non-standard units	0.6	4.5	18.6	—	—	—
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table 10: Tenants as a proportion of all rural and cultivator households, leased-in land as a proportion of total operated area, rural India, 1971–72, 1982, 1991–92, 2002–03, 2012–13 and 2018–19, in per cent

Year	NSSO Round	Tenants/ Rural households	Tenants/ Cultivator households	Leased-in area/ Operated area
1971–72	26	25.3	—	10.6
1982	37	17.8	24.0	7.2
1991–92	48	9.3	12.8	8.7
2002–03	59	8.0	11.4	6.7
2012–13	70	10.3	15.0	11.1
2018–19	77	10.9	17.4	21.8

Source: Estimates for 1971–72 and 1982 taken from NSSO (1986, 1987); estimates for 1991–92, 2002–03, 2012–13 and 2018–19 computed using the corrected unit-level data for each round.

- **Continued relevance of land reforms**

  - A large proportion of rural households in India are **landless, inequality in ownership and operational holdings of land is very high**, and ownership of a significant amount of land continues to be concentrated in the hands of the large landowners.

  - The prevalence of **informal and insecure tenancy** has increased.

  - There is also an **increasing tendency of resource-rich farmers** expanding their scale of production through leasing of land. This resulted in a marginalisation of poor households in the tenancy markets.

- Given the vast rural inequalities, redistributive land reforms remain critical for progressive change in India. A push for capitalist development in agriculture, and the state-facilitated corporate penetration in agriculture in the recent times, has meant that rural poverty has deepened, rural inequalities have exacerbated, and caste and gender-based exclusion has remained deeply entrenched in all aspects of life.

Industrial Policy

IPR,1948

- This resolution **accepted the importance of both public and private sectors** in the industrial economy of India.

- It assigned a **progressively active role to the state** and consequently the resolution adopted a two-pronged strategy-
  - **expansion of the State sector in areas where it was operating and in new lines of production**, and
  - **allowing the private sector to subsist and expand albeit under proper direction and regulation**.

- The Resolution divided industries into four categories :

  - Industries where **State had a monopoly**: In this category three fields of activity were specified - arms and ammunition, atomic energy and rail transport.

  - **Mixed sector**: In this category, the following 6 industries were specified –
    - coal,
    - iron and steel,
    - aircraft manufacture,
    - ship building,
    - manufacture of telephone
    - telegraph and wireless apparatus (excluding radio sets) and
    - mineral oils.
  - However, **existing private undertakings in this field were allowed to continue for ten years after which the government would review the situation** and acquire any existing undertaking after paying compensation.

- **The field of government control**: 18 industries of national importance were included in this category. The **government did not undertake the responsibility of developing these industries** but considered them of such importance that their **regulation and direction was necessary**. Some of the industries included were- automobiles, heavy chemicals, heavy machinery, machine tools, fertilisers, electrical engineering, sugar, paper, cement cotton and woollen textiles.

- **The field of private enterprise**: All other industries (not included in the above three categories) were **left open to the private sector**. However, the **State could take over any industry in this sector** also if its progress was unsatisfactory.

- It emphasised the **predominant role of small-scale industries for fuller utilisation of local resources of the country** the generation of employment and **reaching the goal of self-sufficiency** in consumer goods. Thus, the State was to **extend financial assistance** for their expansion.

- It not only recognised the **significance of smooth and sound labour management relation, but also stressed proportionate rise in the share of labour to increase the industrial production**, It also felt the **need for labour legislation** to ensure the working classes a fair wage and improved working conditions.

IPR,1956

- State's dominant role
  - The state will progressively assume a predominant and direct responsibility for **setting up new industrial undertakings and for developing transport facilities**. It will also undertake State trading on a large scale.

- The 1956 Resolution divided industries into the following three categories:
  - **Monopoly of the State-** those industries were included whose future development would be the exclusive responsibility of the State. Seventeen industries were included in this category and were listed in Schedule A. These industries can be grouped into the following five classes: a) defence industries, b) heavy industries, c) minerals, d) transport and communications, and e) power.
    - Out of these, 4 were exclusive state monopoly(arms and ammunition; atomic energy; railway and air transport).
    - In the remaining 13 industries, all new units were to be established by the State. However, existing units in the private sector were allowed to subsist and expand.

- Mixed sector of public and private enterprise-
    - In this section 12 industries listed in Schedule B were included. These were: all other minerals (except minor minerals), road transport, sea transport, machine tools, Ferro-alloys and tool steels, basic and intermediate products required by chemical industries such as manufacture of drugs, dyestuffs and plastics, antibiotics etc.
    - In these industries, **State would increasingly establish new units and increase its participation but would not deny the private sector opportunities to set up units or expand existing.**

- **Industries left for private sector.**

  - All industries not listed in schedules 'A' or 'B' were included in the third category. These **industries were left open to the private sector.**

  - Their development was to depend on the initiative and enterprise of the private sector, though even here the State could start any industry in which it was interested. However, the **main role of the state in this category was to provide facilities to the private sector to develop itself**.

- **Small -scale industries**
  - State has been endeavouring to foster the small-scale industries by restricting the volume of production in large scale industries, by differential taxation or by direct subsidies and by reservation of certain products for small-scale sector.

- **Regional disparities to be rectified**
  - The government **decided to make some facilities** like abundant supply of raw materiaal; power and goods transport facility, steadily available through planning in **those areas which were lagging behind industrially** and where opportunities for large-scale employment are brighter.

- **Technical and Managerial Personnel**
  - To meet the shortage of technical and managerial personnel, the resolution **encouraged organisation of schemes of apprenticeship training** in both public and private sectors, and the **extension of training facilities in business management in universities and other institutions.**

INDUSTRIES (DEVELOPMENT AND REGULATION) ACT, 1951

- **Registration and licensing of industrial undertakings**

  - Undertakings of all those industries, which were included in the schedule of the Industries (Development and Regulation) Act, 1951, were required to be **registered whether they come under the private sector or the public sector**.

  - Even if the existing undertakings intended expanding their activities, they **required prior permission of the government**.

- **Enquiry of industries listed in the schedule**
  - The responsibility of the State does not end with the registration or granting of licences to the undertakings. If the working of a particular industrial unit **was not satisfactory** (say, for example, there was substantial underutilisation of capacity or product was not up to the mark or cost of production and price were excessive), **the government could set up an enquiry into the affairs of the particular undertaking**; and

- **Cancellation of registration and licence**
  - If a particular industrial undertaking had succeeded in obtaining industrial licence and registration by **submitting wrong information, the government could cancel the registration**. In the same way, the government could cancel the licence if the undertaking was not set up within the stipulated period.

- **Direct regulation or control** by the government if the government felt that a particular industry was not being run satisfactorily, it

- **Control on price, distribution, supply** etc.- The government was empowered in the Act to **regulate or control the supply, distribution and price of the product manufactured by units belonging to the industries listed in the schedule of the Ac**t, if it so wished;

- To inspire mutual confidence and elicit cooperation the workers, the government established **Central Advisory Council** and a number of **Development Councils** for different products.

New Industrial Policy 1991

- Licensing Reforms
  - A major step towards a greater marketization of the industrial economy is the **abolition of the licensing system for a large number and a large variety of industries.**
  - A number of activities, which have so far been exclusively in the realm of the public sector, have now **been thrown open to the private sector**. The public sector **has now been left with only six reserved industries**, with the remaining eleven having been thrown open to the private sector.
  - In addition to this the expansion in the private sector will take place on account of the increase in the number of industries wherein foreign equity or foreign direct investment is now allowed

- The **industrial licensing required for the creation of industrial capacities or investment, has been abolished** for all projects except 18 industries. These areas pertain to industries related to security and strategic concerns, social reasons, hazardous chemicals and overriding environmental reasons, and items of elitist consumption.

- As of now, licensing is compulsory for only 5 industries. (Alcohol, cigarettes, Specified hazardous chemicals, electronics, aerospace and defense equipment and industrial explosives)

- All **existing registration schemes (De-licenced Registration, Exempted Industries Registration, DGTD registration) will be abolished**. Entrepreneurs will henceforth only be required to file an information memorandum on new projects and substantial expansions

- All this amounts to the **use of market-related prices and incentives**, rather than government-administrative fiat for making commercial decisions

- Industrial Location policy liberalized
  - To ensure **decentralisation of the industrial activities geographically** and o shift industries away from big congested cities to the rural and backward areas. For example, in **respect of locations other than cities of more than 1 million population, the industrialist will not be required to obtain industrial approval** from the Central Government except for industries subject to compulsory licensing.
  - In respect of cities with population greater than 1 million, industries other **than those of a non polluting nature such as electronics, computer software and printing will be located outside 25 Kms. of the periphery**.
  - **Zoning and Land Use Regulation and Environmental Legislation** will continue to regulate industrial locations.

- Limiting the Role of Public Sector

  - The policy pinpoints the areas, which being not fit for the PSUs, are to be vacated by them.

    - One is a set of sick industrial units, which the public sector took over and which accounts for almost one-third of the total losses of Central Public enterprises.

    - There is another group of public enterprises, quite large many in numbers, which are engaged in producing consumer goods and services. These do not fit into the original perception of PSUs, which are to be at the commanding heights of the economy.

    - A **review of the existing portfolio of public investments** with greater realism. It is mentioned that this review will be in respect of industries based on low technology, **small scale and non-strategic areas, inefficient and unproductive areas, areas with little social considerations, and areas where the private sector has developed sufficient expertise and resources.**

- The Policy at the same time identifies a few priority areas for growth of public sector in the future. These areas cover the following: essential infrastructure goods and services; exploration and exploitation of oil and mineral resources; technology development and building of manufacturing capabilities in areas, which are crucial in the **long-term development of the economy and where private sector investment is inadequate**; manufacture of products where **strategic considerations** predominate such as defense equipment.

- In this light, the **policy has listed six industries**, which are to be **reserved for the public sector**. These are:
  - defense products,
  - atomic energy,
  - coal and lignite,
  - mineral oils,
  - railway transport, and
  - minerals relating to the atomic energy.
- At present, only two reserved- atomic energy and railway operations.

- It emphasised on measures to make these enterprises more growth-oriented and technically dynamic.

- It is provided that such enterprises will get a much greater degree of management autonomy through the **System of Memoranda of understanding**, specifying the rights and obligations of the enterprises and the government.

- In the case of selected enterprises, part of government holdings in the **equity will be disinvested in order to provide further market discipline** to the performance of public enterprises.

- The new policy extends the jurisdiction of MRTP Act to the public enterprises.

- Liberalisation of Foreign Investments
  - Approval will be given for direct foreign investment upto 51 percent foreign equity in high priority industries and high technology industries.
  - The new policy also seeks help from foreign trading companies in the field of exports from India.
  - A Special Empowered Board would be constituted to negotiate with a number of large international firms and approve direct foreign investment in select areas
  - The industries in which **the approvals of foreign investments and foreign technology have been made automatic** are important ones for the Indian economy. These industries are: metallurgical industries; boilers and steam generating plants; electrical equipment; telecommunication equipments; transportation; industrial machinery; agricultural machinery; industrial instruments and chemicals; other fertilisers

- Reforming MRTP- Present situation

  - In terms of the position so far, the companies with assets of Rs. 100 crores or more were required to seek government's prior approval in respect of a number of their activities.

    - These activities pertain to the expansion of existing firms, the establishment of new undertakings, mergers, amalgamations, and takeovers.

    - They had even to seek permission from the government for appointment of certain directors of these companies.

    - Restrictions also existed in respect of the acquisition of and transfer of shares of these companies.

- The new industrial policy **does away with the concept of asset limit itself**. This eliminates the requirements of prior approval of the Central Government in respect of the activities concerning expansion, new undertakings etc. The companies have been saved from the time-consuming procedures, involving heavy costs in seeking and getting approvals for their proposals.

- The MRTP Act will be restructured by **eliminating the legal requirement for prior governmental approval for expansion of present undertakings and establishment of new undertakings**. The **provisions relating to merger, amalgamation, and takeover will also be repealed**. Similarly, the provisions regarding **restrictions on acquisition of and transfer of shares will be appropriately incorporated in the Companies Act.**

- The emphasis has **now shifted to taking appropriate action against monopolistic, restrictive and unfair trade practices** on the part of monopolies. These dominant undertakings or monopolies have now been identified as those who control over 25 per cent share of the market.

- The new policy also provides for the strengthening of the MRTP commission so that it can undertake more effectively the investigation of exploitative practices.

- Small Scale Industry

  - It tries to ensure the **supply of adequate flow of credit** to these industries to meet their entire needs on a normative basis, i.e., in terms of what ought to be their needs. **Identification of select industries in large clusters**, which would be provided financial support by Small Industries Development Bank of India (SIDBI).

  - The new policy **allows equity participation by other or non-SSI industrial undertakings in the SSI-sector**, up to 24 per cent of the total shareholding. This is being done to provide small units access to the capital market and to encourage modernisation, technical upgradation, ancillarisation (i.e., producing for the non SSI firms) and sub-contracting (i.e., taking on the work in parts on contract basis from the main contractor).

- **A limited partnership is to be allowed which would limit the financial liability of the new and non-active partners entrepreneurs** to the extent of capital invested. This would enhance the supply of risk capital to the SSI sector.

- Provisions have been made to **ensure speedy payments arising from the sale of products of the SSI sector**. One such provision, called factoring service, involves payments to the SSI by SIDBI and/or by agencies to be operated by commercial banks' before these are collected from the buyers by these agencies.

- **It provides for the supply of raw materials and marketing facilities to the SSI units**. As far as indigenous raw materials are concerned, the **SSI units would be accorded priority by the government while allocating these materials**. As for marketing, the policy envisages market promotion of their products to be undertaken by cooperatives, public secto; institutions and other professional agencies.

In a nutshell

The basic structure of the WTO agreements: how the six main areas fit together — the umbrella WTO Agreement, goods, services, intellectual property, disputes and trade policy reviews.

Umbrella	**AGREEMENT ESTABLISHING WTO**		
	Goods	Services	Intellectual property
Basic principles	**GATT**	**GATS**	**TRIPS**
Additional details	Other goods agreements and annexes	Services annexes	
Market access commitments	Countries' schedules of commitments	Countries' schedules of commitments (and MFN exemptions)	
Dispute settlement	**DISPUTE SETTLEMENT**		
Transparency	**TRADE POLICY REVIEWS**		

- They start with **broad principles**: the General Agreement on Tariffs and Trade (GATT) (for goods), and the General Agreement on Trade in Services (GATS). (The agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) also falls into this category although at present it has no additional parts.)
- Then come **additional agreements and annexes** dealing with the special requirements of specific sectors or issues. These deal with the following specific sectors or issues:

For goods (under GATT)		For services (the GATS annexes)
Agriculture	Customs valuation methods	Movement of natural persons
Health regulations for farm and food products (SPS)	Preshipment inspection	Air transport
Textiles and clothing	Rules of origin	Financial services
Product standards (TBT)	Import licensing	Shipping
Investment measures	Subsidies and counter-measures	Telecommunications
Anti-dumping measures	Safeguards	

- Finally, there are the detailed and lengthy **schedules (or lists) of commitments** made by individual countries allowing specific foreign products or service-providers access to their markets. For GATT, these take the form of binding commitments on tariffs for goods in general, and combinations of tariffs and quotas for some agricultural goods. For GATS, the commitments state how much access foreign service providers are allowed for specific sectors, and they include lists of types of services where individual countries say they are not applying the "most-favoured-nation" principle of non-discrimination.

Agreement On Agriculture

- The original GATT **did apply to agricultural trade, but it contained loopholes**. For example, it allowed countries to use some **non-tariff measures such as import quotas, and to subsidize**.

- Agricultural trade **became highly distorted,** especially with the use of export subsidies which would not normally have been allowed for industrial products.

- The **Uruguay Round produced the first multilateral agreement dedicated to the sector**. It was a significant first step towards order, fair competition and a less distorted sector.

- The objective of the **Agreement on Agriculture is to reform trade in the sector and to make policies more market-oriented**.

- The new rules and commitments apply to:
  - **market access** — various trade restrictions confronting imports
  - **domestic support** — subsidies and other programmes, including those that raise or guarantee farmgate prices and farmers' incomes
  - **export subsidies and other methods** used to make exports artificially competitive.

- **Market Access**- Market access simply means the right which exporters have to access a foreign market. The WTO agreements allow WTO Members to protect their markets. In practice "market access" refers to the ways in which that protection can be implemented.

- The specific border measures to protect markets allowed under the Agreement on Agriculture are tariffs and tariff rate quotas.

- Prior to the Uruguay Round, border protection for **agricultural products was not always in the form of tariffs. In addition to tariffs, other non-tariff border measures were applied**. A core element of the Uruguay Round negotiations was the **agreement to convert these other types of border protection mechanisms into tariffs.** This process was called **"tariffication".**

- The first step required for all Uruguay Round signatories, including the least developed countries, **was to tariffy all of the agricultural tariff lines by converting all non-tariff border measures to simple tariff equivalents.** The **second step to be followed was tariff reduction.**

- It was foreseen that the high tariff levels resulting from the **tariffication process could turn out to be more protective than their non-tariff "predecessors".** The maintenance of existing trade levels was ensured by means of current access quotas.
  - A **tariff-rate quota (TRQ) is a two-levelled tariff** whereby the tariff rate charged **depends on the volume of imports**. A lower (in-quota) tariff is charged on imports within the quota volume. A higher (over-quota) tariff is charged on imports in excess of the quota volume.
- **Special safeguard provision** allows the imposition of additional duties when there are either import surges above a particular level or particularly low import prices as compared to 1986-88 levels.

- **Domestic support-** The main complaint about policies which support domestic prices, or subsidize production in some other way, is **that they encourage over-production**. This **squeezes out imports or leads to export subsidies and low-priced dumping** on world markets.
  - Domestic policies that do have a direct effect on production and trade have to be cut back.
  - It classified the policies in three boxes- Green, Blue and Amber.

- **Green Box-** Measures with minimal impact on trade can be used freely.
  - They include government services such as research, disease control, infrastructure and food security.
  - They also include payments made directly to farmers that do not stimulate production, such as certain forms of direct income support, assistance to help farmers restructure agriculture, and direct payments under environmental and regional assistance programmes.

- **Amber Box:** It covers all those measures which have direct impact on domestic production and distorts trade. These measures generally cover supports in the form of price subsidies. "Amber Box" support measures are not prohibited but are subject to reduction commitments.
  - For domestic support policies, subject to reduction commitments, the total support given in 1986-88, measured by the **Total Aggregate Measure of Support (total AMS), should be reduced by 20% in developed countries (13.3% in developing countries).**

- **Blue Box-** It covers any support measure that would normally be in the "Amber Box", but which is **placed in the "Blue Box" if the support also requires farmers to limit their production.** The support includes some direct payment to farmers and there is no limit on blue box support.

- The **reduction commitments are expressed in terms of an aggregate measure of support** which combines estimated support levels from all non-exempt policies for all commodities into one overall spending.
- **Aggregate Measurement of Suppo**rt is a monetary expression of **the size of annual transfers provided for a specific agricultural product in favour of the producers** of that product, or non-product-specific support provided in favour of agricultural producers in general.

- WTO Members are not obliged to **include de minimis support in their Current Total AMS.**
  - De minimis support is defined as:
    - **product-specific domestic support not exceeding 5 per cent of the WTO Member's total value of production of the agricultural product** in question during the relevant year;
    - **non-product-specific domestic support which is less than 5 per cent of the value of the WTO Member's total agricultural production**.
    - In the case of developing countries, the de minimis threshold is 10 per cent.

- Export Subsidies- The Agriculture Agreement **prohibits export subsidies on agricultural products unless the subsidies are specified in a member's lists of commitments**. Where they are listed, the agreement requires WTO members to **cut both the amount of money they spend on export subsidies and the quantities of exports that receive subsidies.**

Trade related Investment Measures

- During the Uruguay Round, the Agreement on Trade-Related Investment Measures (TRIMS) was **drafted to address certain investment measures that may restrict and distort trade**..
- The agreement did not address the **regulation or protection of foreign investment, but focused on investment measures that may violate basic GATT disciplines on trade in goods**, such as non-discrimination.
- Agreement applies to **investment measures related to trade in goods only.**

- The TRIMs Agreement focus on investment measures that infringe GATT, in other words, that discriminate between imported and exported products and/or create import or export restrictions. For example, a **local content requirement imposed in a non-discriminatory manner on domestic and foreign enterprises is inconsistent with the TRIMs Agreement** because it involves discriminatory treatment of imported products in favour of domestic products. . It also discourages measures which limit a company's imports or set targets for the company to export ("trade balancing requirements").

- TRIMS includes an annex with an **illustrative list of prohibited measures, such as local content requirement**s—requirements to purchase or use products of domestic origin.

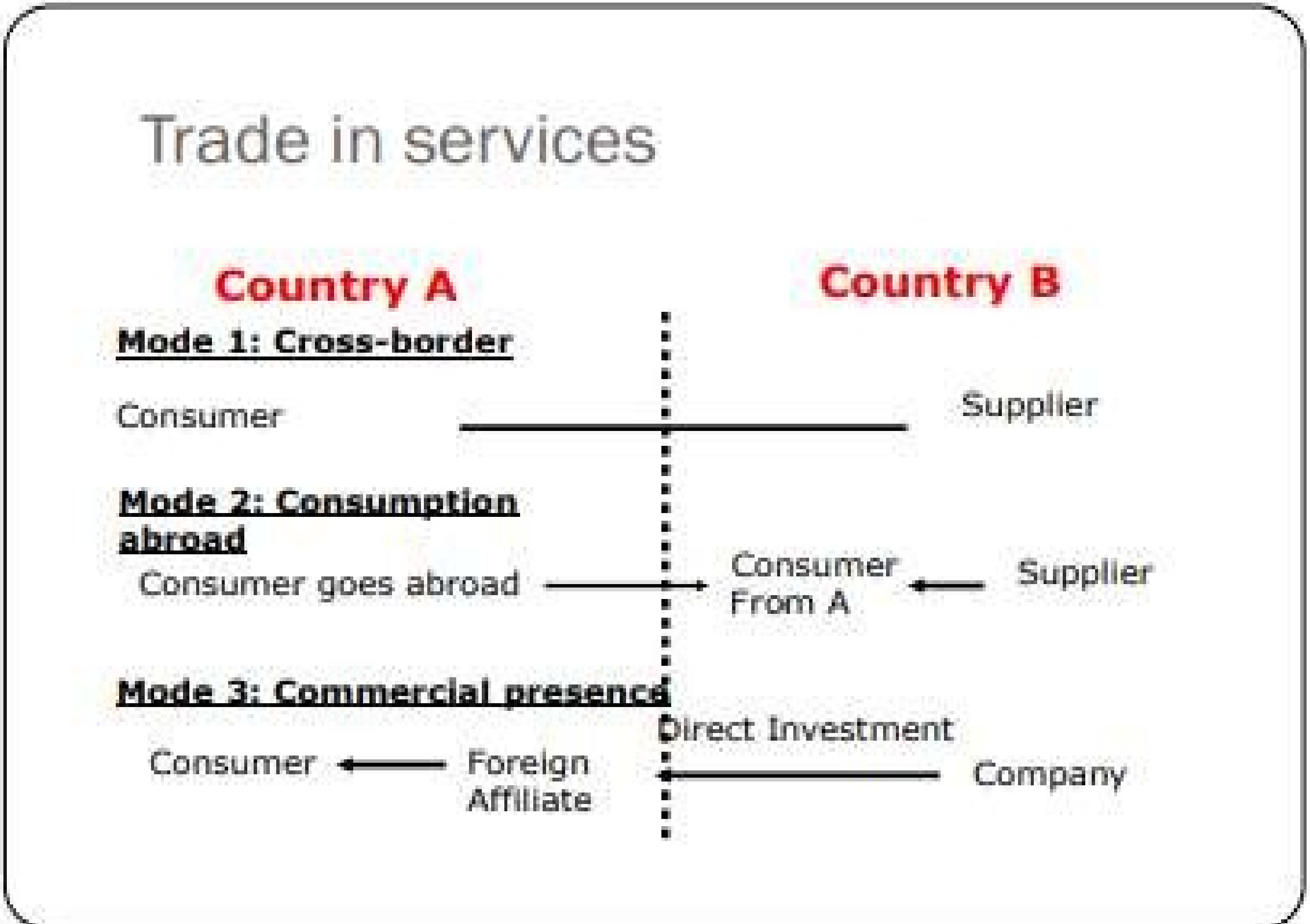
- The agreement also **includes a safeguard measure for balance of payment difficulties**, which permits developing countries to temporarily suspend TRIMS obligations.

General Agreement on Trade in Services (GATS)

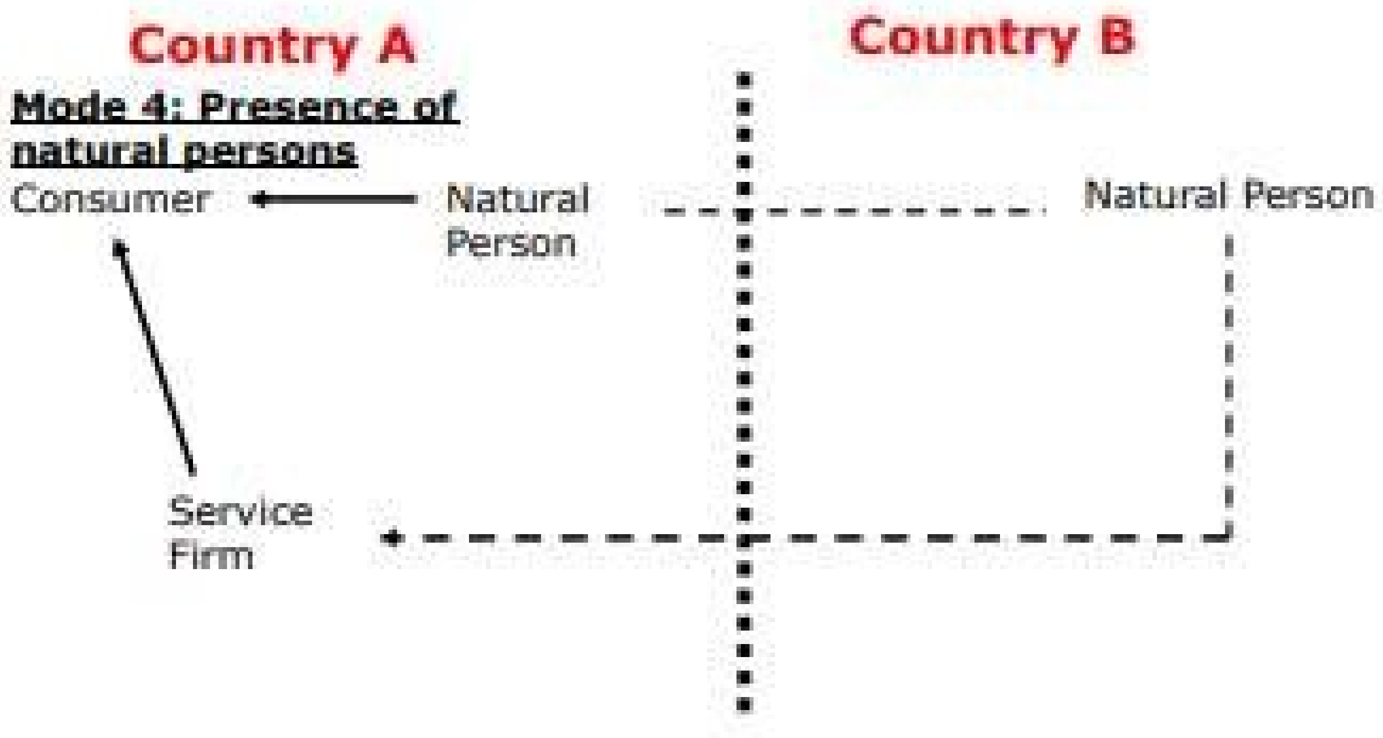
- The GATS provides the first and only multilateral framework of principles and rules for government policies and regulations affecting services trade.

- While the right of governments to regulate service industries is widely recognized as prudent and necessary to protect consumers from harmful or unqualified providers, a main focus of WTO members is **whether these regulations are applied to foreign service providers in a discriminatory and unnecessarily trade restrictive manner** that limits market access

- The agreement covers all internationally-traded services — for example, banking, telecommunications, tourism, professional services, etc.
- It also defines four ways (or "modes") of trading services:
  - services supplied from one country to another (e.g. international telephone calls), officially known as "cross-border supply" (in WTO jargon, "mode 1")
  - consumers or firms making use of a service in another country (e.g. tourism), officially "consumption abroad" ("mode 2")
  - a foreign company setting up subsidiaries or branches to provide services in another country (e.g. foreign banks setting up operations in a country), officially "commercial presence" ("mode 3")
  - individuals travelling from their own country to supply services in another (e.g. fashion models or consultants), officially "presence of natural persons" ("mode 4").


Trade in services
Country A
Country B
Mode 1: Cross-border
Consumer
Supplier
Mode 2: Consumption abroad
Consumer goes abroad
Consumer From A
Supplier
Mode 3: Commercial presence
Direct Investment
Consumer
Foreign Affiliate
Company

Trade in services



- The GATS contains multiple parts, including **definition of scope** (excluding government-provided services); **principles and obligations, including MFN treatment and transparency**; **market access and national treatment obligations**; annexes listing exceptions that members take to MFN treatment; as well as various technical elements.

- Members **negotiated GATS on a positive list basis, which means that the commitments only apply to those services and modes of delivery listed in each member's schedule of commitments.**

- Under GATS, **unless a member country has specifically committed** to open its market to suppliers in a particular service, **the national treatment and market access obligations do not apply.**

- Governmental services are explicitly carved out of the agreement and there is nothing in GATS that forces a government to privatize service industries. These services are not **subject to any GATS disciplines**, they are **not covered by the negotiations, and commitments on market access and national treatment** (treating foreign and domestic companies equally) do not apply to them.

- The agreement says governments should regulate services reasonably, objectively and impartially. **GATS does not require any service to be deregulated.**

Basic principles

- All services are covered by GATS
- Most-favoured-nation treatment applies to all services, except the one-off temporary exemptions
- National treatment applies in the areas where commitments are made
- Transparency in regulations, inquiry points
- Regulations have to be objective and reasonable
- International payments: normally unrestricted
- Individual countries' commitments: negotiated and bound
- Progressive liberalization: through further negotiations

What is Intellectual Property?

- Most of the value of new medicines and other high technology products lies in the amount of invention, innovation, research, design and testing involved.

- Films, music recordings, books, computer software and on-line services are bought and sold because of the information and creativity they contain, not usually because of the plastic, metal or paper used to make them

- Creators can be given **the right to prevent others from using their inventions**, designs or other creations — and to use that right to negotiate payment in return for others using them. These are “intellectual property rights”.

- They **take a number of forms**. For example books, paintings and films come under copyright; inventions can be patented; brandnames and product logos can be registered as trademarks.

- The **extent of protection and enforcement of these rights varied widely around the world**; and as intellectual property became more important in trade, these **differences became a source of tension in international economic relations.**

- **<u>Copyright</u>**
  - Copyright is a legal term used to describe the rights that creators have over their literary and artistic works. Works covered by copyright range from books, music, paintings, sculpture and films, to computer programs, databases, advertisements, maps and technical drawings.

- **Patents**
  - A patent is an exclusive right granted for an invention. Generally speaking, a patent provides the patent owner with the right to decide how - or whether - the invention can be used by others. In exchange for this right, the patent owner makes technical information about the invention publicly available in the published patent document.

- **<u>Trademarks</u>**
  - A trademark is a sign capable of distinguishing the goods or services of one enterprise from those of other enterprises. Trademarks date back to ancient times when artisans used to put their signature or "mark" on their products.

- **Industrial designs**
  - An industrial design constitutes the ornamental or aesthetic aspect of an article. A design may consist of three-dimensional features, such as the shape or surface of an article, or of two-dimensional features, such as patterns, lines or color.

- **Geographical indications**
  - Geographical indications and appellations of origin are signs used on goods that have a specific geographical origin and possess qualities, a reputation or characteristics that are essentially attributable to that place of origin. Most commonly, a geographical indication includes the name of the place of origin of the goods.

- **Trade secrets**
  - Trade secrets are IP rights on confidential information which may be sold or licensed. The unauthorized acquisition, use or disclosure of such secret information in a manner contrary to honest commercial practices by others is regarded as an unfair practice and a violation of the trade secret protection.

TRIPS

- he WTO's TRIPS Agreement is an attempt to narrow the gaps in the way these rights are protected around the world, and to bring them under common international rules. It establishes **minimum levels of protection that each government has to give** to the intellectual property of fellow WTO members.

- The agreement covers five broad issues:
  - **how basic principles** of the trading system and other international intellectual property agreements **should be applied**
  - how to give **adequate protection** to intellectual property rights
  - how countries **should enforce those rights** adequately in their own territories
  - how to **settle disputes on intellectual property** between members of the WTO
  - **special transitional arrangements** during the period when the new system is being introduced.

- The purpose is to ensure that **adequate standards of protection exist in all member countries**. Here the starting point is the obligations of the main international agreements of the World Intellectual Property Organization (WIPO) that already existed before the WTO was created:
  - the **Paris Convention** for the Protection of Industrial Property (patents, industrial designs, etc)
  - the **Berne Convention** for the Protection of Literary and Artistic Works (copyright).

- Some areas are not covered by these conventions. In some cases, the standards of protection prescribed were thought inadequate. So the TRIPS agreement **adds a significant number of new or higher standards**.

- An issue that has arisen recently is how to **ensure patent protection for pharmaceutical products does not prevent people in poor countries from having access to medicines** — while at the same time maintaining the patent system's role in providing incentives for research and development into new medicines. **Flexibilities such as compulsory licensing are written into the TRIPS Agreement.**

Key Exceptions Under WTO agreements

- Members generally cannot discriminate among trading partners, though specific market access commitments can vary significantly by agreement and by member. **WTO rules permit some broad exceptions, which allow members to adopt trade policies and practices that may be inconsistent with WTO disciplines and principles** such as MFN treatment, granting special preferences to certain countries, and restricting trade in certain sectors, provided certain conditions are met.

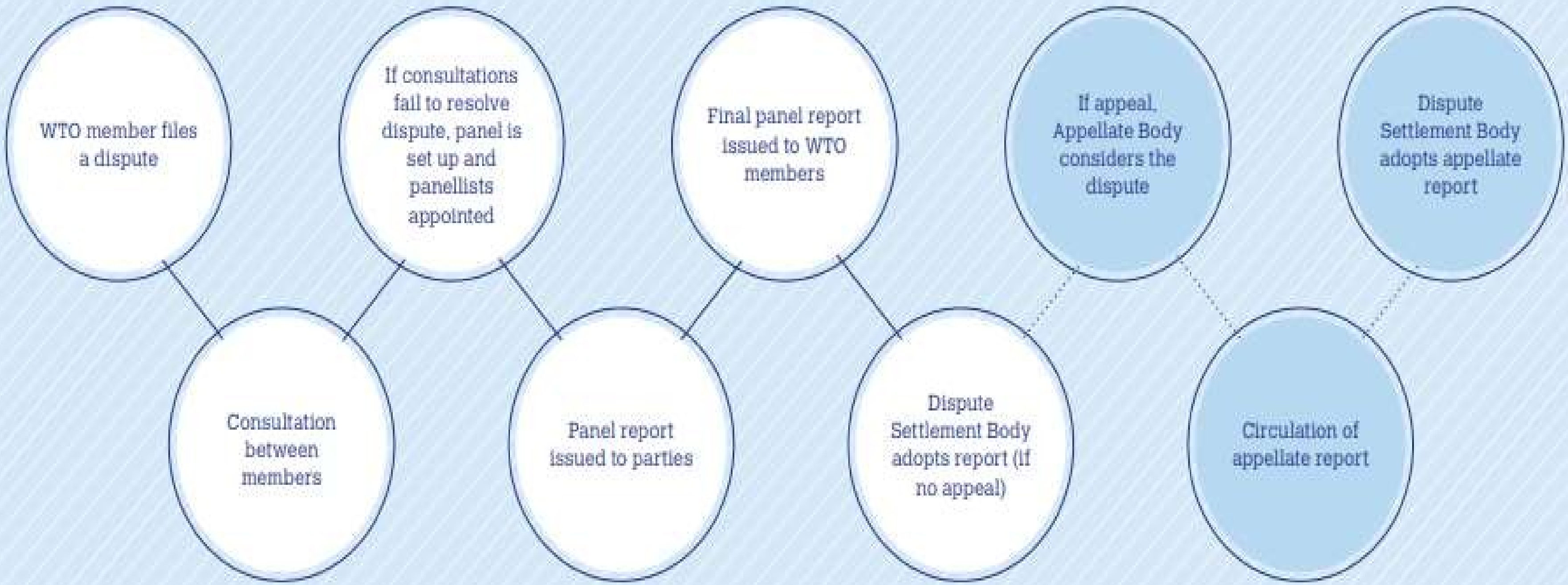
- Some of the key exceptions follow.
  - **General exceptions**-GATT Article XX grants WTO members the right to take certain measures **necessary to protect human, animal, or plant life or health, or to conserve exhaustible natural resources**, among other aims. The measures, however, **must not entail "arbitrary" or "unjustifiable" discrimination between countries**, or serve as "disguised restriction on international trade." GATS Article XIV provides for similar exceptions for trade in services.

- **National security exception**. GATT Article XXI protects the right of members to take any action considered “necessary for the protection of essential national security interests,” as related to
  - fissionable materials;
  - traffic in arms, ammunition, and implements of war, and such traffic in other goods and materials carried out to supply a military establishment; and
  - taken in time of war or other emergency in international relations.
  - Similar exceptions relate to trade in services (GATS Article XIV bis) and intellectual property rights (TRIPS Article 73).

- **More favorable treatment** to developing countries. The so-called "enabling clause" of the GATT—called the "Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries" of **1979—enables developed country members to grant differential and more favorable treatment to developing countries that is not extended to other members**. For example, this **permits granting unilateral and nonreciprocal trade preferences to developing countries under special programs**, such as the **U.S. Generalized System of Preferences (GSP), and also relates to regional trade agreements outside the WTO.**

- **Exceptions for regional trade agreements (RTAs**)- WTO countries are permitted to depart from the MFN principle and grant each other more favorable treatment in trade agreements outside the WTO, provided certain conditions are met

How disputes are settled in the WTO



Only governments and separate customs territories that are members of the WTO can participate directly in dispute settlement as parties to the case or as third parties. A formal complaint by any member automatically begins the dispute settlement process.

- WTO members comply with the rulings of the dispute settlement system in about 90 per cent of cases.
- If the member **does not bring its measures into conformity with the relevant WTO agreements within the allotted time** for compliance, the **complainant may request the DSB to authorize retaliation** in the form of **trade sanctions, such as restrictions on imports,** for an amount equivalent to the level of trade affected by the offending measure.

Singapore Ministerial-1996

- The principal theme to **emerge from the ministerial was the division between developed and developing countries**.
- New topics to be included in the discussions-that were called the **Singapore Issues-**
  - **investment,**
  - **government procurement,**
  - **competition policy and**
  - **trade facilitation**
- **Labour and Environment** were not included in the Singapore issues.
- Information Technology Agreement was concluded.

- Why developing world doesn't want multilateral agreements on Singapore issues?
  - No specific need for an agreement on investment, no agreed definitions on investment and scope etc.
  - Governments need powers to regulate FDI/FII
  - The little experience with them in handling competition issues.
  - Government procurement norms might impact negatively on the policy making powers of the government.
  - Trade facilitation norms will benefit the developed world more as they already have the facilities. How will the developing countries manage finance and skill?

Doha Ministerial

- At the Fourth Ministerial Conference in Doha, Qatar, in November 2001 WTO member governments agreed to launch new negotiations. They also agreed to work on other issues, in particular the implementation of the present agreements. The entire package is called the Doha Development Agenda (DDA).

- The Doha Ministerial Declaration provided the mandate for negotiations on a wide range of issues. The Doha work programme covers about 20 areas of trade including agriculture, services, industrial products, intellectual property, anti-dumping and other WTO rules issues, dispute settlement, and some trade and environment issues.

1. TRIPS and Public health- The issue involves the **balance of interests between the pharmaceutical companies in developed countries that held patents on medicines and the public health needs in developing countries**.

- **The declaration adopted that TRIPS does not and should not prevent members from taking measures to protect public health**. It should be **interpreted and implemented in a manner supportive of WTO members.**
- The Doha Declaration on TRIPS and Public Health of 2001, provided at **that time a waiver so that essential medicines could be produced elsewhere and subsequently exported into the countries that could not produce the medicines themselves.**
- In **2005, the General Council decided to transform this temporary waiver into a permanent amendment to the TRIPS Agreement**. The amendment will enter into force once two-thirds of WTO members confirm their acceptance by ratifying it.

2. Agricultural subsidies- Developed countries failed to meet their commitments with regard to reduction in agricultural subsidies. Developing countries view reform in agricultural trade as one of their most important goals.

- They argue that **their own producers cannot compete against the surplus agricultural goods that the developed countries, principally the EU and the United States, are selling on the world market at low, subsidized prices** .

- The DDA stated that the members committed to "**comprehensive negotiations aimed at substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade distorting support**." It also recognized the importance of non-trade concerns like food security and rural development for developing countries.

- Major issue for developed world was Public stockholding of grains by developing countries like India and for developing world- the high subsidies given by developed world and no concrete special safeguard mechanism.

3. Non-Agricultural Market Access-the Doha Declaration, trade ministers agreed to negotiations to reduce or eliminate tariffs on industrial or primary products, with a focus on "tariff peaks, high tariffs, and tariff escalation.“

- Tariff peaks are considered to be tariff rates of above 15% and often protect sensitive products from competition.
- Tariff escalation is the practice of increasing tariffs as value is added to a commodity.

- The talks are also seeking **to reduce the incidence of non-tariff barriers,** which include import licensing, quotas and other quantitative import restrictions, conformity assessment procedures, and technical barriers to trade. **The sectoral elimination of tariffs** for specific groups has also been forwarded as an area of negotiation.

- Developing countries have been **unwilling to commit on NAMA without agreement on agriculture**, but now some developed countries are tying further agriculture progress to NAMA

4. **Special and Differential (S&D) Treatment**

– In the Doha Ministerial Declaration, the trade ministers **reaffirmed special and differential (S&D) treatment for developing countries** and agreed that all S&D treatment provisions "be **reviewed with a view to strengthening them and making them more precise, effective and operational.**“

5. **Environment**- negotiations on environmental issues was accepted in the Doha declaration.

6. **Singapore issues-** were successfully kept out of negotiations by the develeping world as there was no consensus on modalities of negotiations.

- The negotiations of the DDA had to be concluded with specific timelines such as Special and Differential Treatment to be concluded by July 2002, TRIPS and public health agreement by December 2002 and so on.

- None of these deadlines were met. The conflict between developed and developing world further deepened as special and differential treatment modalities were not sorted and also the blocking of USA on TRIPS waiver to distribute patented medicines to least developed world.

- Though the developing world has provided much market access to agricultural products , developed world continues to provide substantial subsidies to its agricultural sector.

Hong Kong Ministerial-2005

- A reaffirmation of members' commitment to the Doha mandate and the July 2004 framework;

- A deadline of 30 April 2006 for modalities on agriculture and NAMA (industrials), with revised schedules to be submitted by 31 July 2006;

- **Agriculture**- Commitment by members to the elimination by 2013 of all forms of agricultural export subsidies; domestic support would still continue.
  - Special Safeguard mechanism for Developing world.
  - An agreement on the difficult cotton issue- export subsidies to be eliminated.
  - On grounds of food security, livelihood security and rural development needs , developing countries will be able to designate special products which will atrract flexible tariff reduction treatment.

- **NAMA Access-** Agreement to use a "Swiss" tariff-cutting formula with the potential to produce an ambitious result on industrials (tariff-cuts are supposed to be undertaken such that it cuts higher tariffs more steeply than it cuts lower tariffs.

- **TRIPS-** amendment to TRIPS agreement to address public health concerns of developing countries.

- A **commitment by developed countries and those developing countries** in a position to do so, to **provide duty and quota-free access to most goods from LDCs**.

- The **WTO launched the Aid for Trade initiative at its Ministerial Conference in Hong Kong in 2005 to help developing countries increase their trade capacity and improve their trading infrastructure**.

- The conflict became too wide and therefore members agreed to suspend the negotiations across all areas of Doha Development Agenda.

- Negotiations resumed in 2007- but the main focus was on domestic support(agriculture) and non-agricultural market access.

Bali Ministerial-2013

- **Adopted the Bali package-** a deal designed to streamline trade, allow developed countries more options for **providing food security, boost least developed countries trade and help development more generally**.

- Two major issues were solved-
  - Public stockholding of grains
  - Trade facilitation

- The main argument behind the original G33 proposal was that the **current WTO Agreement does not provide developing countries with sufficient policy space for addressing food security,** whereas developed **country members can continue to use trade distorting policies with very few limitations**.

  - The major point of contention that was raised by the G-33, was that the **very calculation of the AMS was outdated and did not take into consideration rising food prices that had characterised the global market since the methodology was first adopted**. When the WTO agriculture agreement was negotiated, developing countries were **given an AMS limit of ten per cent of their value of production.**

- **Peace Clause-** the Bali agreement establishes **that until a permanent solution is found, Members shall refrain from challenging, through the WTO Dispute Settlement Mechanism**, compliance of a developing Member with its obligations in relation to trade-distorting domestic support to traditional staple food crops through existing public stockholding programmes for food security purposes.

- **Trade-Facilitation Agreement-** the agreement made it mandatory for member countries to cut red tape for free movement of goods.

- The TFA aims to address multiple trade barriers confronted by exporters and importers and reduce trade costs by streamlining, modernizing, and speeding up the customs processes for cross-border trade, as well as making it more transparent.

- The Trade Facilitation Agreement (TFA) is **the newest WTO multilateral trade agreement, entering into force on February 22, 2017**, and perhaps the lasting legacy of the Doha Round, **.**

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- The TFA has three sections.
  - The first is the heart of the agreement, containing the **main provisions, of which many, but not all, are binding and enforceable**. Mandatory articles include requiring members to **publish information, including publishing certain items online; issue advance rulings in a reasonable amount of time; and provide for appeals or reviews**, if requested.
  - **The second section provides for SDT for developing country and LDC members, allowing them more time and assistance to implement the agreement**.
  - the third section **sets institutional arrangements for administering the TFA.**

- The **TFA is the first WTO agreement in which members determine their own implementation schedules** and in which **progress in implementation is explicitly linked to technical and financial capacity.**

- Other decisions taken- four decisions on development issues,
  - including **establishing a monitoring mechanism** to analyse the implementation of special provisions for developing countries in WTO agreements,
  - **expanding duty-free quota-free market access** for least-developed countries (LDCs),
  - providing **services exports from LDCs** with **preferential treatment**, and
  - **identifying ways to facilitate market access for LDC products** through better use of the WTO's "rules of origin".

Nairobi Ministerial -2015

- Agriculture-
  - The WTO deal on export competition, first of all, **requires export subsidies to be eliminated by developed country members immediately and by developing countries in three years (by 2018**), while allowing these deadlines to be extended to five and seven years respectively for developing and least developed countries regarding subsidies for marketing and transportation costs for agricultural products.
  - Despite efforts by G33 countries to **incorporate the Special Safeguard Mechanism (SSM) as a new trade remedy measure that would allow developing countries to impose tariffs on agriculture products in the event of disruptive import surges**, the Decision included only **language that recognizes the right for developing country members to have recourse to SSM and future negotiations in dedicated sessions**.

- Also, the **final text on public stockholding for food security purposes settled on language that encourages future negotiations for a permanent solution, but in a more accelerated manner and distinct from the existing DDA (Doha Development Agenda) agriculture negotiations.**

- Decisions were made regarding preferential treatment to LDCs in area of services and criteria for determining whether export from LDCs may benefit from trade preferences.

- Future WTO agenda

- A key issue of the Nairobi Ministerial Conference was **whether the WTO members would reaffirm the DDA.** However, due to a deep division in positions among members, **mainly along the developed and developing country groups, the Ministerial gathering was unable to come up with a compromised final text**, and had to settle on a text that **specified in parallel conflicting positions of the negotiating groups**.
- While in **one part of the Ministerial Declaration, it states that "many Members reaffirm the DDA, and the Declarations and Decisions adopted at the Doha and the Ministerial Conference held since then, and reaffirm their full commitment to conclude the DDA on that basis**", there is another part in the text that states, "**Other Members do not reaffirm the Doha mandates, as they believe new approaches are necessary to achieve meaningful outcomes in multilateral negotiations".**

- The U.S. has **reportedly called for a "new approach" to the multilateral trading system** that breaks from the structure of the 2001 Doha round. Various pluri-lateral negotations happening.

- New issues that may be added to the **DDA agenda include e-commerce, competition, and labor,** which are issues that some major countries are highly interested in.

WTO- Multi-lateral Trading system

GATT

- The original intention was to **create a third institution to handle the trade side of international economic cooperation**, joining the two "Bretton Woods" institutions, the World Bank and the International Monetary Fund. Over 50 countries participated in negotiations to create an International Trade Organization (ITO) as a specialized agency of the United Nations.

- **Parallely, 15 countries had begun talks in December 1945 to reduce and bind customs tariffs.** This first round of negotiations resulted in a package of trade rules and 45,000 tariff concessions affecting $10 billion of trade, about one fifth of the world's total.

- The group had **expanded to 23 by the time the deal** was signed on 30 October 1947. The tariff concessions came into effect by 30 June 1948 through a "Protocol of Provisional Application". And so the new **General Agreement on Tariffs and Trade was born, with 23 founding members (officially "contracting parties").**

- For almost half a century**, the GATT's basic legal principles remained much as they were in 1948.** There were additions in the form of a section on development added in the 1960s and "plurilateral" agreements (i.e. with voluntary membership) in the 1970s, and efforts to reduce tariffs further continued.

- Much of this was achieved through a series of multilateral negotiations known as "**trade rounds**" — the biggest leaps forward in international trade liberalization have come through these rounds which were held under GATT's auspices.

- In the early years, the GATT trade rounds concentrated on further reducing tariffs. Then, the **Kennedy Round in the mid-sixties brought about a GATT Anti-Dumping Agreement** and a section on development.

- The **Tokyo Round during the seventies was the first major attempt to tackle trade barriers that do not take the form of tariffs**, and to improve the system.

- The tariff reductions, phased in over a period of eight years, involved an element of "**harmonization" — the higher the tariff, the larger the cut, proportionally.**
  - Because they were not accepted by the full GATT membership, they were often informally called "codes".
  - They were not multilateral, but they were a beginning. Several codes were eventually amended in the Uruguay Round and turned into multilateral commitments accepted by all WTO members.

- The eighth, the **Uruguay Round of 1986-94, was the last and most extensive of all**. It led to the WTO and a new set of agreements.

GATT trade rounds

back to top ▲

Year	Place/name	Subjects covered	Countries
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960-1961	Geneva Dillon Round	Tariffs	26
1964-1967	Geneva Kennedy Round	Tariffs and anti-dumping measures	62
1973-1979	Geneva Tokyo Round	Tariffs, non-tariff measures, "framework" agreements	102
1986-1994	Geneva Uruguay Round	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc	123

Why GATT led to WTO?

- **New Issues-** World trade had become far more complex and important than 40 years before: the globalization of the world economy was underway, **trade in services — not covered by GATT rules — was of major interest to more and more countries, and international investment had expanded.**

- **Poor Performance-** In other respects, GATT had been found wanting. For instance, in agriculture, loopholes in the multilateral system were heavily exploited, and efforts at liberalizing agricultural trade met with little success.

- **GATT's institutional structure and its dispute settlement system** were causing concern.
  - The GATT was only a set of rules and multilateral agreements and lacked institutional structure. The trade in services and intellectual property rights were not covered by regular GATT rules.
  - The GATT did not set out a dispute procedure with great specificity resulting in lack of deadlines, laxity in the establishment of a dispute panel and the adoption of a panel report by the GATT Parties. It made the GATT as a weak Dispute Settlement

Uruguay Round Negotiations

- 1986, in Punta del Este, Uruguay- the members of GATT accepted a negotiating agenda that covered virtually every outstanding trade policy issue.
- The talks were going to extend the trading system into several new areas, notably trade in services and intellectual property, and to reform trade in the sensitive sectors of agriculture and textiles.
- All the original GATT articles were up for review. It was the biggest negotiating mandate on trade ever agreed, and the ministers gave themselves four years to complete it.

Evolution

- The World Trade Organization came into being in 1995. The WTO is the successor to the **General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War**.

- The system was developed through a series of **trade negotiations, or rounds, held under the GATT**. The first rounds dealt mainly with tariff reductions but later negotiations included other areas such as anti-dumping and non-tariff measures. **The 1986-94 round – the Uruguay Round – led to the WTO's creation.**

- The Final Act of the **Uruguay Round signed by 123 members of the GATT in Marrakesh** included the Agreement Establishing the WTO, which spells out the goals and structure of the organization

What happened to GATT?

- The WTO replaced GATT as an international organization, but the General Agreement still exists as the WTO's umbrella treaty for trade in goods, updated as a result of the Uruguay Round negotiations. GATT 1947 updated to GATT 1994.

Functions

- The WTO’s overriding objective is to help trade flow smoothly, freely and predictably. It does this by:
  - administering **trade agreements**
  - acting as a forum for **trade negotiations**
  - settling **trade disputes**
  - reviewing national trade policies
  - **building the trade capacity** of developing economies
  - **cooperating** with other international organizations

Structure

- The **WTO has 164 members, accounting for 98% of world trade**. A total of 25 countries are negotiating membership.

- **Decisions are made by the entire membership. This is typically by consensus.** A majority vote is also possible but it has never been used in the WTO, and was extremely rare under the WTO's predecessor, the GATT. **The WTO's agreements have been ratified in all members' parliaments.**

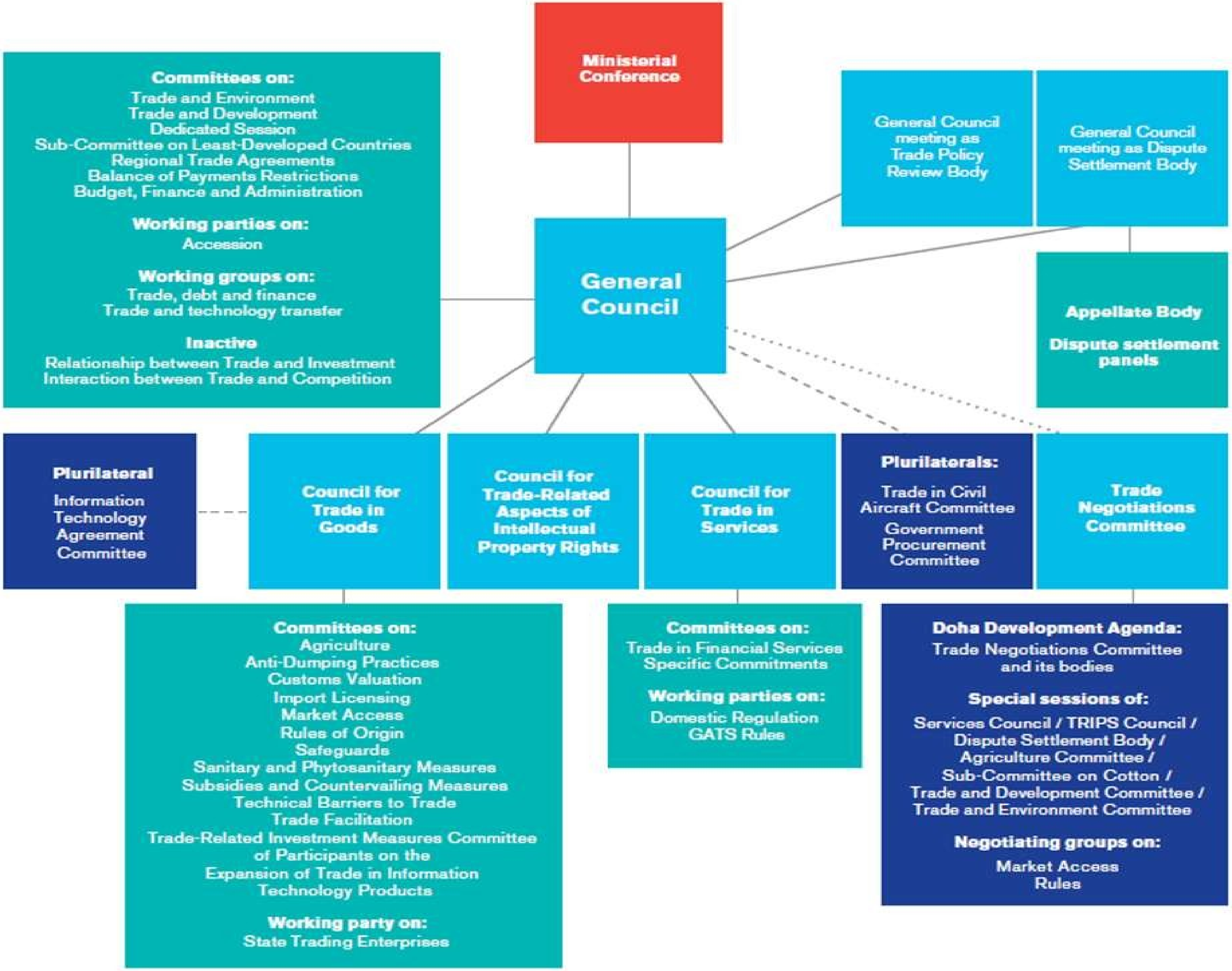
  – The WTO's top level decision- making body is the **Ministerial Conference**, which meets usually every two years.

  – Below this is the **General Council (normally ambassadors and heads of delegation based in Geneva but sometimes officials sent from members' capitals) which meets several times a year in the Geneva headquarters**. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body.

  – At the next level, **the Goods Council, Services Council and Intellectual Property (TRIPS) Council report to the General Council.**

- Numerous specialized committees, working groups and working parties deal with the individual agreements and other areas, such as the environment, development, membership applications and regional trade agreements.

- At its heart are the WTO agreements, **negotiated and signed by the bulk of the world's trading nations**. These documents provide the legal ground-rules for international commerce. They are essentially contracts, binding governments to keep their trade policies within agreed limits


Ministerial Conference
General Council
Committees on:
Trade and Environment
Trade and Development
Dedicated Session
Sub-Committee on Least-Developed Countries
Regional Trade Agreements
Balance of Payments Restrictions
Budget, Finance and Administration
Working parties on:
Accession
Working groups on:
Trade, debt and finance
Trade and technology transfer
Inactive
Relationship between Trade and Investment
Interaction between Trade and Competition
General Council meeting as Trade Policy Review Body
General Council meeting as Dispute Settlement Body
Appellate Body
Dispute settlement panels
Plurilateral
Information Technology Agreement Committee
Council for Trade in Goods
Council for Trade-Related Aspects of Intellectual Property Rights
Council for Trade in Services
Plurilaterals:
Trade in Civil Aircraft Committee
Government Procurement Committee
Trade Negotiations Committee
Committees on:
Agriculture
Anti-Dumping Practices
Customs Valuation
Import Licensing
Market Access
Rules of Origin
Safeguards
Sanitary and Phytosanitary Measures
Subsidies and Countervailing Measures
Technical Barriers to Trade
Trade Facilitation
Trade-Related Investment Measures Committee
of Participants on the
Expansion of Trade in Information
Technology Products
Working party on:
State Trading Enterprises
Committees on:
Trade in Financial Services
Specific Commitments
Working parties on:
Domestic Regulation
GATS Rules
Doha Development Agenda:
Trade Negotiations Committee and its bodies
Special sessions of:
Services Council / TRIPS Council / Dispute Settlement Body / Agriculture Committee / Sub-Committee on Cotton / Trade and Development Committee / Trade and Environment Committee
Negotiating groups on:
Market Access
Rules

Principles of WTO

- **Trade without discrimination**
  - **Most-favoured-nation (MFN):** treating other people equally . Under the WTO agreements, countries **cannot normally discriminate between their trading partners**. Grant someone a special favour (such as a lower customs duty rate for one of their products) and **you have to do the same for all other WTO members.**

  - **National treatment**: Treating foreigners and locals equally. Imported and locally-produced goods should be treated equally —**after the foreign goods have entered the market**. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents.
- National treatment **only applies once a product, service or item of intellectual property has entered the market**. Therefore, charging customs duty on an import is not a violation of national treatment even if locally-produced products are not charged an equivalent tax.

- **Freer trade: gradually, through negotiation-**
  - **Lowering trade barriers is one of the most obvious means of encouraging trade.** The barriers concerned include customs duties (or tariffs) and measures such as import bans or quotas that restrict quantities selectively.
  - Since GATT's creation in 1947-48 there have been eight rounds of trade negotiations. A ninth round, under the **Doha Development Agenda, is now underway.**
  - The WTO agreements allow countries to **introduce changes gradually, through "progressive liberalization**". Developing countries are usually **given longer to fulfil their obligations**.

- **Predictability: through binding and transparency**
  - In the WTO, when countries agree to open their markets for goods or services, **they "bind" their commitments. For goods, these bindings amount to ceilings on customs tariff rates.** Sometimes countries tax imports at rates that are lower than the bound rates. Frequently this is the case in developing countries.
  - The system tries to improve predictability and stability in other ways as well.
    - One way is to d**iscourage the use of quotas and other measures** used to set limits on quantities of imports.
    - Another is to make **countries' trade rules as clear and public ("transparent") as possible.** Many WTO agreements require governments to disclose their policies and practices publicly within the country or by notifying the WTO.

- **Promoting fair competition**
  - discouraging "unfair" practices such as export subsidies and dumping products at below cost to gain market share;
  - The **rules on non-discrimination — MFN and national treatment** — **are designed to secure fair conditions of trade**. The **issues are complex, and the rules try to establish what is fair or unfair, and how governments can respond**, in particular by charging additional import duties calculated to compensate for damage caused by unfair trade.

- **Encouraging development and economic reform**
  - The WTO system contributes to development. On the other hand, **developing countries need flexibility in the time they take to implement the system's agreements.** And the agreements themselves inherit the earlier provisions of GATT **that allow for special assistance and trade concessions for developing countries.**

Table-2.5

India's Position in World Agriculture in 2018

Item	India	World	% Share	India's Rank	Next to
Crop Production (Million Tonnes)					
(A) : Total Cereals	318.32	2962.9	10.74	Third	China, U.S.A
Wheat	99.70	734.05	13.58	Second	China
Rice (Paddy)	177.6	782.00	22.07	Second	China
(B): Pulses	25.50	92.32	27.63	First	
(C): Oilseeds					
Groundnut (with shell)	9.25	50.89	18.18	Second	China
Rapeseed	8.43	75.00	11.24	Third	Canada, China
(D): Commercial Crops					
Sugarcane	376.90	1907.02	19.76	Second	Brazil
Tea	1.34	6.34	21.22	Second	China
Coffee (green)	0.33	10.30	3.17	Eighth	Brazil, Vietnam, Indonesia Colombia, Honduras, Ethiopia, Peru

					Ethiopia, Peru
Jute	1.95	3.63	53.72	First	
Cotton (Lint)*	6.05	24.77	24.43	Second	China
Tobacco Unmanufactured	0.75	6.09	12.30	Third	China, Brazil
Fruits & Vegetables Production (Million Tonnes)					
(A): Vegetables Primary & Melons	128.24	1088.84	11.78	Second	China
(B): Fruits Primary (excluding melons)	98.72	867.77	11.38	Second	China
(C): Potatoes	48.53	368.17	13.18	Second	China
(D): Onion (Dry)	22.07	96.77	22.61	Second	China
Dairy Products (Million Tonnes)					
(A): Milk Total	187.96	843.0	22.30	First	
(B): Eggs (Primary) Total	5.24	82.93	6.31	Third	China, U.S.A
(C): Meat, Total	7.45	342.4	2.18	Sixth	China, U.S.A, Brazil, Russian Federation, Germany

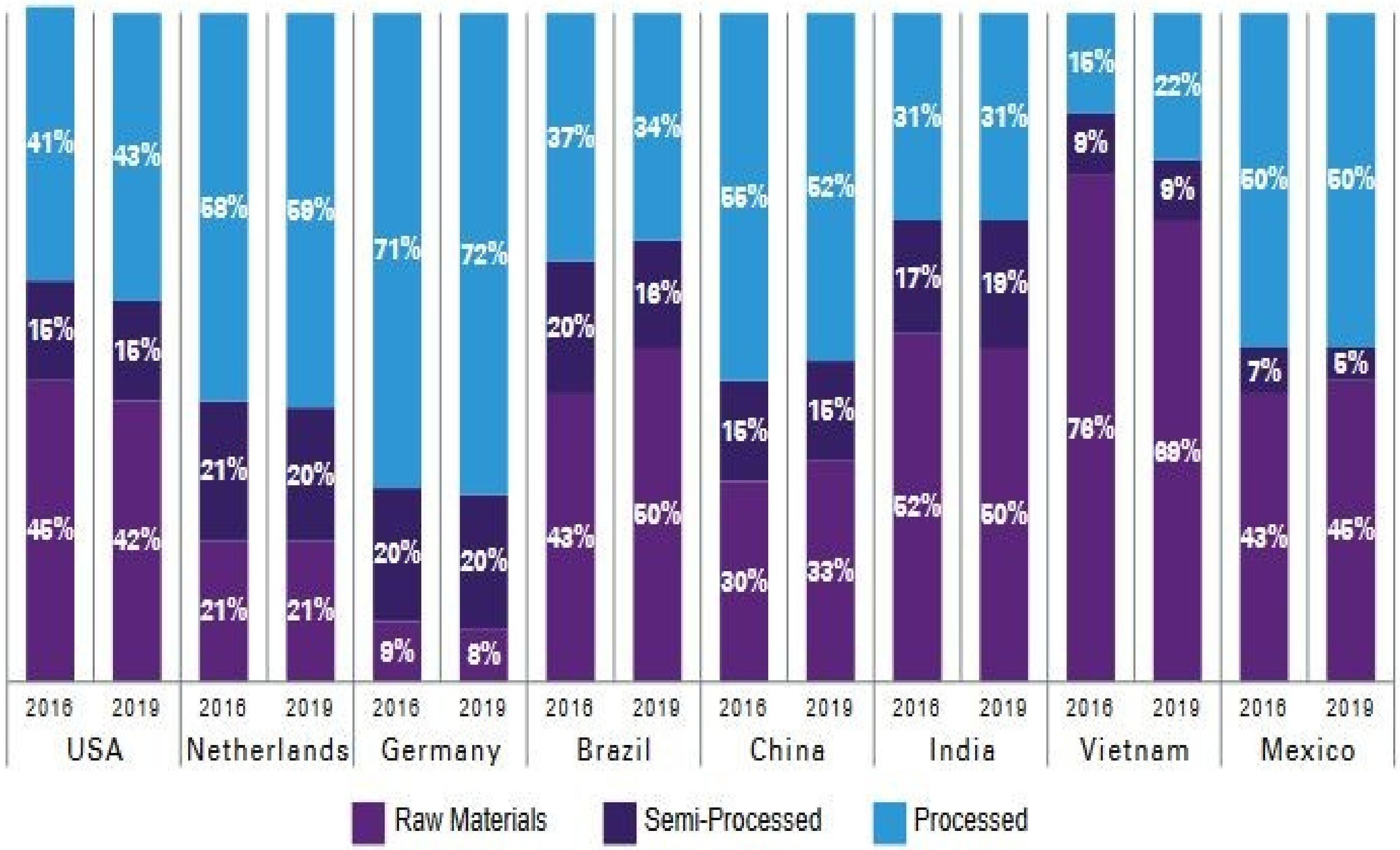
India's Food Exports (in US$ million)

S. No.	HS Code	Commodity Description	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022 (Apr-Oct)
		Food Exports	35,467.9	35,302.5	32,732.0	38,314.3	24,901.7
		Processed Food Exports	5,273.9	6,389.2	6,264.0	8,543.1	5,183.4
		%share of Processed Food in Food Exports	14.9%	18.1%	19.1%	22.3%	20.8%
		India's Total Export	303,526.2	330,078.1	313,361.0	291,163.5	233,912.6
		%share of Food Exports in Overall Exports	11.7%	10.7%	10.4%	13.2%	10.6%

Commodity Description	2017-	2018-	2019-	2020-	2021-2022
Food Imports	23096.6	19323.0	19643.1	20994.9	17547.3
Processed Food Imports	2920.0	2672.6	2646.0	2756.1	1956.9
%share of Processed Food in Food Imports	12.6%	13.8%	13.5%	13.1%	11.2%
India's Total Import	465,581.0	514,078.4	474,709.3	393,610.6	328,513.0
%share of Food Imports in Overall Imports	5.0%	3.8%	4.1%	5.3%	5.3%

- Exports from India are **dominated by low value added food products** (raw material/ semi-processed) (69 per cent) compared to Mexico (50 per cent), China (48 per cent), Germany (28 per cent) and Netherlands (41 per cent).

- High value added food processing products that do not feature prominently in India’s export basket are
  - Soya bean
  - Bread, pastry, cakes, & other bakery items
  - Alcoholic and non-alcoholic beverages including fruit juices, wines and beer
  - Cheese and yogurt
  - Chocolate & cocoa items
  - Processed marine items
  - Maize and corn
  - Edible nuts (dried, fresh, peeled or shelled)
  - Sauces and pasta


41%
16%
46%
43%
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42%
68%
21%
21%
69%
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71%
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72%
20%
8%
37%
20%
43%
34%
16%
50%
56%
15%
30%
52%
15%
33%
31%
17%
52%
31%
19%
50%
15%
9%
76%
22%
9%
69%
50%
7%
43%
50%
5%
45%
2016
2019
USA
Netherlands
Germany
Brazil
China
India
Vietnam
Mexico
Raw Materials
Semi-Processed
Processed

India's Share in Global Food Trade

Value in US$ million

	2016	2017	2018	2019	2020
World food export	1324404.3	1432272.3	1493758.6	1488060.0	1525621.1
World food import	1342585.9	1449095.6	1524012.3	1521161.4	1553119.4
India's food export to world	29196.3	34418.9	34070.2	33617.8	35200.7
India's food import from world	21938.0	25090.3	19603.5	19183.7	20365.6
% Share of India's food export in world	2.20%	2.40%	2.28%	2.26%	2.31%
% Share of India's food import in world	1.63%	1.73%	1.29%	1.26%	1.31%

Food Processing Industry

- The food processing industry accounted for 9.87 per cent and 11.38 per cent of GVA in Manufacturing and Agriculture sector respectively in 2019-20.

Gross Value Added (GVA) by Food Processing Industries (FPI) at Constant 2011-12 Prices

(₹ in Lakh Crore)

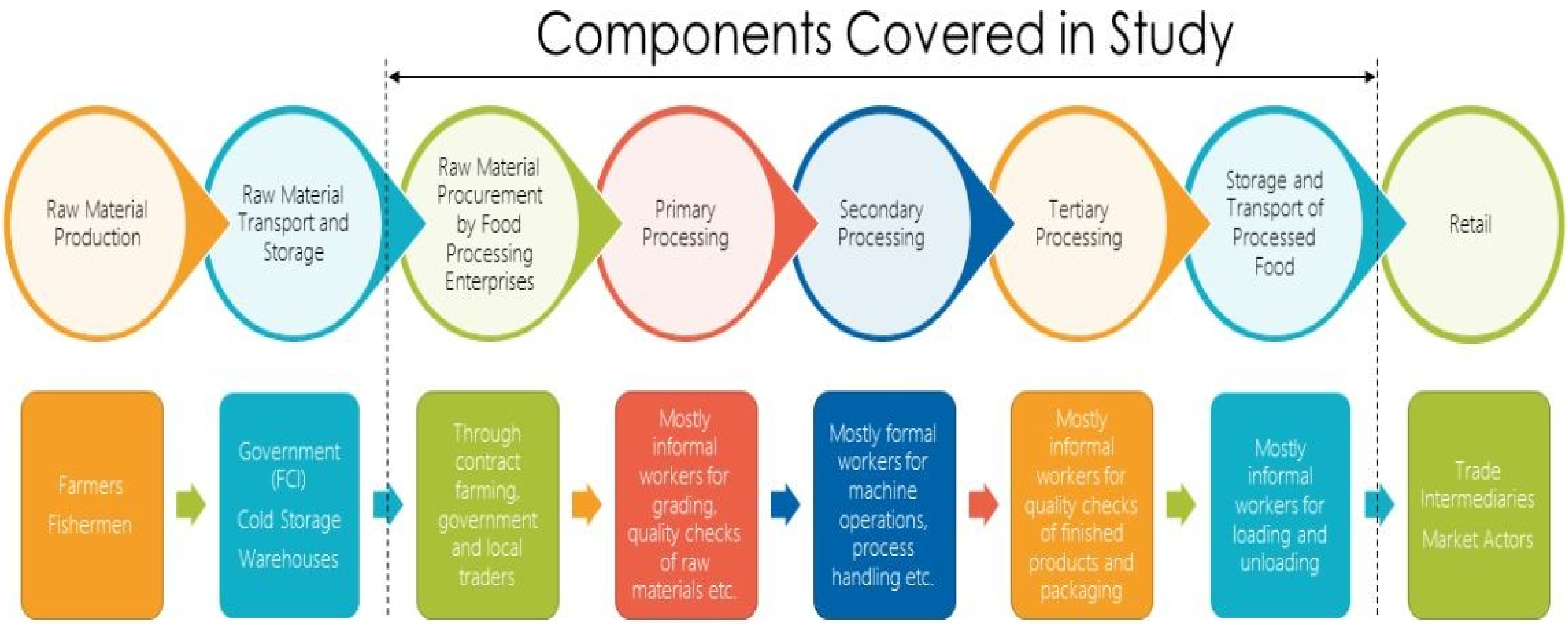
Sr. No.	Economic Activity	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	GVA -All India	85.46	90.64	97.12	104.92	113.28	120.34	127.44	132.71
2	GVA Manufacturing	14.87	15.61	16.84	19.04	20.55	22.09	23.26	22.69
3	GVA-Agriculture, Forestry And Fishing	15.24	16.09	16.06	16.16	17.26	18.40	18.87	19.69
4	GVA-FPI	1.30	1.30	1.34	1.61	1.79	1.93	2.32	2.24

- What is Food Processing?

- The MoFPI defines food processing industries or enterprises as those pertaining to
  - **Manufactured Processes**: If any raw product of agriculture, animal husbandry or fisheries is transformed through a process [involving employees, power, machines or money] in such a way that **its original physical properties undergo a change and if the transformed product is edible and has commercial value.**

  - **Other Value-Added Processes:** If there is **significant value addition** (increased shelf life, shelled and ready for consumption etc.) even if it does not undergo manufacturing processes."

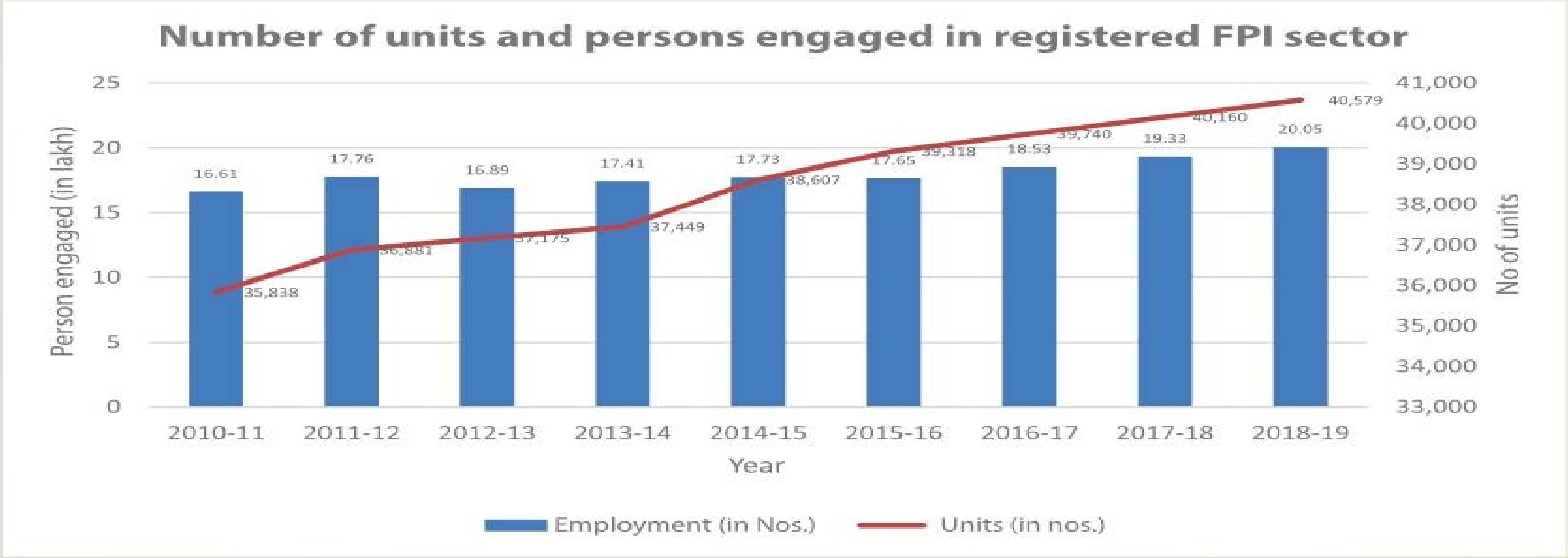
Figure 1: Food Processing Value Chain



Employment in Food Processing Industry

Sector	Food Processing* Industry	Overall Industry	(%) Share of FP sector
Registered (2018-19)#	20.05 lakh	162.80 lakh	12.32
Un-incorporated (2015-16)**	51.11 lakh	360.41 lakh	14.18

Chart 2.1:
No of Units and Persons engaged in registered FPI sector



Dairy

Uttar Pradesh: 16 per cent
Rajasthan: 13 per cent
Madhya Pradesh: 8 per cent
Gujarat: 8 per cent
Andhra Pradesh: 8 per cent

Meat & Marine

Andhra Pradesh: 21 per cent
West Bengal: 12 per cent
Uttar Pradesh: 9 per cent
Maharashtra: 8 per cent
Tamil Nadu: 6 per cent

Cereals, Grains & Oilseeds

Uttar Pradesh: 18 per cent
Madhya Pradesh: 12 per cent
Punjab: 11 per cent
Rajasthan: 7 per cent
West Bengal: 6 per cent

Beverages (non-alcoholic)

Maharashtra: 28 per cent
Uttar Pradesh: 16 per cent
Madhya Pradesh: 9 per cent
Karnataka: 6 per cent
West Bengal: 5 per cent

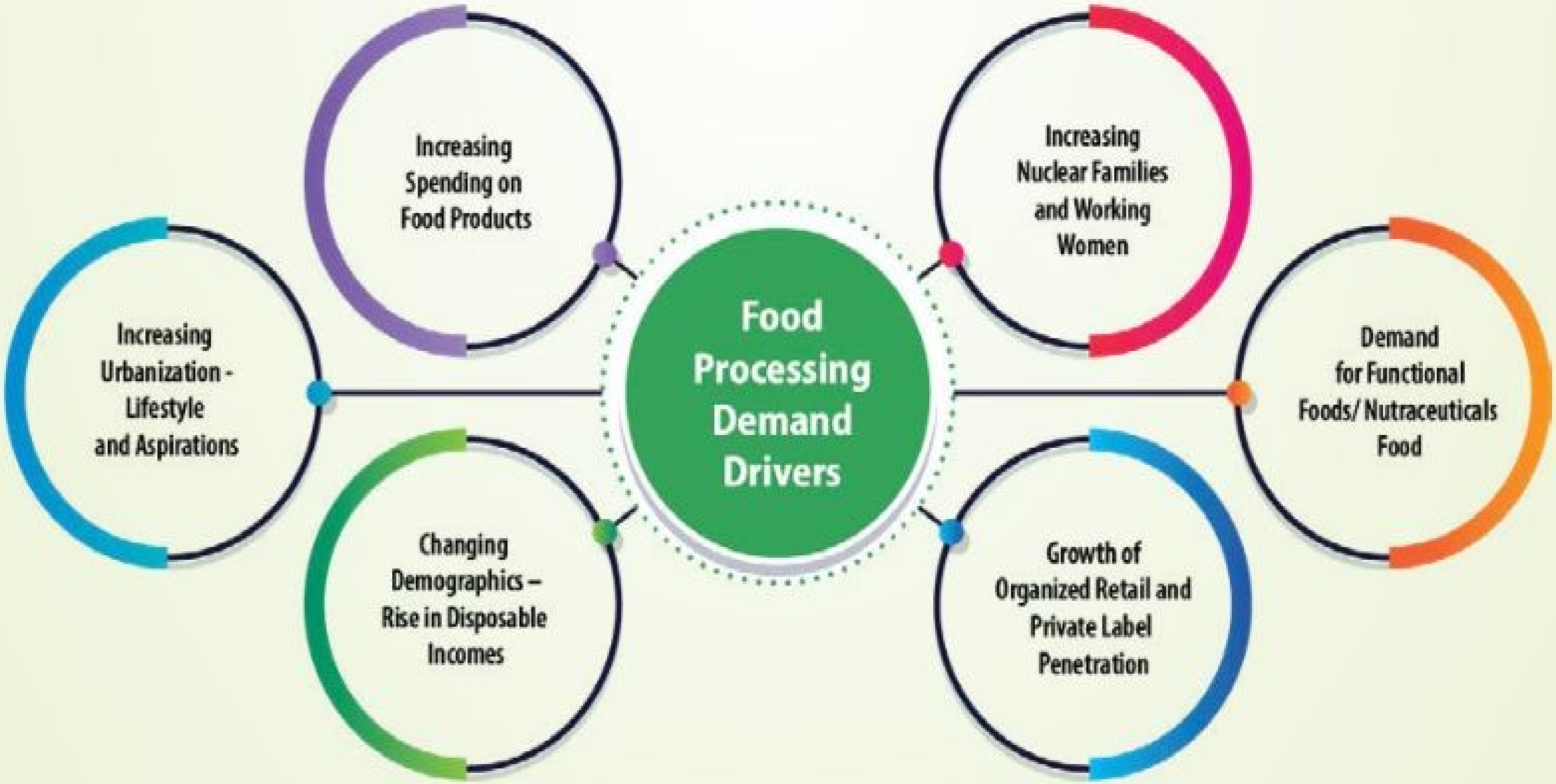
Fruits & Vegetables

Uttar Pradesh: 12 per cent
West Bengal: 10 per cent
Madhya Pradesh: 8 per cent
Gujarat: 7 per cent
Andhra Pradesh: 7 per cent

Packaged Food

Maharashtra: 13 per cent
Uttar Pradesh: 8 per cent
Karnataka: 8 per cent
Tamil Nadu: 7 per cent
Gujarat: 3 per cent

2.8 Food Processing Sector –Growth Potential:



2.7 Food Processing Sector–Major Challenges:

The major challenges being faced by the sector are illustrated below:-

Challenges

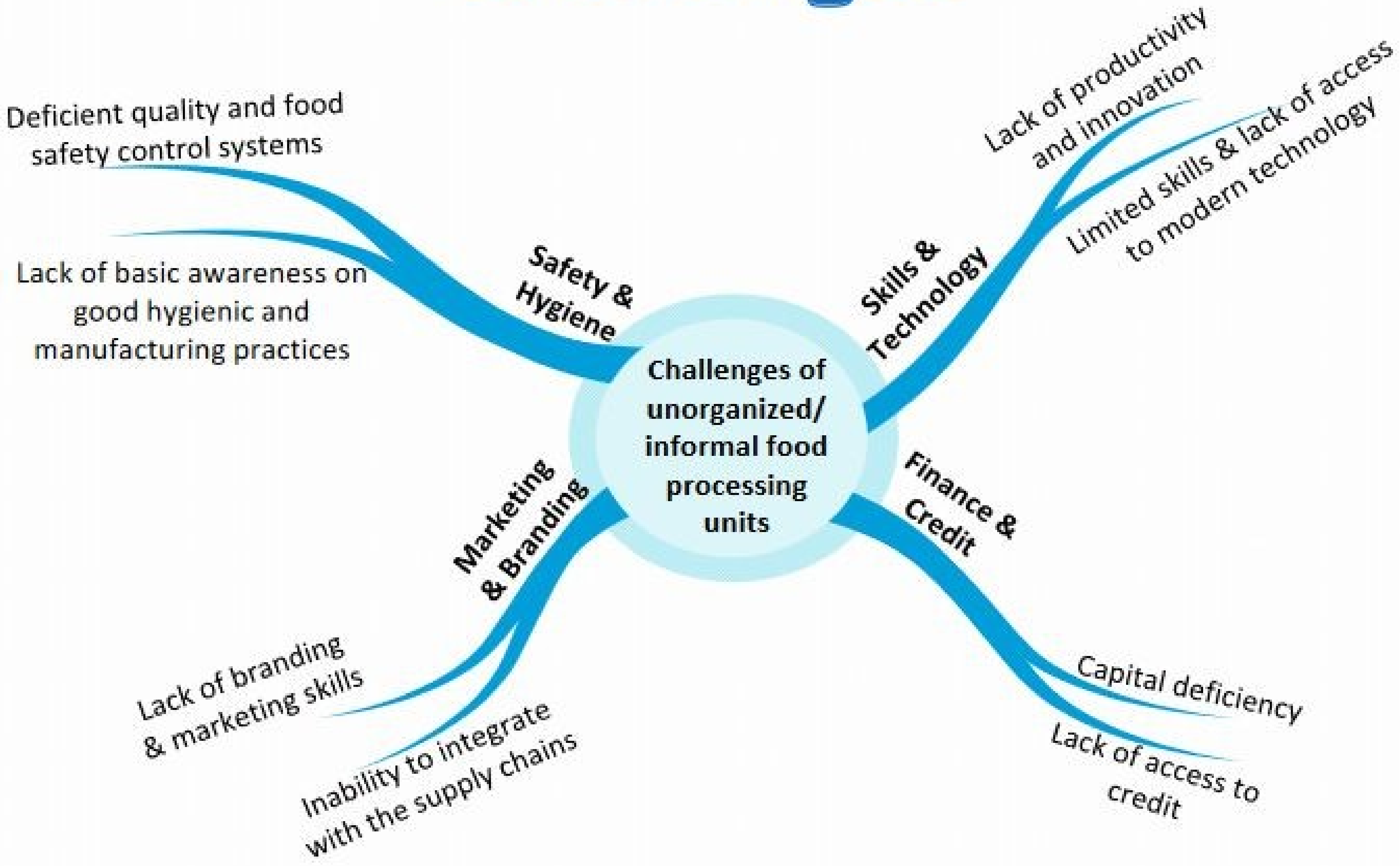
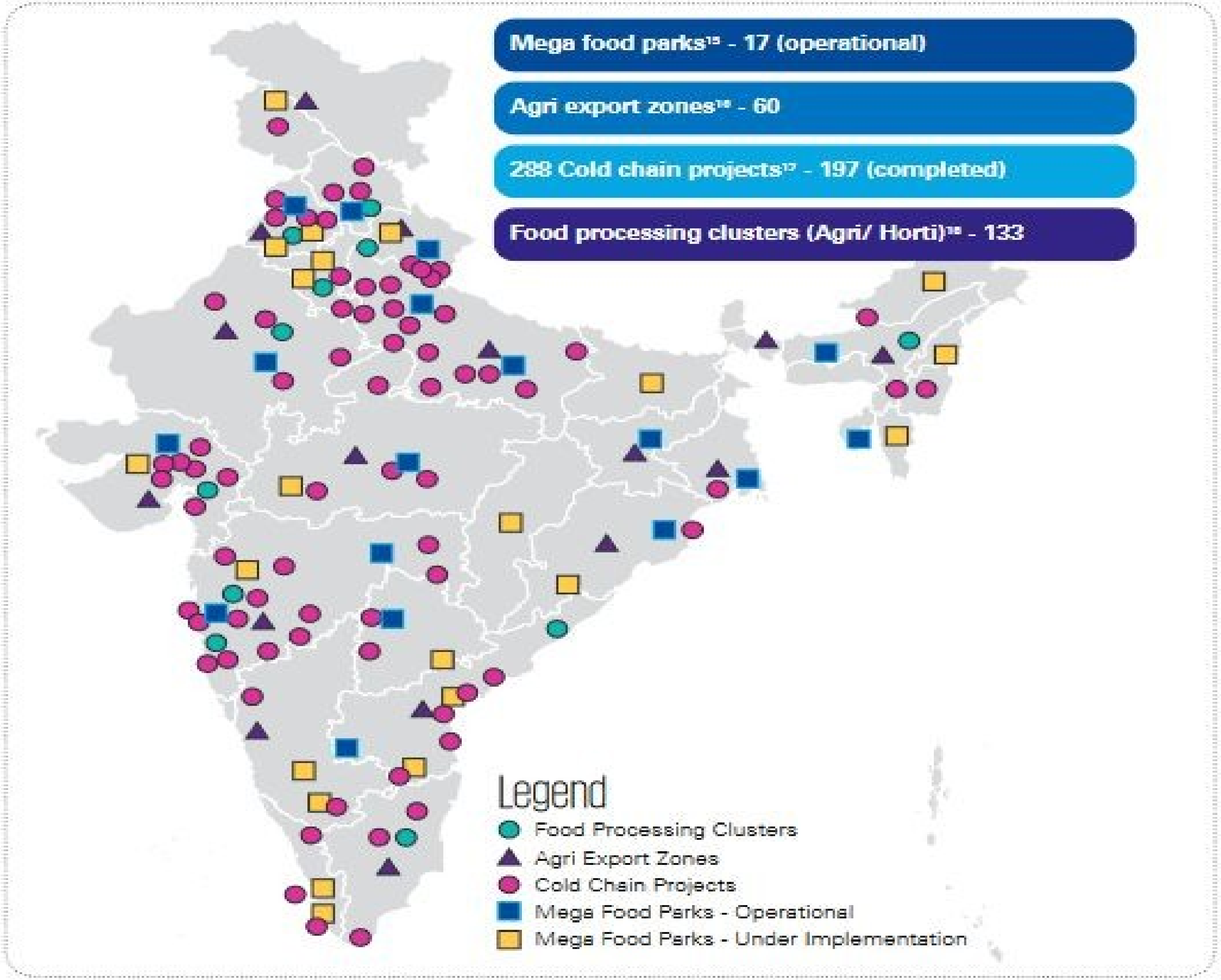

Challenges of unorganized/ informal food processing units
Safety & Hygiene
Deficient quality and food safety control systems
Lack of basic awareness on good hygienic and manufacturing practices
Skills & Technology
Lack of productivity and innovation
Limited skills & lack of access to modern technology
Marketing & Branding
Lack of branding & marketing skills
Inability to integrate with the supply chains
Finance & Credit
Capital deficiency
Lack of access to credit

Table 3: Wastages in Key Horticulture and Cereal Crops

(As percentage of production)

	As per CIPHET Report 2010	As per CIPHET Report 2015
Cereals	3.9 – 6.0	4.65 – 5.99
Pulses	4.3 – 6.1	6.36 – 8.41
Oil seeds	2.8 – 10.1	3.08 – 9.96
Fruits & Vegetables	5.8 – 18.0	4.58 – 15.88
Milk	0.8	0.92
Fisheries (Inland)	6.9	5.23
Fisheries (Marine)	2.9	10.52
Meat	2.3	2.71
Poultry	3.7	6.74
Horticultural Crops		
Guava	18.0	15.9
Mango	12.7	9.2
Apple	12.3	10.4
Grapes	8.3	8.6
Papaya	7.4	6.7
Banana	6.6	7.8
Cereal Crops		
Wheat	6.0	4.9
Paddy	5.2	5.5
Bajra	4.8	5.2
Maize	4.1	4.7

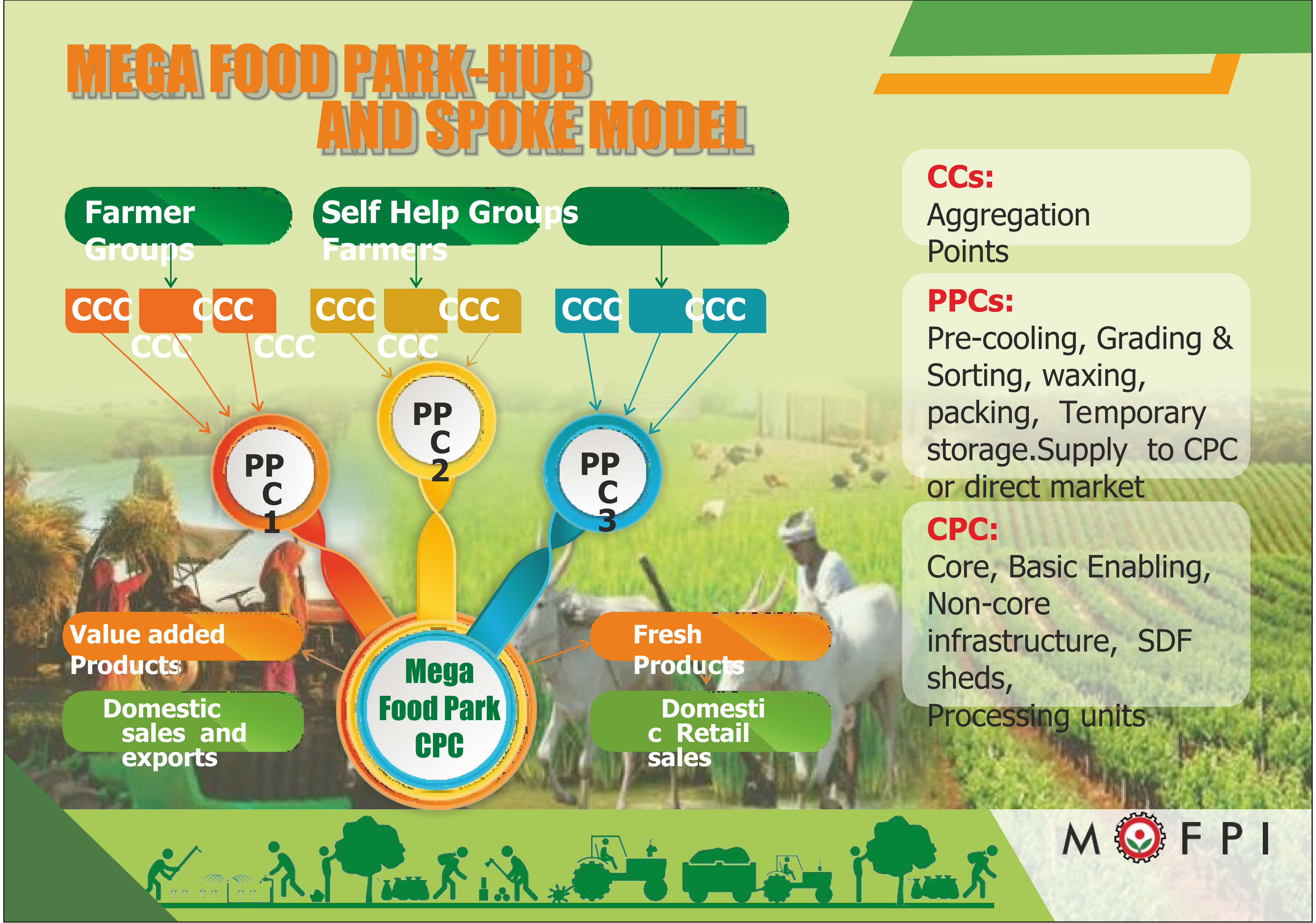

Mega food parks[15] - 17 (operational)
Agri export zones[16] - 60
288 Cold chain projects[17] - 197 (completed)
Food processing clusters (Agri/ Horti)[18] - 133
Legend
Food Processing Clusters
Agri Export Zones
Cold Chain Projects
Mega Food Parks - Operational
Mega Food Parks - Under Implementation

Pradhan Mantri Kisan Sampada Yojana (PMKSY)

SCHEMES UNDER

PRADHAN MANTRI KISAN SAMPADA YOJANA

- Mega Food Parks
- Integrated Cold Chain & Value Addition Infrastructure
- Creation/ Expansion of Food Processing & Preservation Capacities
- Creation of Infrastructure for Agro-processing Clusters
- Creation of Backward and Forward Linkages
- Food Safety and Quality Assurance Infrastructure (Lab and HACCP)
- Human Resources and Institutions


MEGA FOOD PARK-HUB AND SPOKE MODEL
Farmer Groups
Self Help Groups
Farmers
CCC
CCC
CCC
CCC
CCC
CCC
CCC
CCC
CCC
CCC
CCC
CCC
PPC 1
PPC 2
PPC 3
Value added Products
Domestic sales and exports
Mega Food Park CPC
Fresh Products
Domestic Retail sales
CCs:
Aggregation Points
PPCs:
Pre-cooling, Grading & Sorting, waxing, packing, Temporary storage.Supply to CPC or direct market
CPC:
Core, Basic Enabling, Non-core infrastructure, SDF sheds, Processing units
MOFPI

Cold Chain Scheme

Grant

- **For Storage infrastructure-** 35% of project cost in General Areas & 50% in North East, Hill and Difficult Areas
- **For Food Processing Infrastructure-** 50% of project cost in General Area & 75% for North East, Hill & Difficult areas
- Maximum Grant- `**10.00 Crore.**

Eligible Organizations & eligibility conditions

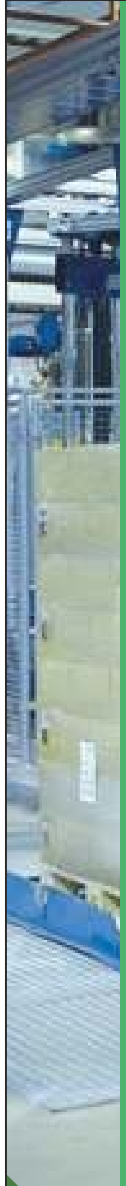
- Central & state PSUs / Joint Ventures /FPOs/NGOs/Cooperatives /SHG's /Corporate entity/ Proprietorship firms.
- Combined Net Worth of promoters/ proposed shareholders should not be less than 1.5 times of the grant sought.
- Term loan should be at least 20% of the total project cost.
- Date of Commercial Operation should not be prior to date of application.

Exclusions

- Cost of Land, Pre-operatives, Margin Money for Working Capital to be excluded.

MOFPI

Cold Chain Scheme



Farm Level Infrastructure (Sl. No. 1) is mandatory + any one or both components out of 2 & 3 below need to be set up :

1. **Minimal Processing Centre (MPC)/ Farm Level Infrastructure**
2. **Distribution Hub**
3. **Reefer Transport**
4. **Irradiation Facility (can be set up as stand alone facility)**

(i) **Farm Level Infrastructure/ MPC-** Integrated Pack House with facility for weighing, sorting, grading, packing, waxing etc., Pre-cooling units, CA, Cold Storage, IQF etc.

(ii) **Distribution Hub-** Hub with Multi products/ Multi temperature cold storage, CA Storage, Variable Humidity Chambers, Packing Facility, CIP Fog Treatment, IQF, Blast Freezing etc.

(iii) **Reefer Transport-** Mobile Pre-cooling trucks and Reefer trucks/ Insulated Tankers suitable for transportation of perishable agricultural commodities/ Horticulture / Dairy / Meat/ Fish produce

SCHEME FOR CREATION/EXPANSION OF FOOD PROCESSING/ PRESERVATION CAPACITIES (UNIT SCHEME)

Grant

- 35% of the eligible project cost for General Area & 50% for North East, Hill & Difficult areas subject to maximum of ` 5.00 Crore.

Eligible Organizations

- Central & state PSUs /Joint Ventures /FPOs/NGOs/Cooperatives /SHG's /Corporate entity/ Proprietorship firms.
- Promoter's equity should not be less than 20 % of Project Cost in General Areas and 10% in NER & Difficult Areas (not applicable for Govt. proposals).
- Minimum eligible project cost more than (i) ` 3 Cr. (for general area) & (ii) ` 1 Cr. (for North East states)
- Date of commercial production should not be prior to the date of submission of application.
- The term loan should be at least 20% of the total project cost. Sanction of term loan should not be prior to date of advertisement of EoI.

Preference to the proposals

- Units to be set up only in Mega Food Parks, Agro Clusters & Designated Food Parks. **1st preference- MFP, 2nd preference- Agro Clusters, 3rd preference- designated food parks.**
- State wise allocation of units.

MOFPI

Eligible Sectors under Unit Scheme

- Fruit & vegetables Processing
- Milk Processing
- Meat/poultry/Fish Processing
- Ready to Eat/Ready to Cook Food Products/Breakfast cereals /Snacks/other food products
- Flour /Pulse /Oilseeds milling
- Rice Milling- preference to Eastern & North Eastern State
- Other agri-horti sectors including spices, coconut , mushrooms, Soybean, Honey
- Fruit / Honey based Wines
- Natural Food Flavors / extracts, Food additives & Colours, oleoresins (not artificial)
- Animal Feed -to plants to be set up in Mega Food Parks

MOFPI

AGRO PROCESSING CLUSTERS SCHEME

- **Grant:**
- **35%** of the eligible project cost for General Area & **50%** for North East, Hill & Difficult areas subject to maximum of **`10.00 Crore.**

Eligible Organizations / eligibility conditions:

- Central & state PSUs /Joint Ventures /FPOs/ FPCs/ NGOs/Cooperatives /SHG's /Corporate entity/ Partnership firms/ Proprietorship firms etc.
- No Agro Processing Cluster in the same District where CPC of Mega Food Park is located.
- Only one agro processing cluster will be sanctioned in a district

MOFPI

AGRO PROCESSING CLUSTERS SCHEME

Eligibility conditions

- Combined Net Worth of promoters/ proposed shareholders should not be less than 1.5 times of the grant sought
- Promoter’s equity / contribution should not be less than 20 % of Project Cost in General Areas and 10% in Hill & Difficult and Island areas
- Term loan should be at least 20% of the total project cost
- Minimum Land Area- 10 Acres
- Minimum no. of FP Units to be set up- 5 [can avail grant under Unit Scheme]
- Minimum Investment- Rs. 25 Crore
- State wise allocation of clusters.

Exclusions

- Cost of Land, Pre-operatives, Margin Money for Working Capital to be excluded
- Promoters of Mega Food Parks are not eligible
- Cluster should not be in the district of Mega Food Parks

MOFPI

BACKWARD AND FORWARD LINKAGES SCHEME

Grant

- 35% of the eligible project cost for General Area & 50% for North East, Hill & Difficult areas subject to maximum of `5.00 Crore.

Eligible Organizations

- Central and State PSUs / Joint Ventures /Farmer Producers Organization (FPOs)/ NGOs / Cooperatives / SHGs / Public &Private Companies / Limited Liability Partnerships, Corporate Entity /Proprietorship Firms / Partnership Firms etc.

Who can apply

- Promoters of existing food processing units (except those who have availed MoFPI grant earlier).
- Groups of producers such as Co-operatives, Farmer Producer Organizations (FPOs), Farmer Producer Companies (FPCs), Self Help Groups (SHGs) etc. linked to food processing units.
- Retailers of processed food having linkage at Farm Level or with food processors
- Entrepreneurs desirous of entering into food processing/food retail value chain.

MOFPI

BACKWARD AND FORWARD LINKAGES SCHEME

Eligible Components

For Backward Linkage:-

- Integrated Pack-house(s) (with mechanized sorting & grading line/ packing line/ waxing line/ staging cold rooms/ cold storage, etc.)
- Milk Chilling Centers/ Bulk Milk Coolers
- Pre Cooling Unit(s)/ Chillers
- Mobile pre-cooling Vans
- Reefer boats
- Machinery & Equipment for packing/packaging

***Note:** An entrepreneur can set up any one or more of the above mentioned facilities under the scheme. Standalone activities like Reefer transport or cold storage not permitted.*

Forward Linkage

- Ripening Chamber(s), Cold Room/Cold Storage
- Retail chain of outlets for perishables including Meat Shops such as frozen storage/deep freezers/Refrigerated display cal room/ Chillers/ Packaging etc.
- Retail refrigerated carts, temperature controlled solar powered ret

Transport

- Refrigerated/ Insulated transport / Reefer Vans- as per requirement of backward and/or forward linkage components.

MOFPI

FOOD SAFETY AND QUALITY
ASSURANCE INFRASTRUCTURE

Food Testing Laboratory Scheme

ant

50% of the cost of laboratory equipment f General Area & **70%** for North East, Hill & Difficult areas. **100%** for Govt. / Pub Sector.

25% of the cost of technical civil works for General Area & **33%** for North East, Hill & Difficult areas.

gible Organizations:

Central/State Government and its organizations /universities / deemed universities / private sector organizations.

MOFPI

FOOD SAFETY AND QUALITY
ASSURANCE INFRASTRUCTURE

HACCP / ISO Standards/Food Safety/ Quality Management Systems

Grant

- Re-imbursement of expenditure **@50%** in general area and **@ 75%** in NE Region and difficult areas of eligible project cost subject to maximum of ` **17 lakh** and` **22 lakh** respectively**.**

Eligible Organizations:

- Central/ State Government Organization, IITs, Universities and private sector in the field of food processing sector.

MOFPI

HUMAN RESOURCES AND INSTITUTIONS

Grant

- **For the Government organizations/ universities/ institutions:** Grant-in-aid **@100%** of cost of equipment, consumables and expenditure related to salaries for project staff specific to the project for maximum period of three years.
- For Private organizations / universities / institutions: Grant-in-aid is given **@50%** of equipment cost only in general areas and **70%** in North East States and difficult areas.

Eligible Organizations

- All Universities, IITs, Central/ State Government Institutions, Government funded Organizations, R&D laboratories and CSIR recognized R&D units in private sector

HUMAN RESOURCES AND INSTITUTIONS

Skill Development Scheme

Grant

- Grant **@50%** of the cost of plant & machinery for approved training module
- Max. grant ` **15 lakh** per training module & two training module per training center for eligible institutions

Eligible Organizations

- Food technology institutions under the UGC approved universities / State universities and also NSDC recognized State owned skill training centers / NIFTEM / IIFPT

M F P I

HUMAN RESOURCES AND INSTITUTIONS

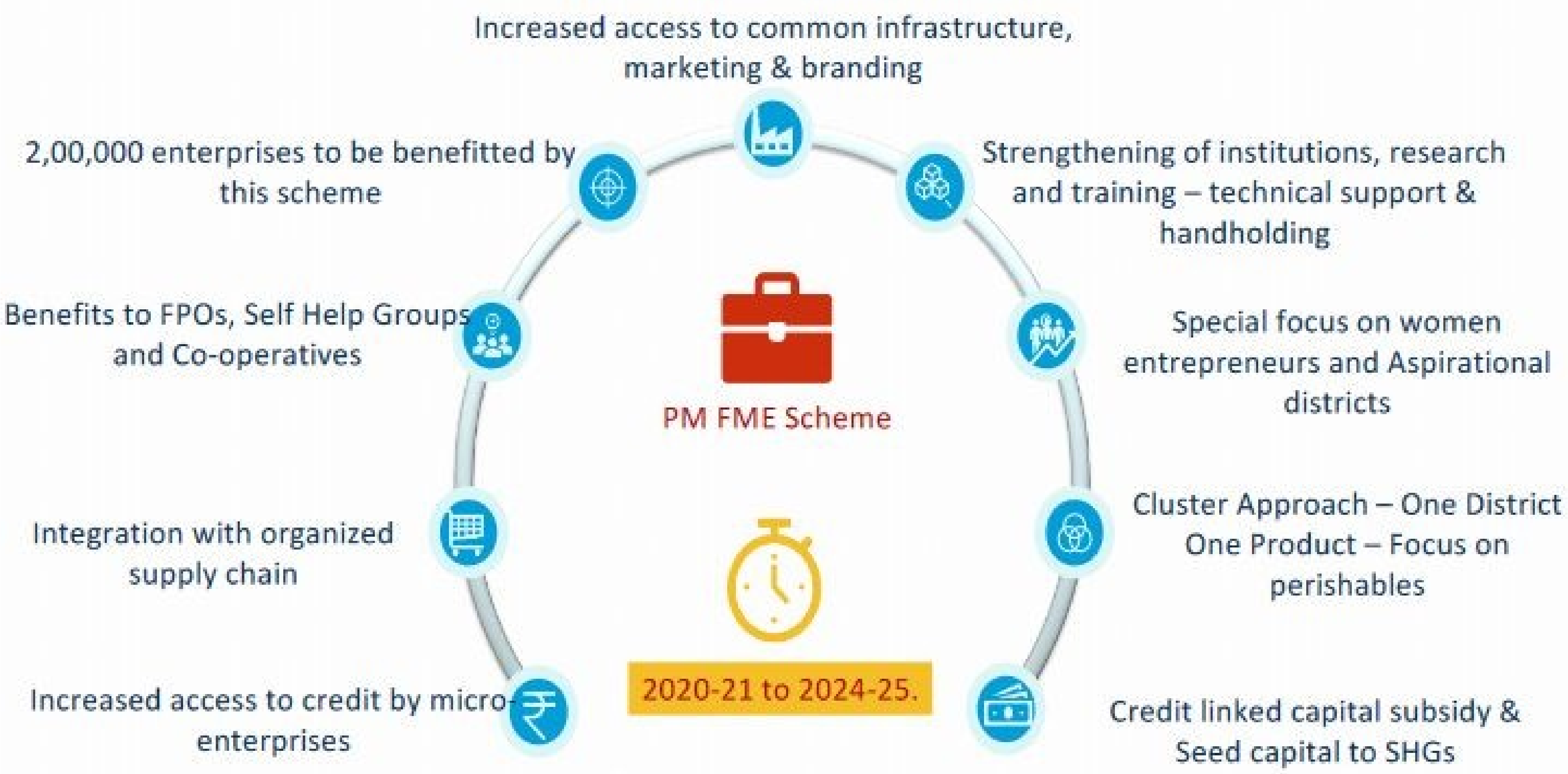
- MoFPI has two institutions for capacity building in food preservation and processing.
- National Institute of Food Technology Entrepreneurship & Management (NIFTEM) – deemed university.
- Indian Institute of Food Processing Technology (IIFPT)
  – affiliated to Tamil Nadu Agriculture University.
- Running B.Tech, M.Tech. and Ph.D. programmes
- Several short duration trainings for capacity development of industry professionals and entrepreneurs.

MOFPI

PM Formalisation of Micro Food Processing Enterprises Scheme

- One District One Product
- Support for Common Infrastructure
- Support to SHGs, FPOs, Co-operatives & Individual Micro Food Enterprises
- Seed Capital for Self Help Groups
- Training & Research Support
- Support for Capacity Building
- Branding & Marketing Support

Aims & Objectives



One District One Product

- Benefit of scale of procurement of inputs, availing common services & marketing of products
- Provide framework for value chain development & alignment of support infrastructure
- ODOP - perishable produce/cereal based product, poultry/meat/fish
- Individual units producing ODOP would be given preference
- Capital investment by groups involved in ODOP would be supported.
- Groups producing other products & having adequate technical/ financial/ entrepreneurial strength would be supported
- New units (individual/groups) would only be supported for ODOP

Different Components

Support to individual and groups of micro enterprises;

- Credit-linked capital subsidy @35% (Rs.10 lakh)
- Existing micro food processing units
- Support for common Infrastructure
- **Seed capital of Rs 40,000/**- to SHG members

Branding and Marketing support;

- To groups of FPOs/SHGs/Cooperatives or an SPV of micro food processing enterprises
- Limited to 50% of the total expenditure

Support for strengthening of institutions;

- Capacity Building & Research – Institutes in partnership with State Level Technical Institutions
- Training & Support to SLTIs

Setting up robust project management framework

- Monitoring & evaluation
- Project management support
- Convergence & handholding

Production Linked Incentive Scheme For Food Processing Industry (PLISFPI)

Objectives:

- Support creation of global food manufacturing champions
- Promote Indian brands of food products
- Increase employment opportunities for off-farm jobs
- Ensure remunerative prices of farm produce and higher income to farmers.

2. Components

2.1 The objectives are sought to be achieved through the introduction of a Production Linked Incentive (PLI) Scheme. The scheme has three broad components.

2.2 The first component relates to incentivising manufacturing of four major food product segments viz. Ready to Cook/ Ready to Eat (RTC/ RTE) including millet-based foods, Processed Fruits & Vegetables, Marine Products & Mozzarella Cheese.

2.3 The Second component is for incentivising Innovative/ Organic products of SMEs across all the above four food product segments including Free Range - Eggs, Poultry Meat & Egg Products.

2.4 The third component relates to support for branding and marketing abroad to incentivise the emergence of strong Indian brands

Salient features:

- Central Sector Scheme with an outlay of Rs. 10900 crore
- The first component relates to incentivising manufacturing of four major food product segments viz. Ready to Cook/ Ready to Eat (RTC/ RTE) foods including Millets based products, Processed Fruits & Vegetables, Marine Products, Mozzarella Cheese.
- Innovative/ Organic products of SMEs including Free Range - Eggs, Poultry Meat, Egg Products in these segments are also covered under above component.
- The selected applicant will be required to undertake investment, as quoted in their Application (Subject to the prescribed minimum) in Plant & Machinery in the first two years i.e. in 2021-22 & 2022-23.
- Investment made in 2020-21 also to be counted for meeting the mandated investment.
- The conditions of stipulated Minimum Sales and mandated investment will not be applicable for entities selected for making innovative/ organic products.
- The second component relates to support for branding and marketing abroad to incentivise emergence of strong Indian brands.
- For promotion of Indian Brand abroad, the scheme envisages grant to the applicant entities for - in store Branding, shelf space renting and marketing.
- Scheme will be implemented over a six year period from 2021-22 to 2026-27.

Major impact, including employment generation potential

- The implementation of the scheme would facilitate expansion of processing capacity to generate processed food output of Rs 33,494 crore and;
- Create employment for nearly 2.5 lakh persons by the year 2026-27.

Key Outcomes: Estimated Outgo, Sales, Investment, Employment & Exports	
Outgo on Incentive (₹ Crore)	**10,790**
Increase in Sales- 6 Years (₹ Crore)	**1,20,267**
Incremental Sales in 6th Year (₹ Crore)	**33,494**
Cumulative additional Investment (₹ Crore)	**6,057**
Increase in Export Sales- 6 Years (₹ Crore)	**27,816**
Increase in Employment end of Year-5 (Nos)	**2,47,730**

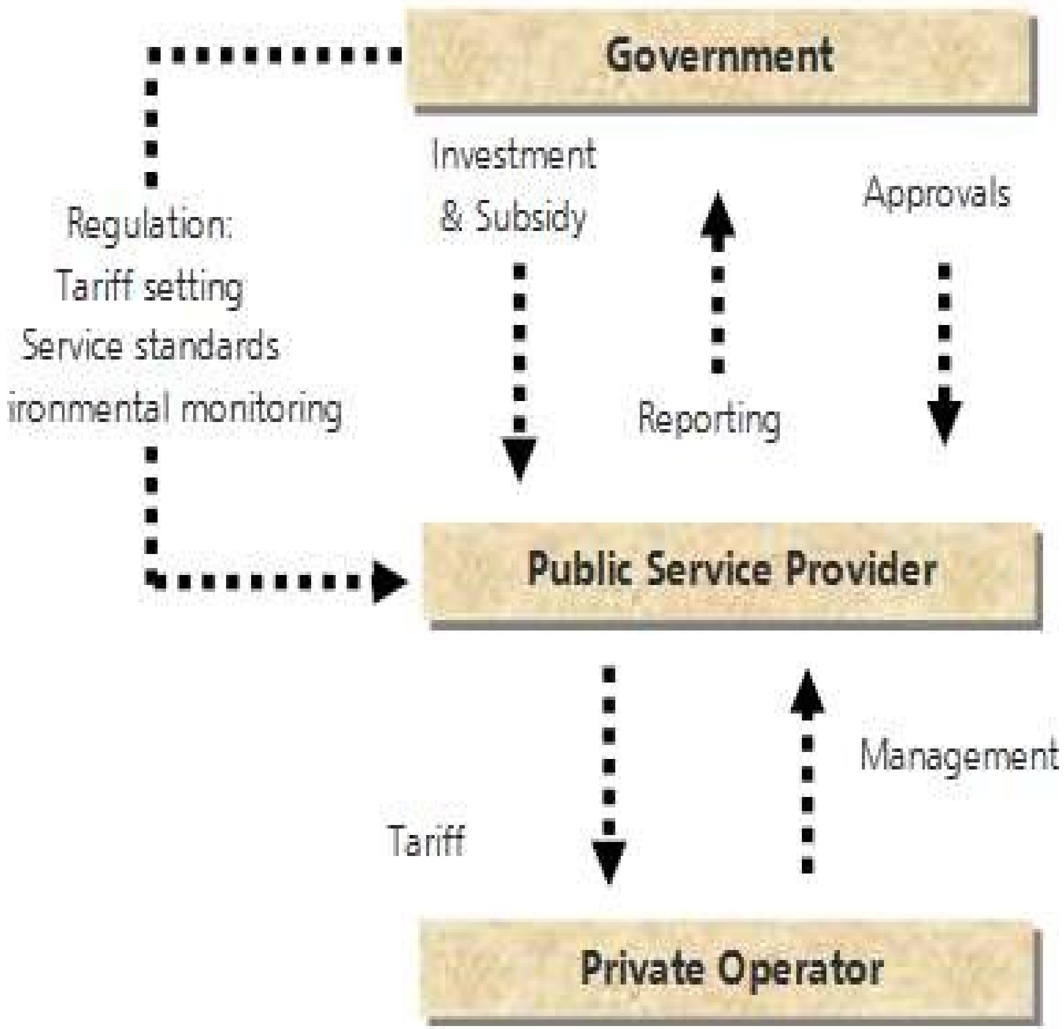
Public-Private Partnership

- Service Contract-
  - Under a service contract, the government (public authority) hires a private company or entity to carry out one or more specified tasks or services for a period, typically 1–2 years.
  - The **public authority remains the primary provider of the infrastructure** service and contracts out only portions of its operation to the private partner.
  - The private partner must perform the service at the agreed cost and must typically meet performance standards set by the public sector.

Management Contract

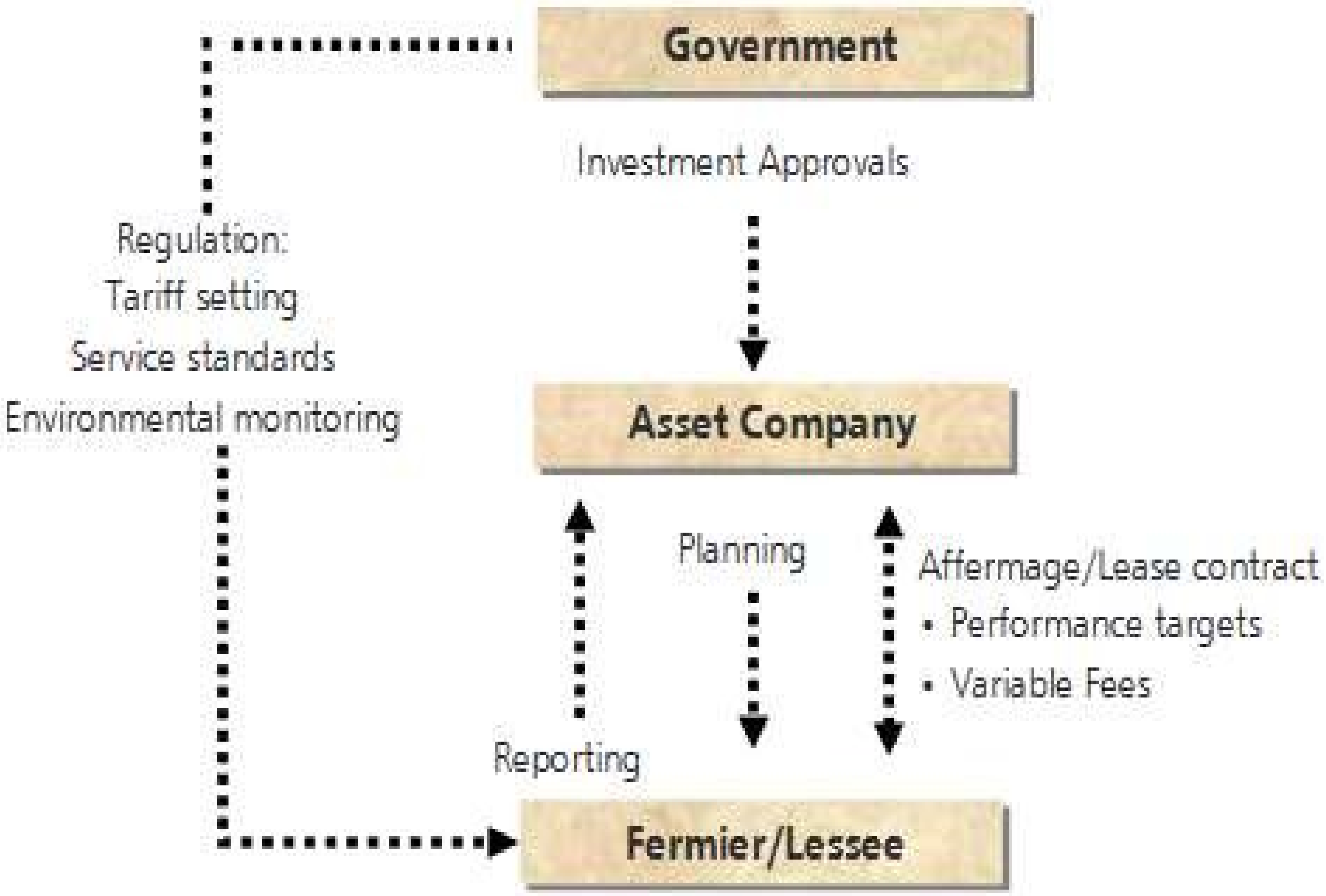
- A management contract **expands the services to be contracted out** to include some or all of the management and operation of the public service (i.e., utility, hospital, port authority, etc.).
- Although ultimate **obligation for service provision remains in the public sector**, daily **management control and authority** is assigned to the private partner or contractor.
- In most cases, the **private partner provides working capital but no financing for investment.**
- The private contractor is paid a predetermined rate for labor and other anticipated operating costs. To provide an incentive for performance improvement, the contractor is paid an additional amount for achieving pre-specified targets.
  - Alternatively, the management contractor can be paid a share of profits. The public sector retains the obligation for major capital investment, particularly those related to expand or substantially improve the system.
- The contract can specify discrete activities to be funded by the private sector. The private partner interacts with the customers, and the public sector is responsible for setting tariffs.

Figure 5: Structure of Management Contract



- Lease Contract-
  - Under a lease contract, the **private partner is responsible for the service in its entirety and undertakes obligations relating to quality and service standards.**
  - Except for new and replacement investments, which remain the responsibility of the public authority, the operator provides the service at his expense and risk.
  - The duration of the leasing contract is typically for 10 years and may be renewed for up to 10 years.
  - **Responsibility for service provision is transferred from the public sector to the private sector and the financial risk for operation and maintenance is borne entirely by the private sector operator.**
  - In particular, the operator is responsible for losses and for unpaid consumers' debts. **Leases do not involve any sale of assets to the private sector.**
  - Under this arrangement, **the initial establishment of the system is financed by the public authority and contracted to a private company for operation and maintenance.** Part of the tariff is transferred to the public authority to service loans raised to finance extensions of the system

Figure 6: Structure of Lease Contract



Source: Heather Skilling and Kathleen Booth. 2007.

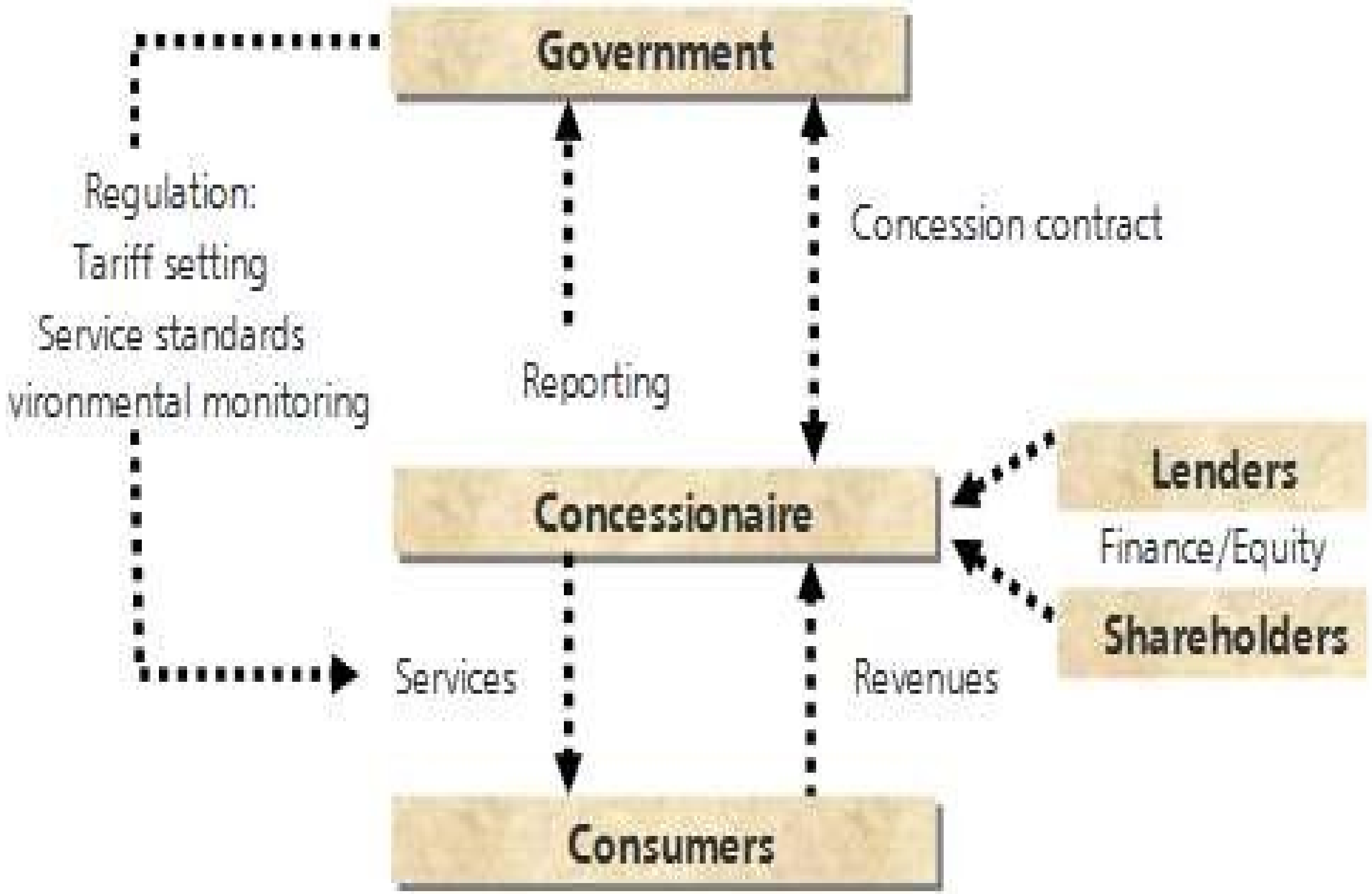
- **New Age PPP projects- Concessions-**
  - A concession makes the private sector operator (concessionaire) responsible for the full delivery of services in a specified area, including operation, maintenance, collection, management, and construction and rehabilitation of the system. Importantly, the operator is **now responsible for all capital investment**.
  - Although the private sector operator is responsible for providing the assets, **such assets are publicly owned even during the concession period.**
  - The **public sector is responsible for establishing performance standards** and ensuring that the concessionaire meets them.
  - <u>In essence, the public sector's role shifts from being the service provider to **regulating the price and quality of service**.</u>
  - The concessionaire **collects the tariff directly from the system users**. The tariff is typically established by the concession contract, which also includes provisions on how it may be collected.

- The concessionaire is responsible for any capital investments required to build, upgrade, or expand the system, and for financing those investments out of its resources and from the tariffs paid by the system users. The concessionaire is also responsible for working capital.

- A concession contract is typically valid for 15–20 years so that the operator has sufficient time to recover the capital invested and earn an appropriate return over the life of the concession.

- The public authority may contribute to the capital investment cost if necessary. This can be an investment “subsidy” (viability gap financing) to achieve commercial viability of the concession.

Figure 7: Structure of Concession Contract



Benefits-

1. Concessions are an effective way **to attract private finance** required to fund new construction or rehabilitate existing facilities.

2. A key advantage of the concession arrangement is that it provides **incentives to the operator to achieve improved levels of efficiency and effectiveness** since gains in efficiency translate into increased profits and return to the concessionaire.

3. The transfer of the **full package of operating and financing responsibilities enables the concessionaire to prioritize and innovate as it deems most effective.**

- Issues-
  - Key drawbacks include the **complexity of the contract** required to define the operator's activities.
  - Governments also need **to upgrade their regulatory capacity** in relation to **tariffs and performance monitoring**.
  - Further, the **long term of the contracts** (necessary to recover the substantial investment costs) **complicates the bidding process and contract design, given the difficulty in anticipating events over a 5-year period**.
  - There is additional risk that the operator will only invest in new assets where it expects payback within the remaining period of the contract unless provisions for these events are set out in the contract. Because of the long-term, comprehensive nature of the contracts, **they can be politically controversial and difficult to organize.**
  - There is also concern that **concessions not set out monopoly terms** but **provide room for additional operators** where this is in the best interest of certain groups of consumers and the concessionaire cannot provide equivalent service.

- Types of Concessions- Different models of PPP projects

  - **Build Operate and Transfer (BOT)**: This is the simple and conventional PPP model where the private partner is responsible to design, build, operate (during the contracted period) and transfer back the facility to the public sector. Role of the private sector partner is to bring the finance for the project and take the responsibility to construct and maintain it. In return, the public sector will allow it to collect revenue from the users. The national highway projects contracted out by NHAI under PPP mode is a major example for the BOT model.

  - There are many variations on the basic BOT structure including **build–transfer–operate (BTO)** where the transfer to the public owner takes place at the conclusion of construction rather than the end of the contract and **build–own–operate (BOO)** where the developer constructs and operates the facility without transferring ownership to the public sector. The public sector partner agrees **to 'purchase' the goods and services produced by the project on mutually agreed terms and conditions.**

  - **Build-Own-Operate-Transfer (BOOT)**: This is also on the lines of BOT. After the negotiated period of time, the infrastructure asset is transferred to the government or to the private operator. This approach has been used for the development of highways and ports.

- **Engineering, Procurement and Construction (EPC) Model-** Under an EPC contract, the government funds the construction and the road developer only has to develop the project in a stipulated period of time

- **Build-Operate-Lease-Transfer (BOLT):** In this approach, the government gives a concession to a private entity to build a facility (and possibly design it as well), own the facility, lease the facility to the public sector and then at the end of the lease period transfer the ownership of the facility to the government.

- Under a **design–build–operate (DBO) contract**, ownership is never in private hands. Instead, a single contract is let out for design, construction, and operation of the infrastructure project.

- **Lease-Develop-Operate (LDO)**: Here, the government or the public sector entity retains ownership of the newly created infrastructure facility and receives payments in terms of a lease agreement with the private promoter. This approach is mostly followed in the development of airport facilities.

- **Rehabilitate-Operate-Transfer (ROT):** Under this approach, the governments/local bodies allow private promoters to rehabilitate and operate a facility during a concession period. After the concession period, the project is transferred back to governments/local bodies.

- **DBFO (Design, Build, Finance and Operate)**: In this model, the private party assumes the entire responsibility for the design, construction, finance, and operate the project for the period of concession.

{Degree and Involvement of Private Sector in service Concession Agreements[13]}

Degree Of Private Sector Risks And Responsibility	
	10. Privatization
	9. Build, Own, Operate.
	8. Build, Own, Operate, Transfer
	7. Design, Build, Finance, Operate
	6. Design, Build, Operate, Maintain
	5. Operations Concessions
	4. Design, Build
	3. Management Contracts
	2. Service Contracts
	1. Government Directly Providing the Public Service
	Degree of Private Sector Involvement

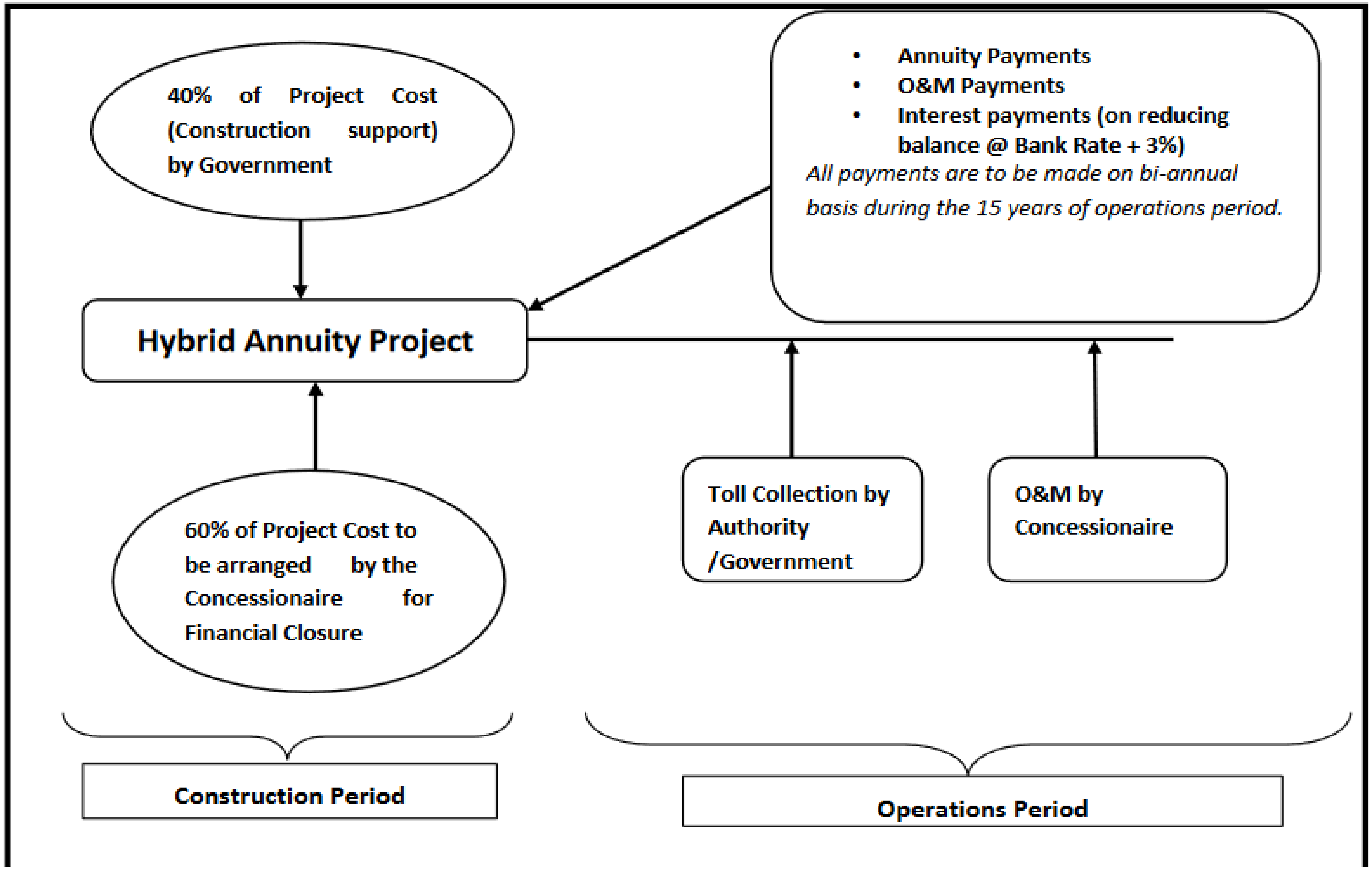
Hybrid Annuity Model(HAM)

- A hybrid — **a mix of the EPC** (engineering, procurement and construction) and **BOT** (build, operate, transfer) models.
  - Under the EPC model, NHAI pays private players to lay roads. The private player has no role in the road's ownership, toll collection or maintenance (it is taken care of by the government).
  - Under the BOT model though, private players have an active role — they build, operate and maintain the road for a specified number of years — say 10-15 years — before transferring the asset back to the government.

- Now, HAM combines EPC (40 per cent) and BOT-Annuity (60 per cent). On behalf of the government**, NHAI releases 40 per cent of the total project cost.** It is given in five tranches linked to milestones. **The balance 60 per cent is arranged by the developer.**

- Toll collection shall be the responsibility and revenue of the government authority.

The following block-diagram provides an overview of the HAM Model.



- **Viability Gap Funding (VGF)** Means a grant one-time or deferred, provided to support infrastructure projects that are economically justified but fall short of financial viability.

- The lack of financial viability usually arises from long gestation periods and the inability to increase user charges to commercial levels.

- Infrastructure projects also involve externalities that are not adequately captured in direct financial returns to the project sponsor.

- Through the provision of a catalytic grant assistance of the capital costs, several projects may become bankable and help mobilise private investment in infrastructure.

- The quantum of VGF provided under this scheme is in the form of a **capital grant at the stage of project construction**.
  - The amount of VGF will be equivalent to the lowest bid for capital subsidy, but subject to a maximum of 20% of the total project cost.
  - In case the sponsoring Ministry/State Government/ statutory entity propose to provide any assistance over and above the said VGF, it will be restricted to a further 20% of the total project cost.
- Support under this scheme is available **only for infrastructure projects** where private sector sponsors are selected through a **process of competitive bidding**. The project agreements must also adhere to best practices that would secure value for public money and safeguard user interests. The lead financial institution for the project is responsible for regular monitoring and periodic evaluation of project compliance with agreed milestones and performance levels, particularly for the purpose of grant disbursement. **VGF is disbursed only after the private sector company has subscribed and expended the equity contribution required for the project.**

NMP and Make in India

NMP- Objectives

- Attaining a growth of 12-14 per cent in the manufacturing sector over the medium term to help bolster the economy. The 2-4 per cent differential over the medium term growth rate of the overall economy was envisaged to make the manufacturing sector’s share in the national GDP 25 per cent by 2022. The sector’s share for the financial year 2018-2019 was 16.4 per cent (Central Statistics Office, 2019).
- Increasing employment in manufacturing to create **100 million additional jobs by 2022.**
- Creation of **appropriate skill sets among the rural migrant and urban poor** to make employment growth more inclusive.
- Increasing **domestic value addition and bettering technology** used in manufacturing.
- Enabling **India’s manufacturing to compete internationally** through appropriate policy support.
- Facilitating sustainable growth, increasin**g energy efficiency, ensuring optimal utilisation of natural resources and undertaking restoration of damaged/degraded ecosystems.**

- Rationalization and simplification of business regulations;
- Simple and expeditious exit mechanism for closure of sick units while protecting labour interests;
- Financial and institutional mechanisms for technology development, including green technologies;
- Industrial training and skill up gradation measures;
- Incentives for SMEs;
- Special Focus Sectors;
- Leveraging infrastructure deficit and government procurement - including defence;
- Clustering and aggregation : National Investment and Manufacturing Zones (NIMZs);
- Trade Policy

- National Investment and Manufacturing Zones (NIMZs)

  - Developed in the nature of **green field industrial townships**, benchmarked with the best manufacturing hubs in the world.
  - These will also help us to meet the **increasing demand for creating world-class urban centres in India**, while will also absorb surplus labour by providing them gainful employment opportunities.
  - A critical advantage the NIMZs can deliver is **the clustering of small and large manufacturers** (essentially customers and suppliers between themselves).
  - Operating in close proximity, these companies will be able to **leverage synergies as individual component manufacturers** and can come together to build high value goods.
  - NIMZs have the potential to **foster a collaborative working model across** different players along the value chain. Such an approach helps reduce costs, lead times, achieve economies of scale, exchange technology and gain expertise.

- These NIMZs would be managed by SPVs which would ensure master planning of the Zone; pre-clearances for setting up the industrial units to be located within the zone and undertake such other functions as specified in the various sections of this policy.
- To enable the NIMZ to function as a self governing and autonomous body, it will be declared by the State Government as an Industrial Township under Art 243 Q(c) of the Constitution.
- An NIMZ would have an area of at least 5000 hectares in size.
- The State Government will be responsible for selection of land suitable for development of the NIMZ. Power, water and other infrastructure to be provided by state government.

	SEZ	NIMZs
Minimum land area	10 to 1,000 hectares depending upon the sector (higher for multi-sector SEZs, lower for niche sectors such as gems and jewellery, IT, etc..)	5,000 hectares. Processing area may include one or more SEZs.
Maximum area	5,000 hectares for multi-product.	Not specified
Special Purpose Vehicle mandatory	No	Yes. CEO of the SPV will be a senior central or state government official.
Can land be mortgaged by SPV?	Not specified	The state government needs to ensure that land can be mortgaged by the prospective allottees.
Responsibility for Environmental Impact Assessment (EIA)	Developer	State government
Minimum processing area	50%	30%
Cost of master-planning	Not specified	Central government

	SEZ	NIMZs
Renewable energy or depending on green technology	No mandate or incentive for renewable energy or green technology.	Mandatory to get a certain percentage of its electricity mix from renewable sources. Low interest loans and investment subsidies.
Special preference by government	Not specified	In government purchases preference will be given to units located in the NIMZs.
Interest subsidy for working capital requirement	Not specified	In government purchases preference Subvention of interest on working capital by 4%.
Applicability of Viability Gap Funding (VGF)	Not specified	Yes
Incentives to promote innovation	Not specified	Nearly 50% of the expenditure incurred in filing international patents will be shared by the government. Tax exemption on expenditure incurred in taking national, international process or product certification (E.g., ISO).
Single window clearance	Yes	Yes
Tax incentives / concession to SEZ vis-a-vis NIMZ	Presently, supplies to SEZ is exempt from indirect taxes subject to fulfilment of export obligations and other conditions	NMP proposes to provide various tax exemptions / concessions to unit establishments in NIMZ.

- A **Technology Acquisition and Development Fund** will be established for acquisition of appropriate technologies including environment friendly technologies; creation of a patent pool; and development of domestic manufacturing of equipments used for controlling pollution and reducing energy consumption.

- The National Manufacturing Policy proposes to create a three tier **structure for skill development**, namely:
  - Skill-building among the minimally educated workforce.
  - Relevant vocational and skill training through establishment of ITIs in PPP mode;
  - Specialized skill development through establishment of Polytechnics;
  - Establishment of Instructor's Training Centre in each NIMZ.

- Proposals for improving the **access of SMEs to finance**. Some of the measures outlined in the policy include
  - the roll over relief from long-term capital gains tax to individuals on sale of a residential property and in case of re-investment in a new start-up of a micro, small and medium enterprise (MSME) unit.
  - Others include setting up a stock exchange for SMEs and tax pass through status for venture capital funds with a special focus on SMEs.
  - Inclusion of lending to SMEs engaged in manufacturing as part of 'priority sector' lending

- Identification of special sectors-
  - **Employment intensive industries** like textiles and garments; leather and footwear; gems and jewellery; and food processing.
  - **Capital goods** like machine tools; heavy electronic equipment; heavy transport, earth moving and mining equipment; high technology equipment like telecom, power, ICT and electronic hardware.
  - **Strategic industries** like aerospace; shipping; IT and electronic hardware; renewable energy; solar, wind etc; defence equipment.
  - **Industries where India enjoys a comparative advantage** like automotive; pharmaceuticals.

- These sectors would need sector specific policy interventions. Some of these sector specific policy interventions are already in place. Their efficacy would need to be examined and wherever necessary additional measures would need to be introduced.

Make In India

- 'Make in India' campaign to facilitate investment, foster innovation, enhance skill development, protect intellectual property & build best in class manufacturing infrastructure.

- The three major objectives are:

  - to increase the manufacturing sector's growth rate to 12-14% per annum in order to increase the sector's share in the economy;

  - to create 100 million additional manufacturing jobs in the economy by 2022; and

  - to ensure that the manufacturing sector's contribution to GDP is increased to 25% by 2022 (revised to 2025) from the current 16%.

- **New Processes**: ‘Make in India’ recognizes ‘ease of doing business’ as the single most important factor to promote entrepreneurship. The aim is to de-license and de-regulate the industry during the entire life cycle of a business.

- **New Infrastructure**: Government intends to develop industrial corridors and smart cities to provide infrastructure based on state-of-the-art technology with modern high-speed communication and integrated logistic arrangements.
  - Existing infrastructure to be strengthened through upgradation of infrastructure in industrial clusters.
  - Innovation and research activities are supported through fast paced registration system and accordingly infrastructure of Intellectual Property Rights registration set-up has been upgraded.
  - The requirement of skills for industry are to be identified and accordingly development of workforce to be taken up.

- **New Sectors**: 'Make in India' has identified **25 sectors in manufacturing, infrastructure and service activities and detailed information is being shared through interactive web-portal and professionally developed brochures**. FDI has been opened up in Defence Production, Construction and Railway infrastructure in a big way.

- **New Mindset**: Industry is accustomed to see Government as a regulator. 'Make in India' intends to change this by bringing a paradigm shift in how Government interacts with industry. The Government will **partner industry in economic development of the country. The approach will be that of a facilitator and not regulator.**

- New Processes
  - Ease of Doing Business
    - Improved business processes and procedures open up new avenues of opportunities and create confidence among entrepreneurs
    - Incorporation of a company reduced to 1 day instead of 10 days
    - Power connection provided within a mandated time frame of 15 days instead of 180 days
    - No. of documents for exports and imports reduced from 11 to 3
    - Validity of industrial license extended to 7 years from 3 years
    - Bankruptcy Code 2015 – New bankruptcy law, providing for simple and time-bound insolvency process to be operational by 2017
    - Goods and Services Tax – Single tax framework by April, 2017
    - Permanent Residency Status for foreign investors for 10 years

- Other Reforms
  - **Online portals** for Employees State Insurance Corporation (ESIC) and Employees Provident Fund Organization (EPFO) for
    - Real-time registration
    - Payments through 56 accredited banks
    - Online application process for environmental and forest clearances
  - Department of Commerce, Government of India has launched **Indian Trade Portal**. Important feature of this portal is to be a **single point for relevant information** on measures other than tariff called the non-tariff measures like standards, technical regulations, conformity assessment procedures, sanitary and Phytosanitary measures which may affect trade adversely.
  - An **Investor Facilitation Cell has been created in 'Invest India**' to guide, assist and handhold investors during the entire life-cycle of the business.
  - The Department of Industrial Policy and Promotion has also set up **Japan Plus and Korea Plus.** They are special management teams to facilitate and fast track investment proposals from Japan and South Korea respectively.

- **New Infrastructure**
  - Industrial Corridors and 21 new nodal Industrial Cities to be developed:
    - Delhi-Mumbai Industrial Corridor (DMIC)
    - Chennai-Bengaluru Industrial Corridor (CBIC)
    - Bengaluru-Mumbai Economic Corridor (BMEC)
    - Vizag-Chennai Industrial Corridor (VCIC)
    - Amritsar Kolkata Industrial Corridor (AKIC)
  - These 21 new nodal cities will be having advantages like; Large land parcels, Planned communities, ICT enabled infrastructure, Sustainable living, Excellent connectivity- Road, Rail etc.
  - Doubling of Network of Roads by 2020 and Construction of 15,000 km new roads by 2017 is targeted under various projects
  - Railway projects such as Setting up of New Railway Stations, Mordernisation of Rolling stock, High Speed Railways, Port Mine connectivity etc. have been initiated for Modernising and better connectivity of Indian Railways.
  - Eastern Dedicated Freight Corridor of 1840 km length and Western Dedicated Freight Corridor of 1504 km length is under construction as well as many projects are under planning stage.
  - Sagar Mala project is started by the Govt. of India to modernize India's Ports and Inland waterways so that port-led development can be augmented and coastlines can be developed to contribute in India's growth, providing a project outlay of $10 Bn
  - The Smart Cities Mission having a project outlay of $7.69 Bn is progressing, with Special Purpose Vehicles for 19 cities already set up.

- Investment in innovation and R&D offers large payoffs in terms of economic growth and competitiveness in global economy
  - 3rd largest tech driven Start-up ecosystem globally and Tech Startups in India are expected to reach 11,500 in 2020 from 4,300 in 2015
  - "**Start-up India" initiative** was launched aiming at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups.
  - **Intellectual Property Rights Policy** launched in May 2016 is having salient features:
    - Strong TRIPS compliant policy framework, Ease of Access using World-class IT enabled patent offices
    - Internationally acclaimed systems for International Searching and Preliminary Examination of patent applications
    - Augmentation of Manpower: 721 additional technically competent Patent Examiners appointed
    - Time for examination of patents to come down to 18 months from 7 years by March, 2018
    - Time for examination of trademarks to come down to 1 month from 13 months by March, 2017

1991 reform story

LPG

- August-November 1990
- Political and economic turmoil

  - Moody's places India on a **credit watch** with the possibility of a ratings downgrade because of unfolding political and economic events. In the aftermath of communal tensions Prime Minister V.P. Singh's government falls in November, 1990. His successor Chandra Shekhar forms a politically fragile minority government.

  - Within a month, **Yashwant Sinha, the market-oriented finance minister, announced a plan to cut the fiscal deficit by 2 percent.**

- December 1990
- IMF supports India
  - Senior bureaucrats along with Gopi Arora, India's representative at IMF, **mobilize support to manage India's balance of payments crisis**. Their efforts lead to an **agreement that the Indian government will implement reforms to liberalize the rupee and manage the fiscal deficit, with the IMF supporting a US$ 1.8 billion loan**.

- March 6, 1991
  - Government of the day falls-Prime Minister Chandra Shekhar **resigns after 5 months in office, precipitating fresh elections.**

- March 7, 1991
  - **S&P downgrades India**
  - S&P downgrades India's sovereign rating to BBB- for long term credit risk, and A- for short term credit risk.

- May 24, 1991
- India sells its gold

  - With only two weeks worth of foreign exchange reserves available, India sells 20 tons of gold (with a repurchase option) for $234 million to urgently raise foreign exchange reserves to tide over the balance of payments crisis.
  - India's creditworthiness was at rock bottom, and **purchasers insisted on physically shipping the gold abroad, rather than allowing it to remain in India's vaults**. The funds raised by this drastic measure could **only pay for a month's imports.**

- June 21-28, 1991
- P.V. Narasimha Rao forms a minority government
  - Resolving the leadership crisis in the Congress, P.V. Narasimha Rao forms a **fragile minority government. He appoints Manmohan Singh as finance minister, assembles a team of liberal-minded economists and technocrats, and builds political consensus** across the aisle to end the command-and-control economic policies.
    - **Manmohan Singh, K. P. Geethakrishnan, Y. V. Reddy, N. K. Singh, and D. Subbarao,** among others, in the Finance Ministry;
    - **A. N. Verma, Naresh Chandra, and Jairam Ramesh** in the Prime Minister's Office;
    - **Rakesh Mohan and Suresh Mathur** in the Ministry of Industry; and
    - **P. Chidambaram and Montek Singh Ahluwalia** in the Ministry of Commerce.

- July 1-3,1991

- Devaluation of rupee
  - On July 1, eight days after taking office, the rupee was devalued by 7 percent to 9 percent through back channels; communication took place between only Reserve Bank of India officials, Singh, and Rao.

  - Under enormous pressure, Rao asked Singh to rollback the devaluation. But was informed by Rangarajan, that second devaluation(of 11%)was already set in motion and could not be rolled back.

- July 4, 1991

- Trade policy reforms announced
  - Prior to 1991, nearly all imports were tightly controlled, with an average tariff rate of 113% and the highest at 355%.
  - Commerce Minister P. Chidambaram announces a new policy, based on Montek Singh Ahluwalia's M Document, **removing all import restrictions except on 71 goods.**
  - The policy **incentivizes exports, reduces trade licensing controls, replaces controllers with regulators, and embraces trade openness with the world.**

- July 9, 1991
- Narasimha Rao's address to the nation

"We believe that a bulk of **government regulations and controls** on economic activity have **outlived their utility.** They are stifling the **creativity and innovativeness of our people**. Excessive controls have **also bred corruption**. Indeed, they have come in the way of achieving our objectives of expanding employment opportunities, reducing rural-urban disparities and ensuring greater social justice."

"My motto is - trade, not aid."

- July 15, 1991
- No Confidence Motion
  - To **protest the pace and the market-friendly nature of the reforms, opposition parties call for a motion of no confidence** against Rao's minority government. Rao defends his government's vision of a market economy and the proposed reforms intended to arrest the economic crisis. The Bharatiya Janata Party votes against the government. But with the Left and National Front staging a walk out, Rao's government secures enough votes to survive.

- July 24, 1991

- Industrial delicensing announced

  - The government announces the new industrial policy, which in a single stroke brings 80 percent of the Indian industry out of this license-labyrinth.
  - The government also announces disinvestment of government equity -offering 20% of its equity to private-sector and mutual fund houses and
  - Opens up the economy to foreign investment,
  - Granting greater autonomy to private players.

- July 24,1991
- Budget Speech- Manmohan Singh

  - Manmohan Singh officially **announced the end of command-and-control economic policy in India**. He dismantled the **oppressive price and quantity controls system as well as the industrial licensing and control system, welcomed foreign investment, and announced a new framework for India's financial regulation system**;

  - He further committed to
    - unilaterally **lowering tariffs**,
    - to the **potential disinvestment of state-owned enterprises, and**
    - **to a redesign of institutions from "controllers" to regulators.**

- Simultaneously **India's large deficit and debt problem was tackled by reducing subsidies given to the sugar industry, the fertilizer industry, exporters(cash compensatory support), and others.**

- **Announced two committees- Tax reforms- Raja Chelliah and Committee of Financial System- M.Narsihmam.**

- **SEBI to be given statutory status**

- Most importantly he **declared that the failures of socialist planning must be left in the past and India had to embrace markets for a prosperous future.**

Washington Consensus becoming the New Delhi Consensus

- Greater fiscal discipline,
- An eliminating public spending on subsidies and redirecting it to health, education, and infrastructure,
- Tax reform,
- Financial liberalization leading to market-determined interest rates,
- Market determined exchange rates

- Trade liberalization and a systematic reduction of tariffs to about 10-20%,
- Allowing foreign direct investment,
- Privatizing large public sector enterprises,
- Deregulation, and
- Securing property rights

Trade and Foreign investment Reform

- **A two stage devaluation of the rupee** by about twenty percent in July, 1991 in an attempt to align the exchange rates with the world exchange rates and provide additional incentives to the exporters to offset some of the disincentives arising out of the import barriers.(EXIM scrips)

- Introduction of a **system of partial convertibility of the rupee under the liberalised exchange rate management system in 1992-93 (LERMS-40 at fixed and 60 at free market) and unified exchange rate announced in 1993-94 and consequently then allowing full convertibility of rupee on current account**(1994)

- **Foreign direct investment (FDI) has been liberalised and** now the foreign investors are allowed to participate upto 51 per in some high priority sectors

- **Import duties have been reduced.**

- Import of capital goods has been allowed without any specific licence fulfilling certain conditions.

- The **list of products requiring import license has been pruned** which shows that physical controls are given way to fiscal controls (all quantitative restrictions are removed by April 1, 2001)

- A major step towards globalisation has been to amend the Foreign Exchange Regulation Act, 1973 (FERA), which substantially **dilutes its regulatory provisions to bring it in line with the new liberalised industrial, trade and exchange rate policies.**
  - The Act has **removed a large number of restrictions on companies with more than 40 per cent non-resident equity and removed FERA controls on Indian firms setting up joint ventures abroad.**

- Automatic permission is given for foreign technology agreements upto certain ceilings covering the high priority industries.

- Foreign technicians can now be hired by Indian companies without prior approval of RBI if certain conditions are met.

- **The foreign investment promotion board (FIPB)** has been instituted to facilitate and promote foreign investment.

- Exporters were incentivized through the introduction of **EXIM scrips**. **EXIM scrips were to be the means of obtaining access to certain categories of imports of raw materials, components and spares**. Issued at 30% on value of exports. Freely tradeable in the market and can be used by anyone even to import items that needed license.

Narasimham-1- Financial Sector

- **Bring down CRR. Also, Statutory Liquidity Ratio (SLR) is brought down in a phased manner to 25 percent** over a period of about five years to give banks more funds to carry business and to curtail easy and captive finance.

- Supervision of banks to be take out of RBI and given to separate quasi autonomous Banking Supervisory Board.

- **Interest rates to be deregulated** to reflect emerging market conditions.

- Adopt Basel- 1 prudential norms. Allow raising equity from markets.

Narsimhmam-2- Banking Sector

- Establishment of a **four-tier hierarchy for the banking structure** consisting of three or four large banks including the SBI at the top, 8 to 10 national banks with a network of countrywide branches, local banks for regional operations and rural banks at the bottom mainly engaged in financing agriculture and related activities.

- The Government **should not contemplate to nationalize any private commercial banks of the country** in future and private banks should be treated at par with public sector banks.

- **Lifting the bar on setting up new banks in the private sector and abolishing the licensing procedure for branch expansion**.

- The Government should **be more liberal in allowing the foreign bank to open more branches keeping in line with the foreign investment policy**. Joint ventures of foreign and Indian banks be permitted in respect of merchant and investment banking. Foreign operations of Indian banks should be rationalized.

Action Taken

- Statutory Liquidity Ratio (SLR) on incremental Net Domestic and Time Liabilities (NDTL) reduced from 38.5 percent in 1991-92 to 28 percent by December 1996.
- Effective Cash Reserve Ratio (CRR) on the NDTL reduced from 14 percent to 10 percent in January 1997.
- In April, 1992 the RBI introduced a **risk assets ratio system** for banks (including foreign banks) in India as a **capital adequacy measure**. Under this banks will have to **achieve a Capital to Risk Weighted Asset ratio (CRAR) of 8 percent**. By March, 1996 out of 27 public sector banks 19 banks (including SBI and all its subsidiaries) have attained 8 percent CRAR norm. In case of foreign banks, all of them have already attained these norms.
- New prudential norms for income recognition, classification of assets and provisioning of bad debts introduced in 1992.

- The SBI and some other nationalised banks have been **allowed to seek capital market access.**

- **Less strong nationalised banks are being recapitalised** by government through budget provisions of Rs. 15000 crore till 1994-95.

- **Existing private sector banks given signal for expansion**, more private sector banks allowed to set up branches provided they confirms to the RBI guidelines. They are permitted to close non-viable branches other than in rural areas

- Supervision system of the RBI is being strengthened with establishment of **new board for Financial Bank Supervision** within the RBI.

- **Recovery of debts due to banks and the Financial Institution Act 1993 recently passed to facilitate quicker recovery of loans and arrears**.
  - Accordingly **6 special Debt Recovery Tribunals** were set up along with an Appellate Tribunal at Mumbai to expedite the recovery of bank loan arrears.

- Under the **Banking Ombudsmen Scheme 1995.** Eleven Ombudsmen already functioning out of a total of 15 to expedite inexpensive resolution of customers' complaints.

Tax Reforms- Raja Chelliah

- Reduce number of tax slabs of personal income from four to three.
- Recommended a reduction in the top marginal rate to 40 per cent(from 56%) and adoption of a 3-tier slab system with an entry rate of 20 per cent and a top rate of 40 per cent (i.e., 20 per cent, 30 per cent and 40 per cent).
- Abolition of tax concessions, rebates and allowances, under various incentives for saving schemes.
- Corporate tax- the rate of tax be fixed at the same level as the top marginal rate of personal income tax and a uniform rate be applied to all domestic companies. It suggested a phased reduction of the corporate tax to 40 per cent and abolition of surcharge on corporate tax.

- The **abolition of wealth tax on productive assets**. Only unproductive assets and socially undesirable forms of wealth were recommended to be taxed.

- A **phased reduction of extra-ordinarily high rates of import duties to a range** of 15 per cent to 30 per cent for manufactures and 50 per cent for certain agricultural items by 1997-98;

- The ultimate objective of Union Excise Reform should be to make the excise tax system move towards a **full-fledged Value Added Tax (VAT) system**, i.e. graded conversion of the Union Excise Tax into a genuine VAT.

Steps Taken

- Maximum rate of personal income tax reduce to 44.8% in 1992-93 and then to 40% in 1994-95

- Corporate tax had been raised to 45% in 1991-92 but brought down to 40% in 1995-95.

- By 1995-96, the maximum rate of import duty was down to 50% and the duty on capital goods was lowered to 25%. Average import duty was brought down to 36.6% by 1995-96.

- Services brought under tax net in 1994-95 with tax on three services- telephone, non-life insurance and stockbrockers.

Insurance Sector Reforms- RN Malhotra(1993)

- A statutory regulator for insurance to regulate both LIC and GIC

- Open up for pirvate sector insurance companies.

- Foreign insurance companies can be allowed to enter in partnership with the Indian promoters but no limit specified for extent of FDI in this sector.

Steps taken

- A non-statutory inregulatory body setup in 1996.

- Statutory status in 1999- Insurance regulatory and Development Authority of India.

Public Sector disinvestment Comission

- Divide PSU- into core where PSUs are required(max disinvestment 51%)and non-cor where private have expertise- here can privatize.But restructuring required prior to disinvestment.
- Professionalize board through outside recruitment
- Selection of top management without going to appointments cabinet committee.
- Autonomy in fixing prices of products and services.
- Accountability through performance assessment at regular intervals.
- Setting up of pre-investigation board for evaluating projects in terms of commercial viability.

- Graded delegation of autonomy
  - General autonomy to all PSUs
  - Additional powers to moderate performers
  - Additional autonomy to strong performers.

- Consequently- government started the Navratna status in 1997.

NITI AAYOG

Critique of the role of the Planning Commission-

1. **Role of an extra-constitutional body-** It is argued that while the Constitution earmarks spheres of authority and responsibility over specific subjects and areas of activity in a federal set up between the Union and the states, the Planning Commission, which has **come into existence by an executive order of the Union government, acts as a 'super -cabinet' in economic matters for the Union and the states.**

2. **Impinging on the federal character-** The whole exercise of giving **approvals to state plans was more based on political factors** than economic. The proliferation of various centrally-sponsored schemes (CSS) with "one size fits all" design and conditionality contributed to severe distortions in public spending.

3. **Conflict with the Finance Commission**- Often, the Planning Commission came up with **discretionary transfers to states** to meet non-plan revenue deficits negating the norms set by the Finance Commissions.

4. **Lack of expertise**- the authority and power in the Planning Commission had shifted from the **expert groups to civil service personnel.** In practice, barring a handful of persons drawn from academia or scientific institutions**, civil servants on deputation** to the Planning Commission, had managed to **occupy key positions as advisors and planners replacing experts.**

5. **Political influence-** The Planning Commission is also subjected to the criticism that even during plan formulation the Commission is guided **more by political pressures or expediency** than by its expert judgement.

There **were two contradictions** between the Indian development strategy and the institutional framework (planning) constraining the economic environment over the years.

1. The initial years after Independence required a planning frame to allocate the low levels of savings to invest in much needed infrastructure and priority sectors to overcome severe infrastructure deficits and the lack of competitiveness of the economy. However, the **framework failed to adapt to the transition after the liberalizing reforms were initiated**. With fiscal constraints becoming more and more binding and political economy factors crowding out infrastructure spending with subsidies and transfers, the planning exercise lost much of its relevance.

2. The second contradiction was between the **centralised command over resource allocation and the developmental role of the states in a federal polity.** The end of single party rule and the emergence of coalition governments and regional parties as members of the central coalition brought to the fore the contradiction between centralised planning in a federal framework. The response of the central government was to further centralise even by intruding into the legislative domains of the states by various means including the proliferation of CSS.

The consequence of the above was that the two important sources of economic dynamism, **the private sector and the states**, had to function in a constrained environment.

<u>NITI AAYOG</u>

- NITI Aayog was formed via a resolution of the Union Cabinet on 1 January 2015.

- It is the premier policy think tank of the Government of India, providing directional and policy inputs. Apart from designing long-term policies and programmes for the Government of India, NITI Aayog also provides relevant strategic and technical advice to the Centre, States, and Union Territories.

- NITI Aayog acts as the quintessential platform for the Government of India to bring States to act together in national interest and thereby foster cooperative federalism.
- NITI Aayog is developing itself as a **state-of-the-art resource centre** with the **necessary knowledge and skills** that will enable it to act with speed, promote **research and innovation**, provide **strategic policy vision** for the government, and **deal with contingent issues**.

- It is supported by an attached office, Development Monitoring and Evaluation Organisation (DMEO), a flagship initiative, Atal Innovation Mission (AIM) and an autonomous body, National Institute of Labour Economics Research and Development (NILERD).

NITI Aayog's entire gamut of activities can be divided into four main heads:

- **<u>Cooperative Federalism</u>**-Fostering **cooperative federalism** by providing structured support to states on a continuous basis.

- **<u>Policy and Programme Framework</u>**- Formulation of a **strategic vision and long-term policies and programme** framework both for the macroeconomy and for different sectors;

- **<u>Think Tank, and Knowledge and Innovation Hub</u>**- Acting as a **knowledge and innovation hub** and **providing research inputs** by undertaking and accessing globally available research.

- **<u>Monitoring and Evaluation</u>**- of various government policies, schemes and action plans.

<u>Cooperative Federalism: Platform for Interface between the Centre and States</u>

- The Seventh Schedule to the Constitution demarcates the legislative domains and functional responsibilities of the union and states in terms of union, state and concurrent subjects. However, there is **considerable overlap in the functions requiring coordination** between the union and the states and among the states inter se.

Carrying out **stable and sustainable developmental agenda** requires fostering the spirit of cooperation and cementing the federal structure.

- There is considerable overlap in carrying out legislative and executive functions in concurrent subjects. Recent years have shown the need for **cooperation in areas such as energy and environment, education and poverty alleviation** where the need for **coordinated action and speedy decisions** are critical for pursuing the developmental agenda.

- The union government may have to intervene in the national interest even if they are in the State List or Concurrent List. There may be some public service in the State List, which, for reasons of **nationwide externalities or for redistribution require coordinated action** to ensure minimum standards throughout the country. The examples include healthcare, urban development and poverty alleviation. In these cases, the **state governments are the partners in achieving a common goal.**

- In the case of union subjects too, the states may be involved in **implementation as agencies** due to their proximity to the people.

- In addition, NITI can **facilitate exchange of information and experiences** and <u>**promote heathy intergovernmental competition**</u> through monitoring and regulation.

<u>**Policy and Programme Framework**</u>

- The **strategy and policies required to improve** the standard of living of the projected population and improve human development to empower the people to productively engage them in economic activities over a long-term horizon are important. These should be **constantly revisited** to ensure their relevance. This function can be performed by the Aayog.

- Grass-roots planning entails building up of the plan right from the village level based on the resource envelop, with each higher level aggregating the plans and adding the investment requirements for the category. In other words, the planning should be built right from the village, block and district levels and these should be harmonised with planning at the state level. Similarly, national planning should be the consolidation of state-level plans along with the planning infrastructure and service requirements for the country as a whole worked out at the union level. **NITI can provide a framework for preparing the plans to the states** and the latter, in turn, to the **lower levels of government**. It can have a unit to advise and guide if any state is in need of such assistance.

<u>Innovation and Knowledge Hub:</u>

- Closely aligned to policy and programme framework is the role of NITI Aayog as a **think tank facilitating partnerships** between the stake holders.

- Formulation of strategic vision and policies and programmes aligned to it as well as initiating and monitoring them requires **state of the art research, technology upgradation and capacity building**. As a major think tank of the government working on various developmental policies, it shall not only have **basic research capabilities but also should access and outsource research on relevant subjects globally**.

- It shall have a **strong data bank** consolidating data and information on economic, demographic, geographic and social variables relevant for research and policy. Among other functions, the institution should also provide **a platform for experience sharing among the states**.

<u>Monitoring and Evaluation</u>-

- **Evidence-based policymaking** is integral to the overall governance structure of New India. To achieve this, it is important to be able to **track performance, determine outcomes** to understand how well a scheme is performing, **help diagnose reasons for poor performance**, and generate recommendations for course corrections.

- This requires not only the collection of data but also putting in place proper frameworks with measurable parameters to strengthen the effective management of limited public resources and achieve a deeper and broader impact of schemes.

- The Development Monitoring and Evaluation Office (DMEO), an attached unit of NITI, is driving accountability in governance through proper monitoring and evaluation, along with the other Verticals.

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GOVERNING COUNCIL OF NITI AAYOG

- Governing Council of NITI Aayog comprises the Hon'ble Prime Minister of India; Chief Ministers of all the States and Union Territories with legislature; Lt Governors of other UTs; Ex-Officio Members; Vice Chairman, NITI Aayog; Full-Time Members, NITI Aayog; and Special Invitees.

- It came into effect on 16 February 2015 via a notification by the Cabinet Secretariat. The Governing Council was reconstituted vide a notification dated 19 February 2021 by the Cabinet Secretariat.

- The Governing Council is the **premier body tasked with evolving a shared vision of national priorities and strategies**, with the active involvement of States, in shaping the development narrative.

- The Governing Council, which embodies the **objectives of cooperative federalism, presents a platform to discuss inter-sectoral, inter-departmental and federal issues** to accelerate the implementation of the national development agenda.

Some of the initiatives of NITI Aayog

Policy and Programmes

1. **<u>Aspirational Districts Programme-</u>** started in 2018, it seeks to transform 115 districts with the least progress, across 28 states, along certain development parameters like health and nutrition, education, agriculture and water resources, financial inclusion, skill development and basic infrastructure. The initiative **involves the Niti Aayog ranking the aspirational districts through a public ranking system** — thereby, instilling a sense of competitiveness among local-level governments to bolster development. The districts whose performance is judged the best by the Aayog are allocated additional token grants to further improve their performance.

2. **<u>National Monetisation Pipeline</u>**- NITI Aayog is handholding the States/UTs in undertaking asset monetisation through innovative structures such as InvITs/REITs/securitization for various sectors and the appointment of transaction advisers.

3. **<u>R&D and Innovation for Pharma and Med-Tech</u>**- A high-level committee—comprising senior representatives of NITI Aayog and other Central Ministries, along with industry captains—was constituted in May 2020 to finalize a policy on research and development (R&D) and innovation in the pharmaceuticals and medical devices sectors. **NITI Aayog contributed to the formulation of the sections on 'industry-academia linkage', 'regulatory enablement', and 'governance and infrastructure' in the draft policy report**. The Department of Pharmaceuticals will take the recommendations forward.

4. **<u>Poshan Abhiyaan- Niti Aayog tracks the performance of the scheme and recommends interventions for better implementation of the scheme.</u>** The fourth Poshan Abhiyaan progress monitoring report, 'Preserving Progress on Nutrition in India in Pandemic Times', was submitted to the Prime Minister's Office (PMO) in August 2021.

5. **<u>Rice Fortification-</u>** NITI Aayog has been tasked to conduct an audit study on the preparedness of the ecosystem of rice fortification. The study is being done by the Development Monitoring and Evaluation

Office in collaboration with NITI's Women and Child Development Vertical.

Monitoring and Evaluation-

- DMEO is the apex monitoring and evaluation (M&E) office of the Government of India. Its ambit of work also includes technical advice to the States, under NITI Aayog's mandate of cooperative and competitive federalism.

- DMEO's role is to:

    - monitor the progress and efficacy of strategic and long-term policy and programme frameworks as well as initiatives to facilitate their improvements, including necessary mid-course corrections; and

    - actively monitor and evaluate the implementation of programmes and initiatives to strengthen the probability of success and scope of delivery.

- **DMEO's major projects in 2021–22 included:**

    - **Output-Outcome Monitoring Framework**- The framework has nearly 5,000 output and outcome indicators for around 500 Central Sector (CS) and Centrally Sponsored Schemes (CSSs), which form the primary mode of Government service delivery to beneficiaries.

    - **Data Governance Quality Index**- The Data Governance Quality Index (DGQI) exercise was initiated in May 2020 to assess the data preparedness of Ministries and Departments using a standardized framework.

    - **Global Indices for Reforms and Growth-** DMEO is supporting the Cabinet Secretariat in monitoring India's performance in 30 global indices. The goal of the exercise is to use these indices as tools for self-improvement and bring about reforms in policies while improving the last-mile implementation of Government schemes.

PERFORMANCE DASHBOARDS

- **Asset Monetisation Dashboard**- As part of a multi-layer institutional mechanism for the overall implementation and monitoring of the Asset Monetisation Programme, a dashboard has been created to facilitate real-time data input and monitoring of individual transactions.
- **Champions of Change-** to track the performance of Aspirational Districts programme. It empowers the District Administrations towards data-driven governance and evidence-based policymaking.
- **India Energy Dashboards-**The India Energy Dashboards aim to provide single-window access to energy data in the country. They are a step towards building a comprehensive, open, and freely accessible energy data portal for India.
- **SDG India Index Dashboard-** The SDG India Index dashboard allows users to visualize and explore the data in the SDG India Index reports. The dashboard is updated annually—every time a new edition of the index is launched—and has cross-sectoral relevance for policymakers, civil society, business and academia

KEY INDICES TO PROMOTE COMPETITIVE FEDERALISM

1. **Composite Water Management Index-** The Composite Water Management Index assesses the incremental improvement made by States/UTs on water-management initiatives.

2. **Gender Index-** NITI Aayog is in the process of developing a National Gender Index. The Gender Index seeks to measure the progress and identify the persisting gaps in gender equality to make informed policy decisions. It will serve as a tool to map the progress of India's States and UTs on defined gender metrics and build the foundation for positive change.

3. **India Innovation Index-** The India Innovation Index is released by NITI Aayog and the Institute for Competitiveness every year. The index attempts to create an extensive framework for the continuous evaluation of the innovation environment in all States and Union Territories.

4. **<u>Multidimensional Poverty Index-</u>** The Multidimensional Poverty Index (MPI) is an internationally accepted high-resolution household-level measure of non-monetary poverty covering over 100 developing countries. Under the Cabinet Secretary's Global Indices for Reforms and Growth (GIRG) initiative**, NITI Aayog is the nodal Ministry for the MPI**. The national MPI project is aimed at deconstructing the global MPI and creating a globally aligned but customized Indian MPI for drawing up comprehensive reform action plans with the larger goal of improving India's position.

5. **<u>School Education Quality Index-</u>** The School Education Quality Index (SEQI) evaluates the performance of States and UTs in the school education sector.

6. **<u>State Energy and Climate Index-</u>** NITI Aayog has developed a draft State Energy and Climate Index to assess the performance of States on indicators such as discoms' viability and competition; access, affordability and reliability of energy; clean energy initiatives; energy efficiency; generation capacity; and environmental sustainability and new initiatives. The index will help States to efficiently manage their energy resources and provide better access to energy to the people.

7. **<u>Sustainable Development Goals India Index-</u>** The Sustainable Development Goals (SDGs) India Index has been comprehensively documenting and ranking the progress made by the States and UTs towards achieving the Sustainable Development Goals.

8. **<u>Sustainable Development Goals North-Eastern Region District Index-</u>** The index ranks the Districts of the eight States of the NER—Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura—based on their relative performance on Sustainable Development Goals and their corresponding targets.

9. **<u>Sustainable Development Goals Urban Index-</u>** The SDG Urban Index, a result of the NITI Aayog–GIZ and BMZ collaboration, is

focused on driving SDG localization in Indian cities, under the umbrella of Indo-German Development Cooperation. The index ranks 56 urban areas on 77 SDG indicators across 46 targets of the SDG framework.

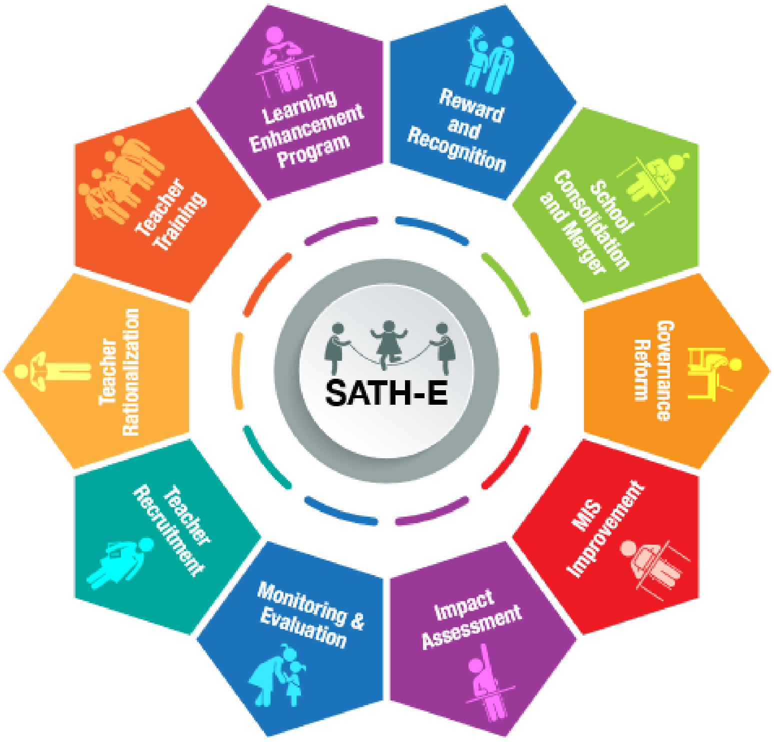
10. **State Health Index-** The State Health Index is an annual tool to assess the performance of States and UTs. It is a weighted composite index based on 24 indicators grouped under the domains of 'Health Outcomes', 'Governance and Information', and 'Key Inputs/Processes'.

Cooperative Federalism

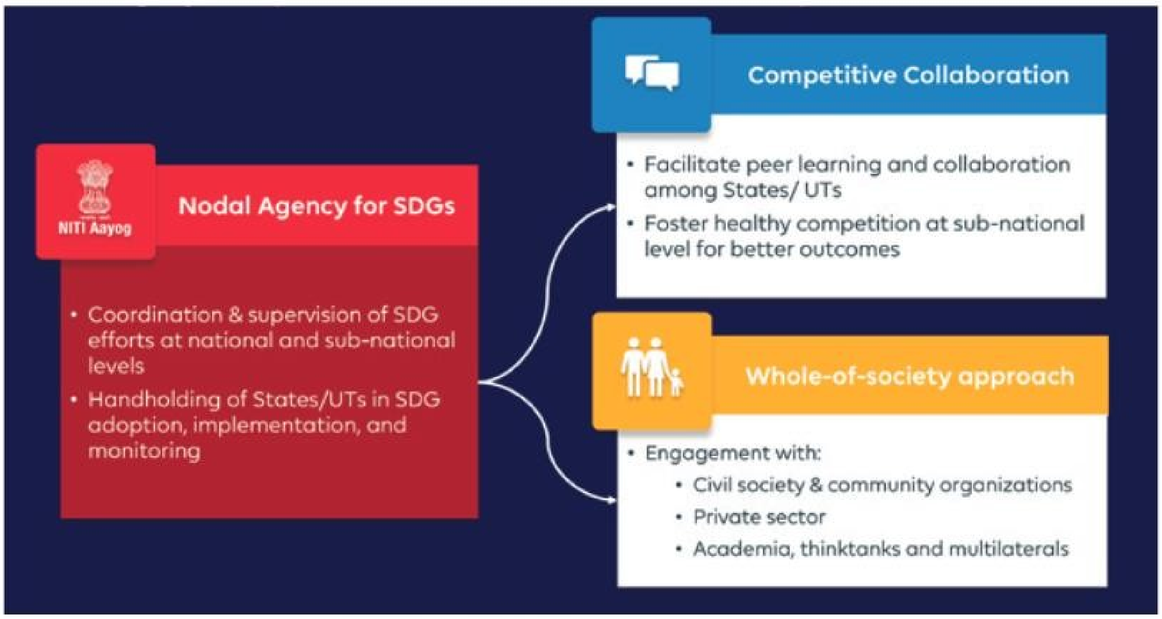
- **DEVELOPMENT SUPPORT SERVICES FOR STATES AND UNION TERRITORIES-** Development Support Services for States (DSSS) is an initiative by NITI Aayog with the vision to achieve transformational and sustained delivery of infrastructure projects. The key objective behind the initiative is to create public-private-partnership success stories and reboot infrastructure-project delivery models so that a sustainable infrastructure creation cycle can be established.

- **PROJECT SATH-E-** Project SATH-E, 'Sustainable Action for Transforming Human Capital-Education', was launched in 2017 to identify and build three 'role model' States for the school education sector. After an elaborate selection process, Jharkhand, Odisha and Madhya Pradesh were chosen.

Key Interventions



- **SDG LOCALIZATION-** As a quintessential federal institution, NITI Aayog progressively devised a strategy for the implementation of SDGs, which has been firmly ensconced in a participatory and bottom-up approach and incremental localization of SDGs.



NITI Aayog's approach to SDG localization

Steps in SDG Localization

THINK-TANK ACTIVITIES

1. **Unified Logistics Interface Platform -**Aimed at digitizing India's supply chain, the Unified Logistics Interface Platform (ULIP) is designed to provide an integrated, vendor-agnostic platform that can be effectively utilized for connecting various logistics stakeholders spread across multiple Ministries, enterprises, and associations. ULIP is currently being led and developed by NICDC in consultation with NITI Aayog.
2. **SamShiskha-** SamShiksha is India's first virtual university with a curated catalogue of courses mapped to the UGC curricula with high-quality, low cost, flexible, outcome-driven degree offerings.
3. **Unnati -**A technology platform to digitally enable livelihood access for 22 crore blue and grey collar workers,Unnati is open, multi-channel and uses AI backend to match job providers with seekers.
4. **Kaashi-** Kaashi is a low-risk lending product for the lower-middle-income class that leverages Direct Benefit Transfer (DBT) income for underwriting.

Medicines from the Sky

NITI Aayog, in collaboration with the Government of Telangana and the World Economic Forum (WEF) launched the 'Medicines from the Sky' project on piloting the use of unmanned aerial systems for the delivery of vaccines in remote areas.

Shoonya Campaign

In September 2021, NITI Aayog, with the support of Rocky Mountain Institute, launched Shoonya: an initiative to promote zero-pollution delivery vehicles by working with consumers and industry. The campaign aims to accelerate the adoption of EVs in the urban deliveries segment and create consumer awareness about the benefits of zero-pollution delivery.

E-Amrit Portal

India launched 'E-Amrit', a web portal on EVs at the COP26 Summit in Glasgow, UK, in November 2021. E-Amrit is a one-stop destination for all information on EVs—their purchase, investment opportunities, policies, subsidies, etc. The portal has been developed and hosted by NITI Aayog under a collaborative knowledge exchange programme with the UK government.

Atal Innovation Mission

- Atal Innovation Mission (AIM) is the Government of India's flagship initiative to promote a culture of innovation and entrepreneurship in the country. It was set up in 2016. AIM has taken a holistic approach to nurture a problem-solving innovative mindset among schoolchildren and create an ecosystem of entrepreneurship in universities, research institutions, private sector and MSME.

- **Atal Tinkering Labs (ATLs)** is a flagship initiative of AIM to nurture an innovative mindset amongst high-school students. ATLs encourage students to come up with out-of-the-box ideas. The programme is designed to equip students with skills such as design thinking, critical thinking, computational thinking, and digital fabrication. Under the ATL scheme, grant-in-aid of up to Rs 20 lakh is provided to select schools to set up an Atal Tinkering Lab.

- **Atal Incubation Centres (AICs)** aim to foster the entrepreneurial spirit while creating a supportive ecosystem for start-ups and entrepreneurs in India. AIM has been tasked with establishing and supporting world-class incubators. Under this initiative, AIM supports 59 greenfield AICs and nine established incubation centres (EICs).

- **Atal Community Innovation Centres (ACICs)** are a means to drive innovations towards achieving the Sustainable Development Goals through novel solutions. ACICs seek to promote and propagate the benefit of technology-led innovations through:

  - Suitable infrastructure for operating facilities;

  - Financial support through AIM grant-in-aid fund of Rs 2.5 crore, provided matching contribution is offered;

  - Knowledge and capacity support (training and workshops, detailed operations manual, and networking connections); and

  - Youth-centric community innovator fellowship.

- **Atal New India Challenge (ANIC)** is an initiative aimed towards selecting, supporting, and nurturing innovations based on advanced technologies in areas of national importance and social relevance, through a grant-based mechanism, while addressing bottlenecks due to which innovators are unable to access resources for piloting, testing, and market creation.