G.S. PAPER III – ECONOMIC DEVELOPMENT

GOVERNMENT BUDGETING

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1 Evolution of Budgeting

Budgeting is the process of estimating the availability of resources and then allocating them to various activities of an organization according to a pre-determined priority. In most cases, approval of a budget also means the approval to various spending units to utilize the allocated resources.

1.1 The Line Item Budget

- In the early nineteenth century, government budgeting in most countries was characterized by weak accounting procedures, adhocism, little central control and poor monitoring and evaluation.
- In the late nineteenth century, line-item budgeting was introduced in some countries. Indeed line item budgeting which is the most common form of budgeting in a large number of countries and suffers from several drawbacks was a major reform initiative then. The line item budget is defined as *"the budget in which the individual financial statement items are grouped by cost centers or departments .It shows the comparison between the financial data for the past accounting or budgeting periods and estimated figures for the current or a future period"*
- In a line-item system, expenditures for the budgeted period are listed according to objects of expenditure, or "line-items." These line items include detailed ceilings on the amount a unit would spend on salaries, travelling allowances, office expenses, etc. The focus is on ensuring that the agencies or units do not exceed the ceilings prescribed. A central authority or the Ministry of Finance keeps a watch on the spending of various units to ensure that the ceilings are not violated.
- The line item budget approach is easy to understand and implement. It also facilitates centralized control and fixing of authority and responsibility of the spending units. Its major disadvantage is that it does not provide enough information to the top levels about the activities and achievements of individual units.
- The weaknesses of the line item budgeting were sought to be remedied by introducing certain reforms. Performance budgeting was the first such reform.

1.2 Performance Budgeting

Unlike the traditional line item budget, a performance budget reflects the goal/objectives of the organization and spells out performance targets. These targets are sought to be achieved through a strategy(s). Unit costs are associated with the strategy and allocations are accordingly made for achievement of the objectives. A Performance Budget gives an indication of how the funds spent are expected to give outputs and ultimately the outcomes. However, performance budgeting has a limitation - it is not easy to arrive at standard unit costs especially in social programmes which require a multi-pronged approach.

1.3 Zero-based Budgeting

The concept of zero-based budgeting was introduced in the 1970s. As the name suggests, every budgeting cycle starts from scratch. Unlike the earlier systems where only incremental changes were made in the allocation, under zero-based budgeting every activity is evaluated each time a budget is made and only if it is established that the activity is necessary, are funds allocated to it. The basic purpose of ZBB is phasing out of programmes/activities which do not have relevance anymore. However, because of the efforts involved in

preparing a zero-based budget and institutional resistance related to personnel issues, no government ever implemented a full zero-based budget, but in modified forms the basic principles of ZBB are often used.

1.4 Programme Budgeting and Performance Budgeting

- Programme budgeting in the shape of planning, programming and budgeting system (PPBS) was introduced in the US Federal Government in the mid-1960s. Its core themes had much in common with earlier strands of performance budgeting.
- Programme budgeting aimed at a system in which expenditure would be planned and controlled by the objective. The basic building block of the system was classification of expenditure into programmes, which meant objective-oriented classification so that programmes with common objectives are considered together.
- PPBS went much beyond the core elements of programme budgeting and was much more than the budgeting system. It aimed at an integrated expenditure management system, in which systematic policy and expenditure planning would be developed and closely integrated with the budget. Thus, it was too ambitious in scope. Neither was adequate preparation time given nor was a stage-by-stage approach adopted. Therefore, this attempt to introduce PPBS in the federal government in USA did not succeed, although the concept of performance budgeting and programme budgeting endured.

- Many governments today use the "programme budgeting" label for their performance budgeting system. As pointed out by Marc Robertson, the contemporary influence of the basic programme budgeting idea is much wider than the continuing use of the label. It is defined in terms of its core elements as mentioned above. Programme budgeting is an element of many contemporary budgeting systems which aim at linking funding and results.

  "The extent of ongoing influence of programme budgeting is partly obscured by a wide variety of terminology used today to refer to programme such as "outcomes" or output groups (Australia) and 'Requests for Resource' (UK)"

- Programme budgeting by itself may not bring the outcome orientation. It is also difficult to make performance targets as part of the budget formulation process unless managers at various levels get involved in the budgeting process, involving prioritization of activities and resource allocation on that basis.

2 The Union of India's Budget

The annual statement of the outlays and tax revenues of the government of India together with the laws and regulations that approve and support those outlays and tax revenues make up the union budget. The union budget has two purposes:

1. To finance the activities of the union government
2. To achieve macroeconomic objectives.

The use of the union budget to achieve macroeconomic objectives such as employment, sustained economic growth, and price level stability is called fiscal policy.

2.1 The Institutions and Laws

The Government is not free to tax, borrow and spend money the way it likes. Since there is a limit to the resources the State can mobilize, the need for proper budgeting arises. Every item of expenditure has to be well thought out and the total outlay worked out for a specific period. Also, there must be the sanction of the people behind all these financial proposals, expressed clearly through their chosen representatives.

It is in this context that the Budget of the Government of India is presented before both the Houses of Parliament every year. The Budget contains the **financial statements** of the government embodying the **estimated receipts and expenditure** for one financial year, which at present commences on the 1st of April every year. In other words, it is a proposal of how much money is to be spent on what and how much of it will be contributed by whom or raised from where during the coming year. The Budget gives estimates for the ensuing year and offers an opportunity to the government to review and explain its financial and economic policy and programmes besides enabling the Parliament to discuss and criticize it.

The essential features of the financial procedure followed in India are laid down in the Constitution which ensures the supremacy of the Lok Sabha in financial matters. Constitution provides that no tax shall be levied or collected except by authority of Parliament and that the President shall, in respect of every financial year, cause to be laid before both Houses, the **Annual Financial Statement**.

- **Annual Financial Statement (AFS)**
  - provided under Article 112
  - shows estimated receipts and expenditure of the Government of India for the following year, estimates as well as revised estimates for the current year as also expenditure for the previous year
  - The receipts and disbursements are shown under the three parts, in which Government Accounts are kept viz. (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.
  - Under the Constitution, Annual Financial Statement distinguishes expenditure on revenue account from other expenditure. Government Budget, therefore, comprises Revenue Budget and Capital Budget. The estimates of receipts and expenditure included in the Annual Financial Statement are for the expenditure net of refunds and recoveries, as will be reflected in the accounts.

The Constitution provides for a **Consolidated Fund of India** to which all revenues received by way of loans, advances etc. are credited. The expenditures are embodied in the Budget as:

- The sums required to meet the items of expenditure described by the Constitution as those charged on the Consolidated Fund of India
- The sums required to meet other expenditures proposed to be made from the Consolidated Fund of India.

Expenditures contained in the first category can be discussed in both the Houses but are not submitted to vote of either House. In other words, they constitute the non-votable part of the Budget. The expenditures charged on the Consolidated Fund of India include:

- The emoluments and allowances of the President
- The salaries and allowances of the Chairman, Deputy Chairman of the Rajya Sabha and the Speaker and the Deputy Speaker of the Lok Sabha
- The salary and other allowances payable to the judges of the Supreme Court
- Any other expenditure declared by the Constitution or by Parliament by law to be so charged

The expenditure falling in the second category are presented in the form of Demands for Grants to the Lok Sabha and are voted by this House. The Lok Sabha has the right to assent or to refuse any such demand or reduce the demand specified therein. No such demand shall be made except on the recommendation of the President. Since these demands are meant to fulfill the programmes and policies of the government, if any demand as a whole is voted down, it tantamounts to a defeat of the government.

The significance of the Consolidated Fund, the Contingency Fund and the Public Account as well as the distinguishing features of Revenue and Capital Budget are given briefly below.

- The existence of the Consolidated Fund of India (CFI) flows from Article 266 of the Constitution. All revenues received by Government, loans raised by it, and also its receipts from recoveries of loans granted by it form the Consolidated Fund. All expenditure of Government is incurred from the Consolidated Fund of India and no amount can be drawn from the Consolidated Fund without authorization from Parliament.

- Article 267 of the Constitution authorizes the Contingency Fund of India which is an imprest placed at the disposal of the President of India to facilitate Government to meet urgent unforeseen expenditure pending authorization from Parliament. Parliamentary approval for such unforeseen expenditure is obtained, post-facto, and an equivalent amount is drawn from the Consolidated Fund to recoup the Contingency Fund. The corpus of the Contingency Fund as authorized by Parliament presently stands at 50 crore.

- Moneys held by Government in Trust as in the case of Provident Funds, Small Savings collections, income of Government set apart for expenditure on specific objects like road development, primary education, Reserve/Special Funds etc. are kept in the Public Account. Public Account funds do not belong to Government and have to be finally paid back to the persons and authorities who deposited them. Parliamentary authorisation for such payments is, therefore, not required, except where amounts are withdrawn from the Consolidated Fund with the approval of Parliament and kept in the Public Account for expenditure on specific objects, in which case, the actual expenditure on the specific object is again submitted for vote of Parliament for drawal from the Public Account for incurring expenditure on the specific object.

- Revenue Budget consists of the revenue receipts of Government (tax revenues and other revenues) and the expenditure met from these revenues. Tax revenues comprise proceeds of taxes and other duties levied by the Union. The estimates of revenue receipts shown in the Annual Financial Statement take into account the effect of various taxation proposals made in the Finance Bill. Other receipts of Government mainly consist of interest and dividend on investments made by Government, fees, and other receipts for services rendered by Government. Revenue expenditure is for the normal running of Government departments and various services, interest payments on debt, subsidies, etc. Broadly, the expenditure which does not result in creation of assets for Government of India is treated as revenue expenditure. All grants given to State Governments/Union Territories and other parties are also treated as revenue expenditure even though some of the grants may be used for creation of assets.

- Capital Budget consists capital receipts and capital payments. The capital receipts are loans raised by Government from public, called market loans, borrowings by Government from Reserve Bank and other parties through sale of Treasury Bills, loans received from foreign Governments and bodies, disinvestment receipts and recoveries of loans from State and Union Territory Governments and other parties. Capital payments consist of capital expenditure on acquisition of assets like land, buildings, machinery, equipment, as also investments in shares, etc., and loans and advances granted by Central Government to State and Union Territory Governments, Government companies, Corporations and other parties.

2.2 Stages

The procedure adopted in the Parliament while dealing with financial matters, specifically the Budget, involves many stages:

2.2.1 Presentation of Budget

The Budget is presented in two parts, namely, the **Railway Budget**, pertaining to railway finance and the **General Budget**. The primary idea behind presenting a separate Budget for the railways is to secure stability for the estimates by providing for an assured contribution by the railways and also to introduce flexibility in the administration of the railway finance.

The Budget is presented with a 'Budget Speech' which is in two parts: Part A contains 'a general economic survey' of the country and Part B 'the taxation proposals' for the ensuing financial year.

The Rules of Procedure and Conduct of Business in the **Lok Sabha** for Financial Legislation are as follows:

- The **Annual Financial Statement** or the **Statement of the Estimated Receipts and Expenditure** of the Government of India in respect of each financial year (also called **'the Budget'**) is presented to the House on such day as the President may direct.

- The Budget is presented to the House in such form as the Finance Minister may, after considering the suggestions, if any, of the Estimates Committee, settle.

- There shall be no discussion of the Budget on the day on which it is presented to the House.

- **DEMANDS FOR GRANTS**
  - **Article 113** of the Constitution mandates that the estimates of expenditure from the Consolidated Fund of India included in the Annual Financial Statement and required to be voted by the Lok Sabha are submitted in the form of Demands for Grants.
  - The Demands for Grants are presented to the Lok Sabha along with the Annual Financial Statement.
  - Generally, **separate demands** are made for the grants proposed for each Ministry.
  - Each demand contains first a statement of the **total grant proposed** and then a statement of the **detailed estimate** under each grant divided into items.
  - Demands are required to be made in the form of a **motion** but in practice, they are assumed to have been moved and are proposed by the Chair to save the time of the House.

- **General discussion on Budget**
  - Subsequently, on a day appointed by the Speaker, the House is at liberty to discuss the Budget as a whole or any question of principle involved therein, but no motion is moved nor is the Budget submitted to the vote of the House.
  - The Finance Minister has a general right of reply at the end of the discussion.
  - The Speaker may, if he thinks fit, prescribe a time limit for speeches.

- **Voting of demands for grants**
  - Motions may be moved to reduce any demand for grant.
  - No amendments to motions to reduce any demand for grant are permissible.

- **Cut motions**

  A motion may be moved to reduce the amount of a demand in any of the following ways:-
  - **'that the amount of the demand be reduced to Re.1/-'** representing disapproval of the policy underlying the demand. Such a motion shall be known as **'Disapproval of Policy Cut'**. A member giving notice of such a motion has to indicate in precise terms the particulars of the policy which he proposes to discuss. The discussion is confined to the specific point or points mentioned in the notice and it is open to members to advocate an alternative policy;
  - **'that the amount of the demand be reduced by a specified amount'** representing the economy that can be effected. Such specified amount may be either a lump sum reduction in the demand or omission or reduction of an item in the demand. The motion shall be known as **'Economy Cut'**. The notice has indicate briefly and precisely the particular matter on which discussion is sought to be raised and speeches shall be confined to the discussion as to how economy can be effected;

- **'that the amount of the demand be reduced by Rs.100/-'** in order to ventilate a specific grievance which is within the sphere of the responsibility of the Government of India. Such a motion shall be known as **'Token Cut'** and the discussion thereon is confined to the particular grievance specified in the motion.

For the sake of convenience, usually the main motion for demand and the Cut Motion relating to it are put and discussed together in the House. Cut Motion, thus is a device to initiate the discussion on demand for grants. After discussion, first the cut motions are disposed off and thereafter, the demands for grants are put to vote of the House. Cut Motions are generally moved by members from the opposition, and if carried, amount to a vote of censure against the government.

- **Speaker to decide admissibility**
  - The Speaker decides whether a cut motion is admissible or not under the rules and may disallow any cut motion when in his opinion it is an abuse of the right of moving cut motions or is calculated to obstruct or prejudicially affect the procedure of the House or is in contravention of the rules.

- **Notice of cut motions**
  - If notice of a motion to reduce any demand for grant has not been given one day previous to the day on which the demand is under consideration, any member may object to the moving of the motion. Such an objection generally prevails, unless the Speaker allows the motion to be made.

- **Vote on Account**
  - A motion for vote on account states the total sum required and the various amounts needed for each Ministry and Department.
  - Amendments may be moved for the reduction of the grant.
  - Discussion of a general character may be allowed on the motion or any amendments.

However, the details of the grant are not discussed further than is necessary to develop the general points.

  - In other respects, a motion for vote on account is dealt in the same way as if it were a demand for grant.

- **Supplementary etc. grants and votes of credit**
  - Supplementary, additional, excess and exceptional grants and votes of credit are regulated by the same procedure as is applicable in the case of demands for grants

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- **Token grant**
  - When funds to meet proposed expenditure on a new service can be made available by reappropriation, a demand for the grant of a token sum may be submitted to the vote of the House. If the House assents to the demand, funds may be made available.

- **APPROPRIATION BILL**

Under the Constitution, no money can be withdrawn from the Consolidated Fund of India without enactment of law by the Parliament. In pursuance of this, a Bill incorporating all the demands for Grants voted by the Lok Sabha, along with the expenditure charged on the Consolidated Fund, is introduced in the Lok Sabha. This Bill is known as the Appropriation Bill. The Bill, as the name suggests, intends to give legal authority to the government to appropriate the expenditure from and out of the Consolidated Fund.

Procedure regarding Appropriation Bill

- The procedure in regard to the passage of an Appropriation Bill is the same as for any other Bill, generally with only those modifications that the Speaker may consider necessary.
- The debate on an Appropriation Bill, however, is restricted to those matters which have not already been raised while the relevant demands for grants were under consideration.
- No amendments can be proposed.

After the Bill is passed by the Lok Sabha, the Speaker certifies it as a Money Bill and transmits it to the Rajya Sabha. The latter House has no power to amend or reject the Bill, but has to give its concurrence. The bill, thereafter, is presented to the President for his assent.

- **FINANCE BILL**

At the time of presentation of the Annual Financial Statement before Parliament, a Finance Bill is also presented in fulfillment of the requirement of Article 110 (1)(a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. A Finance Bill is a Money Bill as defined in Article 110 of the Constitution. It is accompanied by a Memorandum explaining the provisions included in it.

Procedure regarding Finance Bill

- In this rule "Finance Bill" means the Bill ordinarily introduced in each year to give effect to the financial proposals of the Government of India for the next following financial year and includes a Bill to give effect to supplementary financial proposals for any period.
- At any time after the introduction in the House of a Finance Bill, the Speaker may allot a day, for the completion of all or any of the stages involved in the passage of the Bill by the House. Thereafter, the Speaker, at the specified hour on the allotted day, forthwith puts every question necessary to dispose of all the outstanding matters in connection with the stages for which the day has been allotted:

3 Weaknesses in the Budgetary Process

3.1 WEAKNESSES IN RESOURCE ALLOCATION AND USE

Many of the weaknesses in budgeting reflect the failure to address linkages between the various functions of budgeting. The following factors contribute to budget systems and processes that create a disabling environment for performance in the public sector, both by commission and by omission:

- Almost exclusive focus on inputs, with performance judged largely in terms of spending no more, or less, than appropriated in the budget;
- Input focus takes a short-term approach to budget decision making; failure to adequately take account of longer-term costs (potential and real), and biases in the choice of policy instruments (e.g., between capital and current spending and between spending, doing, and regulation) because of the short-term horizon;
- A bottom-up approach to budgeting that means that even if the ultimate stance of fiscal policy was appropriate (and increasingly after 1973 it was not) game playing by both line and central agencies led to high transaction costs to squeeze the bottom-up bids into the appropriate fiscal policy box;
- A tendency to budget in real terms, leading either to pressure on aggregate spending where inflation is significant (which was often validated through supplementary appropriations) or arbitrary cuts during budget execution with adverse consequences at the agency level;
- Cabinet decision making focused on distributing the gains from fiscal drag across new spending proposals;
- Cabinet and/or central agencies extensively involved in micro-decision making on all aspects of funding for ongoing policy;
- Last minute, across-the-board cuts, including during budget execution;
- Weak decision making and last-minute cuts cause unpredictability of funding for existing government policy; this is highlighted to the centre by central budget agencies on the alert to identify and rake back "fortuitous savings;"
- Strong incentives to spend everything in the budget early in the year and as quickly as possible, since the current year's spending is the starting point for the annual budget haggle and the fear of across-the-board cuts during execution;
- Existing policy itself (as opposed to its funding) subject to very little scrutiny from one year to the next. (This and previous point epitomize the worst dimension of incremental budgeting);
- Poor linkages between policy and resources at the centre, between the center and line agencies, and within line agencies because of incremental budgeting;
- A lack of clarity as to purpose and task and therefore poor information on the performance of policies, programmes and services, and their cost because of poor linkages;
- The linking together (in association with the point above) within government departments of policy advising, regulation, service delivery and funding and an aversion to user charging; and
- Overall, few incentives to improve the performance of resources provided.

3.2 Specific Weaknesses in the Indian Budgetary System and Implementation

- *Unrealistic budget estimates*
- *Delay in implementation of projects*
- *Skewed expenditure pattern* with a major portion getting spent in the last quarter of the financial year, especially in the last month.
- *Inadequate adherence to the multi-year perspective and missing 'line of sight' between plan and budget*
- *No correlation between expenditure and actual implementation*
- *Ad hoc project announcements*
- Emphasis on compliance with procedures rather than on outcomes.
- Irrational plan / non-plan distinction leads to inefficiency in resource utilization.

3.3 Budgetary Reforms

Attempts are continuously being made to overcome as many of the shortcomings as possible. A good example is the trend in OECD countries. The common elements of the budgetary reforms in OECD member countries are:

3.3.1 Medium Term Budget Frameworks

Medium-term budget frameworks form the basis for achieving fiscal consolidation. They need to clearly state the government's medium term fiscal objectives in terms of high-level targets such as the level of aggregate revenue, expenditure, deficit/surplus, and debt. They then need to operationalise these high-level targets by establishing hard budget constraints for individual ministries and programmes over a number of years.

3.3.2 Prudent Economic Assumptions

Deviations from the forecast of the key economic assumption underlying the budget are the government's key fiscal risk. There is no single factor more responsible for "derailing" fiscal consolidation programmes than the use of incorrect economic assumptions. Great care must be taken in making them and all key economic assumptions should be disclosed explicitly. Sensitivity analysis should be made of what impact changes in the key economic assumptions would have on the budget. Furthermore, a comparison should be made between the economic assumptions used in the budget and what private sector forecasters are applying for the same time period where practicable. The establishment of an independent body to recommend the economic assumptions to be used in the budget may be considered as well. All this serves to place safeguards against the use of unrealistic, or "optimistic," economic assumptions.

3.3.3 Top-Down Budgeting Techniques

Budgeting has traditionally operated on a bottom-up principle. This means that all agencies and all ministries send requests for funding to the finance ministry. These requests greatly exceed what they realistically believe they will get. Budgeting then consists of the Finance Ministry negotiating with these

ministries and agencies until some common point is found. This bottom-up system has several disadvantages to it. First, it is very time consuming and

it is essentially a game; all participants know that the initial requests are not realistic. Second, this process has an inherent bias for increasing expenditures; all new programmes, or expansion of existing programs, are financed by new requests; there was no system for reallocation within spending ministries and there were no pre-set spending limits. Third, it was difficult to reflect political priorities in this system as it was a bottom-up exercise with the budget "emerging" at the end of this process. This manner of budgeting is now being abandoned and replaced with a new top-down approach to budget formulation. This has been of great assistance in achieving fiscal consolidation.

The starting point for the new system is for the government to make a binding political decision as to the total level of expenditures and to divide them among individual spending ministries. This decision is made possible by the medium-term expenditure frameworks which contain baseline expenditure information, i.e. what the budget would look like if no new policy decisions were made. The political decision is whether to increase expenditures for a high-priority area, for example education, and to reduce expenditures, for example defence programs. Only the largest and most significant programmes reach this level of political reallocation. The key point is that each ministry has a pre-set limit on how much it can spend.

3.3.4 Relaxing Central Input Controls

This is based on the simple premise that the heads of individual agencies are in the best position to choose the most efficient mix of inputs to carry out the agency's activities. The end-result is that an agency can produce the same services at less cost, or more services at the same cost. This greatly facilitates fiscal consolidation strategies by mitigating their effects on services.

Relaxing central input controls operates at three levels. First, the consolidation of various budget lines into a single appropriation for all operating costs (salaries, travel, supplies, etc.). Second, the decentralization of the personnel management function. Third, the decentralisation of other common service provisions, notably accommodations (buildings). The can be seen as the public sector's version of "deregulation."

3.3.5 An Increased Focus on Results

An increased focus on results is a direct quid pro quo for relaxing input controls as described above. Accountability in the public sector has traditionally been based on compliance with rules and procedures. It didn't matter what you did as long as you observed the rules. Now, when the public sector is deregulated, a new results-based system is needed to hold managers accountable. This is a fundamental change: holding managers accountable for what they do, not how they do it.

3.3.6 Budget Transparency

The budget is the principal policy document of government, where the government's policy objectives are reconciled and implemented in concrete terms. Budget transparency – openness about policy intentions, formulation and implementation – is therefore at the core of good governance agenda. If we take a look at fiscal transparency in concrete terms, we can say that it has three essential elements:

- The first is the release of budget data. The systematic and timely release of all relevant fiscal information is what we typically associate with budget transparency. It is an absolute pre-requisite, but it is not enough.
- The second element is an effective role for the legislature. It must be able to scrutinize the budget reports and independently review them. It must be able to debate and influence budget policy and be in a position to effectively hold the government to account. This is both in terms of the constitutional role of the legislature and the level of resources that the legislature has at its disposal.
- The third element is an effective role for civil society, through the media and nongovernmental organisations. Citizens, directly or through these vehicles, must be in a position to influence budget policy and must be in a position to hold the government to account. In many ways, it is a similar role to that of the legislature albeit only indirectly.

3.3.7 Modern Financial Management Practices

The modernisation of financial management within governments made great advances during the past ten years. The sheer scale of government means that such improvements had a material effect on fiscal outcomes. These include the introduction of accruals, capital charges, carry-overs of unused appropriations, and interest-bearing accounts.

4 Key Features of Budget 2013-2014

4.1 State of the Economy and Challenges Ahead

- Getting back to potential growth rate of 8 percent is the challenge facing the country
- Slowdown in Indian economy has to be seen in the context of slowing global economic growth from 3.9 per cent in 2011 to 3.2 per cent in 2012.
- However, no reason for gloom or pessimism. Of the large countries of the world only China and Indonesia growing faster than India in 2012-13. In 2013-14, only China projected to grow faster than India.
- Between 2004 and 2008, and again in 2009-10 and 2010-11 the growth rate was over 8 per cent and crossed 9 per cent in four of those six years.
- 11th Plan period had average growth rate of 8 percent, highest during any Plan period, entirely under the UPA Government.
- High growth rate can again be achieved through cooperation.
- 'Higher growth leading to inclusive and sustainable development' to be the *mool mantra*.
- Government believes in inclusive development with emphasis on improving human development indicators specially of women, the scheduled castes, the scheduled tribes, the minorities and some backward classes. This Budget to be a testimony to that commitment.

4.2 Fiscal Deficit, Current Account Deficit and Inflation

- The purpose of Budget to create economic space and find resources to achieve the objective of inclusive development.
- Dr Vijay Kelkar Committee made its recommendations to Government in September 2012. A new fiscal consolidation path with fiscal deficit at 5.3 per cent of GDP this year and 4.8 per cent of GDP in 2013-14 announced by the Government.
- Foreign investment in an imperative in view of the high current account deficit (CAD). FII, FDI and ECB three main source of CAD Financing. Foreign investment that is consistant with our economic objectives to be encouraged.
- Development must be economically and ecologically sustainable and democratically legitimate.
- Battle against inflation must be fought on all fronts. Efforts in the past few months have brought down headline WPI inflation to about 7 per cent and core inflation to about 4.2 percent.
- Food inflation is worrying but all possible steps to be taken to augment the supply side to meet the growing demand for food items.
- Government expenditure has both good and bad consequences and trick is to find the correct level of Government expenditure.
- Faced with huge fiscal deficit, Government expenditure rationalised in 2012-13. Some economic space retrieved. Space to be used to further Government's socioeconomic objectives.

4.3 The Plan and Budgetary Allocations

- Revised Estimates (RE) of the expenditure in 2012-13 at 96 per cent of the Budget Estimates (BE) due to slowdown and austerity measures.
- During 2013-14, BE of total expenditure of ` 16,65,297 crore and of Plan Expenditure at ` 5,55,322 crore.
- Plan Expenditure in 2013-14 to grow at 29.4 per cent over Revised Estimates for
- the current year.
- All flagship programmes fully and adequately funded and sufficient funds provided to each Ministry or Department consistent with their capacity to spend funds.
- Budget for 2013-14 to have one overarching goal of creating opportunities for our youth to acquire education and skills that will get them decent jobs or self employment.

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G.S. PAPER III – ECONOMIC DEVELOPMENT

INCLUSIVE GROWTH

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1.1 Introduction

The agenda of inclusivity and sustainability has become the focus of policy framework both at national and international level. The approach of development through "including" the general mass is directed towards **a broad based growth**, shared growth, and pro-poor growth. This is the central idea of the inclusive growth i.e. sharing of fruits of socio-economic development with all sections of the society. Elimination of the extreme forms of poverty and participation of the people is encouraged through the idea of inclusive growth.

Approach paper of Eleventh five year plan of govt. of India has laid down the vision and strategies for inclusive growth. The vision underlines the target of the plan as **not just faster growth but also inclusive growth.** The inclusion inter alia means the ***equality of opportunity for all***. The vision also enumerated the following factors which are interrelated components of the IG:

- Poverty Reduction
- Employment Generation
- Access to essential services
- Equality of opportunity
- Skill building
- Good governance
- Women empowerment

The concept and definition of the IG is not formally illustrated in the paper or anywhere in the govt. There have been some attempts to frame the subject matter related to IG. Economic Survey (2007-2008), for instance, presents some conceptual background of Inclusive Growth. International agencies like UNDP and World Bank have elaborated the understanding of IG. In-fact, the terms like inclusive growth, sustainability, good governance etc. are made popular by the international organizations. The parameters of IG are considered differently by different governments, organizations etc. UNDP's definition of the IG underlines production and income as the components of IG:

*"IG is the **process and the outcome** where all groups of **people have participated** in the organization of growth and have **benefited equitably** from it. Thus inclusive growth*

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represents an equation – with organization on the lefthand side and benefits on the right-hand side."

World Bank defines the IG as follows:

***"Inclusive Growth** refers both to **the pace and pattern of growth**, which are interlinked and must be addressed together."*

Thus, in broad sense, IG means the inclusion of all sections of society in the process of economic development and sharing of its benefit. Therefore, IG is not only an outcome or end but a process or a mean in itself.

1.2 Theoretical Perspective

The IG is not formally defined in Indian Economic Planning literatures. It still lacks a sound theoretical background. The present planning adopts a hit and trial approach towards IG. On one side it leads to increase in economic growth rate and exclusion of the targeted beneficiary on other side. The term "inclusion" is ambiguous in Indian context; inclusion may be through impacting the majority of populace or by increasing the reach to select group of individuals or regions which are excluded. Therefore, crystal clarity in understanding the rubrics of IG through a conceptual and theoretical background is required.

1.2.1 Trickle down

Trickle down theory argues that the benefits of growth would automatically trickle done to bottom. The theory also asserts that the trickle down is a process that must be left to its natural pace and path; and forcing it down nay be unproductive. The trickle down approach has failed in its desired effects in the socio-economic development of India. Re-distributive policy is suggested to be a part of inclusive growth development programs. On other side, trickle down theory in economics explains supply side of the economic growth. According to the theory, the top income earners should be taxed less, so that investment in the market in encouraged; and goods and prices can be made available to the consumers at low prices. In this way, trickle down theory assumes the top-to-bottom approach in economic development.

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1.2.2 Welfare Economics

Welfare economics is the branch of economics that examines the resource allocation and the policy in terms of societal or individual costs or benefits. One of the objectives of welfare economics it to help society better decisions that maximize its wellbeing. By adopting the welfare economics approach, the following issues with respect to IG can be addressed:

1) Allocation of the resource as per the economic efficiency.
2) The equality of welfare gains.
3) Viability and desirability of the policy framework.
4) Effect of the resource allocation on select target beneficiaries.

The thrust of welfare economics is on efficiency and distribution. Therefore, the welfare economics considers the system, standards and regulatory institutional mechanism as important elements of the IG policy framework.

1.2.3 Bottom-up approach

Bottom-up approach encourages participation of people in the development process. Decentralization, local-self government and rural development are some of the common practices under bottom-up approach. Rural governance attempts to establish whether decentralization of governance is effective for achieving inclusive and pro-poor growth. The inefficiencies in the flow of essential services hinder people's access to opportunity and benefit of economic growth. Hence, 'bottom-up' approach is suggested where greater decentralization is expected to give preferences to the target population. In order to achieve a long-term sustainable economic growth, inclusive growth is required to be fuelled from the bottom-up instead of enforcing it from top to bottom.

1.2.4 Public Relation Approach to IG

The vision of Public Relation Approach to IG is to build up People's Participation and ensure People's Partnership in Developmental process. Mobilization and integration of masses by way of effective communication, motivation strategies and human resource management are some of the strategies under the approach. Public relation approach

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tends to find out the socio-psychological factors that motivate or de-motivate people's participation in the inclusive growth process. State merely acts as a catalyst and provides a platform. Encouraging micro-level entrepreneurship in agro-industries is one of the examples of the Public Relation Approach.

1.3 Dimensions of IG

These are the pillars of the building block of IG, or in simple terms, these are the ideals on which IG is based. Without these ideals, the IG remains superfluous in its merit.

1.3.1 Equality

Equality of opportunity in terms of access to markets, resources, and unbiased regulatory environment are the ends to mean of equality. In-equalities exist in various manners which are social inequalities, rural-urban divide, regional disparities, digital divide etc. To realize the IG in its ultimate form, equality is the most fundamental criteria. IG and equality impact each other. Without equality, IG can't be achieved and lack of IG may lead to in-equality in real or perceived forms. Thus, IG and equality are mutually reinforcing. In contemporary economic environment, gender equality has become a basic element of IG. Gender inequality is a pervasive problem in Indian social set-up which has adverse effect on women. Although Indian economy has progressed, the equality has retrograded at all levels whether social or economic. An OECD report has identified that inequality in India has been continuously rising which has posed policy challenges in promotion of inclusiveness.

1.3.2 Good Governance

In simple words, governance means the regulatory, monitoring or controlling process which facilitates the devilry of the government services. Good governance results in effectiveness and efficiency, it upholds justice in the rule of law, and accountability and it encourages popular participation, consensus, and equality. Tenth plan defines governance in following way"

"Governance relates to the management of all such processes that, in any society, define the environment which permits and enables individuals to raise their capability levels, on

one hand, and provide opportunities to realise their potential and enlarge the set of available choices, on the other"

Good governance is an integrated effort of state, civil society and citizens. Governance here means not only state intervention; it is the responsibly of general mass and civil service organizations (CSOs). Good governance is the core of essential public services. It is the mechanism for integrating IG, public administration and accountability towards envisaged outcome; for example, problems in poor health infrastructure may be an impediment to IG and can often be traced back to poor governance of the Ministry of Health and Family Welfare. So, good governance provides a common platform for all actors and adapts to sustain the socio-economic transformation which is a pre-requisite of IG. As stated, governance is not only the forte of state; private governance has also a remarkable role to play in taking the IG ahead. The term, **private governance** here means the role of non-state actors in maintaining supply and demand equilibrium in market. Private governance also highlights the role of private sector in meeting the demand of capital, resource and skills required for IG.

1.3.3 Decentralization

A National Council of Applied Economic Research (NCAER) argues that the decentralization hampers inclusive growth. Empowering local self governing institutions is one of the delivery mechanisms of the IG. 73rd and 74th amendments of the constitutions are innovation in the field of Indian Polity. Centre and state govt. have to empower the PRIs to make them enabler of IG. In this regard, the eleventh plan has devised a **Devolution Index** to be called **PRI-Empowerment Index.** Without decentralization, it is a daunting task to implement the IG based policies. Therefore, govt. has to devolve, delegate and decentralize the administration. Decentralization is a bottom-up approach. Decentralization of rural governance is critical for achieving IG. The present level of decentralization, institutional structure is inadequate. In inadequacy of decentralization can be reduced by democratizing the institutions of local self government, adopting measures of fiscal decentralization i.e. by providing sufficient financial resources. Apart from that the following are the deficiencies in decentralization that limit the IG potential:

1. Lack of finance, proper institutions and delegation of roles and responsibilities.
2. Divergence in central and state approaches in programs and welfare schemes.
3. Incoherence in organization at national and state level.
4. Poor accountability, transparency and monitoring mechanism.

1.3.4 Accountability and Transparency

Accountability is answerability towards performance of service delivery. It sets in the responsibility towards the assigned tasks in terms of results and outcome. Accountability is specified both in vertically and horizontally. The former refers to the departmental hierarch in a govt. institutions and the latter refers to the autonomous agencies for check and balances on govt. activities e.g. CAG, PMO etc. Transparency is necessary for efficient delivery of essential public services; it acts as an enabler for citizens in accessing information on demand which helps them in reinstating their claims on government endowments and entitlements meant for them. Lack of accountability and transparency has earmarked the governance in India with red-tapism, bureaucracy and corruption. Govt. has put efforts in multifarious manners to curb the menace. Citizen Charter, Right To Information, Central Vigilance Commission etc. are revolutionary efforts, inasmuch the poor monitoring of their implementation has put a constraint of the efficacy of such ideas.

1.3.5 Sustainability

In long term, it has been identified that, there has been a gross mismatch between the outcomes of the Indian Economic Planning for IG with respect to environment. Although, Indian economy has witnessed a rapid growth, there has been a decline in the environment and standard of living of the poor. In the issues related to IG as discussed ahead, it has been elaborated that Liberalization, Privatization and Globalization (LPG) has put a sheer pressure on the environment and created a rural-urban divide. Sustainability and IG can't be achieved in isolation and they supplement each other. Without adopting a sustainable practice in IG, the implementation of IG policies isbound to falter. Sustainability is required at the following levels when charting out the policy framework for IG:

1.3.5.1 Financial Sustainability: The IG programs and projects of the govt. should be financially viable. It may be noticed that excess of subsidy and lack of outcome orientation is causing a problem of increasing fiscal deficit.

1.3.5.2 Social Sustainability: Social sustainability means the need to maintain and sustain specific structure and culture. This type of problem is typically prevalent in tribal areas where the development programs for economic growth come in conflict with the cultural sentiments of the tribal population.

1.3.5.3 Environment Sustainability: In long-term, the environment standards must not be jeopardized while in pursuit of IG. By excess use of fertilizer is a die hard need of the moment, at the same time it has lead to is unique problem of depletion of soil productivity and technology fatigue.

1.4 Models of Inclusive Growth

IG is not the sole responsibility of the state. The goals of IG can be realized if state and non-state actors work in tandem. There are some of the models of IG which are currently adopted by the govt, private agencies and non-govt organizations. Some of the models are discussed below:

1.4.1 Financial Inclusion

Deptt. of Financial Services, Ministry of Finance has taken an initiative to extend financial services to the large hitherto un-served population of the country to unlock its growth potential. Financial inclusion means to include the un-banked populace into formal banking system by providing financial services at very low cost. **Rangarajan committee** has defined the financial inclusion in following manner:

"The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost."

The ministry therefore strives towards a **more inclusive growth** by making credit/capital available to the poor and disadvantaged section. Expansion of banking infrastructure, opening new braches, zero-frills bank accounts , banking correspondents(BCs) (use of services of intermediaries in providing financial and banking services through the use of Business Facilitators (BFs) and Business Correspondents (BCs), setting up of ultra small

branches etc. are a few of the modalities under financial inclusion strategies of the govt. Swabhiman scheme is the running scheme under financial inclusion agenda through which banks have provided banking facilities to over 75,000 habitations having population in excess of 2000 using various models and technologies including branchless banking through Business Correspondents Agents (BCAs). The Business Correspondent models **("Branch-Free Banking")** besides schemes like Swabhiman have the potential to realize the financial inclusion in India in true sense of the term.

1.4. 2 Inclusive Marketing

Market is instrumental in creating means and ends for inclusive growth. By proper marketing of various schemes for IG can be vital in challenging the issues associated with it. Inclusive marketing is required at all levels i.e. G2G, G2C, G2B, B2B or B2C etc. IEC (Information, education and communication) can be adopted by the government for inclusive marketing. While corporate social responsibility i.e. CSR can be one of the methods adopted by the private and public sector corporate e.g. ITC's e-choupal wherein ITC (a private sector company) has taken an initiative for farmers through technological and financial assistance. If IG is seen as an end of inclusive marketing as a mean, then it becomes apparent that inclusive marketing is dedicated to add values to the livelihood of the poor, not merely treating them as a consumer of product and services. The disadvantaged sections of the society face the challenge of making both ends meet. Difficulty in accessing the markets, welfare schemes make them more vulnerable. Therefore, Inclusive marketing is a mode of integrating the have-nots to the mainframe of development process.

14.3 Corporate Social Responsibility (CSR)

CSR has a prominent role in complementing the quest for IG. The private sector has been playing a vital role in promoting IG and contributing with various initiatives. CSR has now become a part of the corporate policy of the Indian industries. This may be because govt. has provided the financial incentives to the industries which are contributing at least 2% of their profit towards CSR. Future Group, which runs the famous retail stores by the brand Big Bazaar have CSR a component of their company policy as the group affirms

that CSR is at the heart of their ethos:

"At Future Group, corporate social responsibility, inclusive growth and sustainability are at the core of our strategy and business practices. This reflects in our commitment to the community, environment and to every stakeholder in building a stronger foundation for our long-term, sustainable growth."

Hindustan Uniliver's **Project Shakti** wherein woman groups are employed as distribution channels , **Nanhi Kali**, a CSR project by Mahindra and Mahindra to sponsor the education of an underprivileged girl child are some other examples of CSR as a mean of IG. Negative repercussions of CSR must also be closely observed. CSR some how has become a tool of Corporate Social Opportunity (CSO) for the private sector whose ultimate motive is profit.

1.5 Strategies for Implementation

Strategies for the implementation of IG are many. In most cases, developing a strategy is not a problem, but implementation and monitoring. Below mentioned are some flagship approaches towards implanting IG policies:

1.5.1 Resource Allocation

Without proper resource utilization, the issues of poverty, equity and development can not be addressed. Equitable sharing of the resources is one of the most important means to implement the inclusive growth based policy framework. The allocation of resources should be made in a way to benefit the general mass in short and long term. This may be through proper availability of consumer goods, facilitating access of people, opening avenues of employment and enhancing standards of livelihood. Public distribution system (PDS) is a classic example of reinforcing IG through proper resource allocation. PDS should be re-structured. It is important for food security. Govt. is re-working on the food security bill; poverty line is one of the criteria of resource allocation.

1.5.2 Employment Generation

Employment is the most vital of all strategies of inclusive growth. At the same time, employment generation is a real challenge to the govt. This is because of India is

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witnessing a **demographic transition** and burden of demographic dividend. Albeit, the latest consensus has showed that the population of India is decreasing but the population of young people entering the labour force is continuously increasing. A research study carried under the aegis of Planning Commission shows that employment in total in general and in nonagricultural sectors in particular has not been growing. Unemployment growth in recent years has been accompanied by growth in **casualization and informalization.** National Commission on Enterprises for the Unorganized Sector headed by **Arjun Sengupta** recommended several measures to resolve this problem of informalization in the employment.

Organized and un-organized employment in major sectors (million)

Major Sectors	Total Employment	Un-organized employment	Organized Employment
Agriculture	244.85(100%)	242.11(99%)	2.74(1%)
Manufacturing	50.74(100%)	34.71(69%)	16.03(31%)
Non-Manufacturing	48.28(100%)	30.38(63%)	17.90(37%)
Services	116.34(100%)	80.17(69%)	36.17(31%)
Total	450.22(100%)	387.38(84%)	72.84(16%)

Source: National Sample Survey Organization(NSSO)

A transition of increasing employment from unorganized to organized sector is an indication of socio-economic development. How-ever the condition of employment is contrary to this transition. Indian economy is marked by the disguised employment as a large chunk of the man force is employed in agriculture sector where the very low marginal productivity. The table above shows the similar trend. Employment in manufacturing, non manufacturing, and services is roughly one-third and large share of unorganized employment in the agricultural sector. For a sustaining inclusive growth, government is required to develop policy framework for employment generation as a top priority. MNREGS is a successful attempt in this regard. Poverty alleviation schemes through resource distribution may be panacea for short term but in long term employment generation is the only way out. This is because resource distribution through subsidization enlarges fiscal deficit and burden on exchequer while employment is productive in its tendency.

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1.5.3 Skill Building and Capacity Development

Skill deficit is a major impediment in IG. Government has created a framework for entrepreneurship development. Employment generation may not fulfill the rising employment demand due to large share of the population lying in the informal sector. Skill and capacity development are therefore cornerstone. Indian govt. has set a target of providing skills to 500 million people by 2022. Key agencies involved are National Skill Development Council, National Council of Vocational Training and Directorate General of Employment and Training, other govt. and non-govt. agencies, business chambers etc. The govt. has also launched a skill development initiative scheme; Modular Employable Schemes (MES) and Vocational Training Provider (VTP) are examples of such initiatives by the govt. Besides, the govt in eleventh plan has also proposed to build a '**Virtual Skill Development Resource Network'**, with a facility for trainees at 50000 Skill Development Centers, through information technology and communication intervention. A National Skills Inventory is also created which is a database for **'Skills Deficiency Mapping'** for employment by providing a common platform for information exchange between employers and employment seekers.

1.5.4 Agriculture

Agriculture is the central pillar of inclusive growth. It provides employment to unskilled workforce and sustenance to the population. Average annual growth rate of agriculture and allied sector was 3.6% during XI Plan against 2.5% and 2.4% in IX and X plans respectively. Although the rate has increased but at the same time rural distress, farmers' suicides and debt have also increased. Inflation, vulnerability to world commodity prices, regional disparities have been newly emerging challenges. The policy framework of the govt. is in-adequate. There is a gross miss-match on both supply side and demand side. Land issues, Subsidies and lack of investments, Land and Water management, Technology, Credit, Diversification and Marketing, Institutional set-up and prices are chronicle problem. Five factors which the govt. needs to work out and that may unblock the agriculture growth potential are: public investment, private investment, technology, diversification and fertilizer. Agriculture can be a mean to economic growth if the efforts are target oriented. Agriculture growth rate above 4% and investment in agriculture must

be around 15%-20% of the GDP. Equitable sharing of the benefits of agriculture growth between various levels of the population pyramid is much needed. Environment friendly practices can provide the sustainability. In addition to the targets, govt. must check excess of subsidies. Subsidies over a limit are burden on exchequer and it leads to the degradation of environment. The choice of right technology is also a leading concern in Indian agriculture. Genetic Modified crops are widely debated and existing technology is showing a characteristic phenomenon called **"technology fatigue"** i.e. technology applied to the agriculture has failed to increase the agricultural productivity. Diversification of the land between farmers and between different crops has limited the growth prospect of agriculture. Small farmers are not able to make the most of increasing agriculture productivity. Crops like wheat and rice are most grown due to less risk in these commodities. Crops diversification is not practiced in Indian agriculture at a broad level because of lack of proper infrastructure.

1.6 Issues related to IG

Various issues are involved when it comes to IG. Some issues are quite basic which lack clarity in vision; some are related to the lack of willingness while others may be due to the constraints which can be overcome in short term. Some key issues associated with IG are following:

1.6.1 Growth vs. Development

Over a period since economic reforms, India's economic growth has witnessed a mixed effect on the real development. GDP is considered the key parameter of economic growth. In reality, the increasing GDP growth rate has not trickled down to the bottom of pyramid. A research study carried by Indira Gandhi Institute of Development Research, an autonomous think-tank under Reserve Bank of India find out that economic growth has ***"trickled down"*** *in both rural and urban areas;* ***it has not been in favour of the poor****. In urban areas, growth has been* ***"anti-poor."*** BPL and poor of the poor still remains marginalized. Such issues are quite fundamental in nature as they depict the lack of clarity in the vision and strategy of the policy. It is time, to put the IG as the central agenda of the economic growth.

1.6.2 Defining Poor

Who are poor and who should be the beneficiaries of the welfare schemes? Without a proper criterion of poverty, proper policy framework for inclusive growth can not be developed. Efforts have been put taking calorie values, wages etc. as criteria of defining poverty line. The lacuna of poverty definition also impacts the other associated areas such as employment schemes and subsidies for the poor. All this have repercussions on inclusive growth. Govt. is gung-ho on the observation the reducing rate of poverty which has come down to the level of 35% but the inequality has increased at the same time.

1.6.3 Fiscal Deficit

Development schemes run by the govt. have created a dilemma of expanding fiscal deficit. India's current fiscal deficit situation has limited the prospect of development schemes. India has significantly **high debt to GDP ratio**, balance of trade (negative) and current account deficit (CAD). Last year's estimates were: fiscal deficit: 5.2% of GDP; CAD: USD 92 bn; stimulus package: Rs. 1.84 lakh crore (3% of GDP). The govt. has set a target of reducing fiscal deficit to the level of 3 per cent by 2016-17. Fiscal deficit also creates the problem of inflation which in turn makes the poor even more vulnerable. Increasing CAD is comparatively more detrimental to IG than fiscal deficit.

1.6.4 Ill-effects of LPG

Liberalization, privatization and globalization of Indian economy has ushered the poor to vulnerability and irony. Liberalization and privatization have particularly suited to the Indian private corporate, elites and rich. Globalization has created a question of existence in-front of small and medium enterprises (SMEs). Have a look at the plight of the women employed in the cotton fields of northern India. Now, India's share of textile industries in world trade is remarkably low. All this have limited the growth potential and created the problem of unemployment. The malfunctioning of LPG in Indian scenario has surmounted new issues viz. gender inequality and threat to women empowerment.

1.6.5 Social-injustice

Govt. is gung-ho on their efforts of reducing the poverty rate; even the UN's MDG report

affirms that India's poverty rate is expected to fall to 22% by 2015 from 51% in 1990. At the same time, there are other chronicle issues which have magnified over a period e.g. child malnutrition. A Hunger and Malnutrition Survey 2011 revealed something shocking; in the 100 focus districts with the poorest child development indicators, over 40 per cent of children were underweight and almost 60 per cent stunted. Citing the report, the PM lamented: the problem of malnutrition a matter of national shame. Rich have become richer and poor have become poorer, marginalized are even more ignored, also, poverty has concentrated more in backward classes, minority, SCs and STs.

1.6.6 Infrastructure

Infrastructure is fundamental to the economic and inclusive growth. In budgetary allocations, Infrastructure is assigned the highest expenditure. Major proportion of this allocation goes to large projects such as power generation, freight corridors, and airports etc while rural infrastructure is immensely neglected. In many areas, the lack of proper infrastructure is acute. Major thrust of the infrastructural development of the govt. has been from view of industrial development. Agriculture, for an instance, has always lacked the focus. Infrastructure to support and facilitate backward linkages in agriculture e.g. cold storage houses, processing facilities, rural transport is need of the hour. Apart from that, the rural-urban divide in infrastructure development has become prominent. For a case in point, Eleventh plan recognizes that: *It is an **irony** that the phenomenal growth in the telecom sector has also created a **digital divide** in terms of mobile and land line connections and Internet and broadband connections **between urban and rural India.*** The plan also highlights the dearth of rural electrification and observes that rural electrification an important instrument to bring about **inclusive growth** by making electricity available to farmers and in rural areas. 7.8 crore rural households still remains un-electrified.

1.6.7 Low Technology and Innovation

Indian economy is suffering from a technology-lag vis-a-vis developed economies and other industrialized economies. Poor rate of technology and innovation creates a burden on capital and resource base. India's agricultural productivity is far below to that of

developed countries. Agriculture is mainstay of the economic growth and a source to unskilled work-force employment. The rapid technological development in primary activities such as agriculture creates a question of economic duality in front of the policy makers of the country. This means, if a high rate of technology is adopted in primary sector industry, then it may lead to high rate of unemployment, but at the same time, without technological progress, the productivity would be less to sustain the pressure on the economy. Considering this, there is an immediate requirement of technologies such as green technology, environmentally friendly technologies and renewable energy technology etc. so that the pressure on natural resources may be overcome. Policy makers have to address the economic duality judiciously. Apart from that, the innovation per se is required to be a harbinger of IG which is broad sense is termed as **inclusive innovation.** Inclusive innovation means the creation and absorption of product and services relevant to the poor. In this case, SMEs , MSMEs and grass root innovation enabling agencies such as National Innovation Foundation can play a decisive role. Finance, competency and infrastructure are the foundation for inclusive innovation and enabler for IG.

1.7 Policy Approaches for Inclusive Growth

As far as the policy framework is concerned, the govt. lacks a suitable policy vis-a-vis IG. Nonetheless, the govt. has experimented with various models of IG. According to World Bank's review of India's Development Policy, IG policy implementation is facing a *dilemma of improving the delivery of core public services, and maintaining rapid growth while spreading the benefits of this growth more widely.* The strategy for the inclusive growth per se needs to be an integrating strategy comprising state, market, civil societies and common man. Since independence, the govt. has practiced various types of policy measures, a few are discussed ahead:

1.7.1 Growth oriented policy

India's economic planning started with growth oriented policy. First plan (1951-56) was started with an objective of **rapid and balanced growth**. The second plan (1956-61) also put a thrust on rapid growth of industrialization. More recent, twelfth five year plan (2007-12) has blended economic growth with inclusion with an objective of **Faster,**

Sustainable and More Inclusive Growth. Arvind Virmani, ex-chief economic advisor to govt. of India has divided the policy approaches for economic growth in following phases:

Phase 1: 1950-1 to 1979-80 (two sub-phases: 1950 50-65 to 1966-79)

Phase 2: 1980-81 to 1993-94 (change in policy regime, reform initiation and structural adjustment in the economic policy.)

Phase 3: 1994-5 to onwards (Statistical significant growth break (1994-5) and rising growth trend)

The rate of economic growth has increased with time, particularly in phase 3, which is a result of radical reforms during 1990s. However, it has failed to emphasize inclusive growth by creating more jobs for low and semi-skilled workers. Growth is not equally shared and in many parts of the country, people still remain poor and disadvantaged in significant proportion.

1.7.2 Direct intervention

The direct intervention is facilitating the IG though legislation, regulation, credit facilitation and providing livelihood security are the forms of direct intervention by the govt. Now, the orientation of administrative machinery is transformed from regulator to facilitator. Govt. direct intervention from the perspective of IG now be seen in making available the requisite social investment, establishing independent regulatory institutional mechanism, drafting incentive based policy and encouraging entrepreneurial innovation. Safety nets or anti-poverty measures are the some other ways of direct intervention of the govt. towards IG.

1.7.3 Capacity Building

Skill development is basically capacity development. However, capacity development is not only limited to skill building or entrepreneurial innovation. Capacity development through training of rural development functionaries is also a mean of capacity building. Now, creating job and market demand is not the only criteria of capacity development. Increasing efficiency, effectiveness, accountability and transparency are also considered

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the areas under capacity building initiatives of the govt. For example, if the objective of Deptt. of Rural Development is enhancing the livelihood security of households in rural areas though MNREGA then capacity building for enhancing effectiveness of Gram Sabha is one of the modalities to achieve the objective.

1.7.4 Welfare schemes

Food subsidies, public distribution of essential commodities, nutrition programs, financial support though micro finance are examples of the ways in which welfare schemes are implemented. For different types of beneficiaries (women, Children, BPL etc.) central and state govt. have come with the customized welfare schemes. The approach in welfare schemes is to benefit the beneficiaries through optimal allocation of resources and access to essential services. Integrated Child Development Scheme is a type of welfare scheme with children and women as beneficiaries. It is India's flagship scheme for the nutritional and developmental needs of children.

1.7.5 Public Participation

Without public participation at different level of governance, IG remains a distant dream. Govt. is encouraging the public participation in multifarious ways towards which the common man must show an affirmative and pro-active response. SHGs promotion is a typical example of public participation for IG. Govt. can provide the supporting platform for citizen centric services, the responsibility to deliver still is of the common man. SHGs support and promotion programs have yielded good results in South Indian states, Kerala and Andrapradesh particularly. Kerala govt. supported ***Kudumbasree*** programme have been successful in women empowerment and reducing poverty. Similar initiative of Andhra Pradesh namely **'Indira Kranti Pathakam'** is showing a good progress in social mobilization, gender empowerment and rural poverty reduction.

Lastly, policy intervention takes place both at micro and macro level. Improving fiscal discipline, trade liberalization, promoting Foreign Direct Investment, privatization, deregulation, tax reforms, labour laws, social safety nets, public expenditure etc. are important for macro policy measures while at the micro level, reducing inequality in income, improving public/social infrastructure, healthcare, education, access to essential

services, accountability and transparency, women empowerment, role of civil society organizations, etc are instrument of micro policy which needs to be re-worked.

1.8 Summary

As discussed at the outset, the approach paper for 11th Five Year Plan acknowledges that the economic growth has failed to be inclusive enough. The failure is a question of willingness, not of capacity. There is no dearth of capacity to achieve the goals of IG but willingness and shortsightedness. With a lot of enthusiasm, policies are framed; proper mechanism of implementation, monitoring and accountability is the central issue of all policies directed towards IG. Strategies should be easy to implement and productive e.g. the employment generation should be made productive and result oriented. When it comes to the BPL or the poorest of the poor, the productivity should be outcome based and not target oriented because the targeted mass under the inclusive growth is disadvantaged and unskilled mass. SME's and MSME's are labour intensive industries. Due to LPG, their share in employment has decreased. Govt. must look for change in labour laws at domestic level and trade laws at international level to safeguard the domestic interests. The onus of IG must be shared by all channel partners state, civil society organization (CSOs) and citizens e.g. CSOs can work in tandem with the PRIs in rural areas to make the social development schemes more efficient. Finally, there is a lack of convergence in policy. The policy framework has to be transformed giving primacy to the common man.

1.9 Questions

1.9.1 Discuss Financial Inclusion as a mean to Inclusive Growth? Identify the associated issues also.

1.9.2 In Indian Economy, Inclusive Growth is a utopian dream. Comment.

1.9.3 Explain the role of Ministry of Agriculture in accelerating Agriculture Development for Inclusive growth, strategic issues and policy option.

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G.S. PAPER III – ECONOMIC DEVELOPMENT

INVESTMENT MODELS

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1 Economic Systems

There is hardly any country today which can be called either pure capitalistic economy or socialistic economy. However, for the purpose of categorization we can divide the economic systems into the following types:

1.1 Capitalism

Under capitalism, all farms, factories and other means of production are the property of private individuals and firms. They are free to use them with a view to making profit, or not to use them, if it so suits them. The desire for profit is the sole consideration with the property owners in the use of their property. Besides free and unfettered use of their property, everybody is free to take up any line of production he likes and is free to enter into any contract with other fellow citizens for his profit.

Although all modern States do impose certain restrictions on economic freedom in the interest of general welfare, yet even these restrictions leave much latitude to the propertied class to use their property in any manner they like, to start any business they think profitable to themselves and to enter into contracts they think necessary in their interest.

What to produce, how to produce and for whom to produce – all these central problems of economics are settled by the free working of the forces of demand and supply. In the words of Prof. Loucks, "capitalism is a system of economic organization featured by the private ownership and the use for private profit of man-made and nature-made capital".

1.1.1 General Features of Capitalism

- Right of Private Property
- Freedom of Enterprise (it implies three things : (a) freedom of enterprise, (b) freedom of contract, and (c) freedom to use one's property)
- Freedom of Choice by the Consumers
- Profit Motive
- Class Conflict
- Uncoordinated Nature (no conscious regulation or central direction of economic activity required)
- Control with Risks (one who risks his money controls the business)
- Competition
- Importance of Price System (price mechanism facilitates the functioning of capitalism)
- Economic Inequalities

1.1.2 Merits of Capitalism

- Automatic Working (does not require any central directing authority)
- Higher Efficiency and Incentive to hard work
- Higher Rate of Capital Formation
- Economic Development and Prosperity
- Optimum Utilization of Resources
- Just and Democratic
- Encouragement to Enterprise and Risk taking
- Adaptability

1.1.3 Demerits or Criticism of Capitalism

- Wasteful Competition (cut throat competition does not confer any corresponding social benefit)
- Human Welfare ignored
- Economic Instability and Unemployment
- Property Rights take precedence over Human Rights
- Social Injustice and Economic Inequality

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- Misallocation of Resources
- Emergence of Monopolies and concentration of Economic Power
- Malpractices

1.2 Socialism

Socialism is an economic organization of society in which the material means of production are owned by the whole community and operated by organs representative of, and responsible to, the community according to a general plan, all members of the community being entitled to benefits from the results of such socialized planned production on the basis of equal rights.

In simple words, socialism implies social ownership of means of production, equality of incomes and opportunity for all. It does not mean that all productive resources should be owned by the State; only the major instruments of production should be under the state control so that economy is run for social benefit rather than private profit.

1.2.1 General Features of Socialism

- Social Ownership of Means of Production
- No Private Enterprise
- Economic Equality
- Equality of Opportunity
- Economic Planning
- Social Welfare and Social Security
- Classless Society

1.2.2 Merits of Socialism

- Social Justice
- Better Allocation of Resources
- Rapid Economic Growth
- Improving Productive Efficiency
- Social Security and Welfare
- Economic Stability

1.2.3 Demerits of Socialism

- Bureaucracy and Red Tapism
- Not Successful in Business
- Misallocation of Resources
- Loss of Consumer's Sovereignty
- Lack of Incentives
- Loss of Economic Freedom
- No economic Equality
- Concentration of Power in the State
- Loss of Personal Liberty

1.3 Mixed Economy

A Mixed Economy is neither pure capitalism nor pure socialism but a mixture of the two. It is operated by both private and public enterprise. That is, private enterprise is not permitted to function freely and uncontrolled through price mechanism. On the other hand, the government intervenes to control and regulate private enterprise in several ways. It had been realized that a free functioning of private enterprise results in several types of evils. For instance, it produces trade cycles, i.e. sometimes depression and unemployment and at other times booms and inflationary situation. Besides, free functioning of private enterprise results in extreme inequalities of income and wealth. It is also realized that in countries like India, economic development cannot be achieved at the desired rate of

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growth without any active government help and guidance. Hence the government in such countries actively participates in economic activities in order to minimize the evils of unadulterated capitalism and to accelerate economic growth.

In the Indian economy, both the public and private sector are in operation, though the share of public sector has been progressively declining since 1991, when India began the economic reforms. The foundations of the mixed economy in India were laid by the Industrial Policy Resolution of 1948 which was modified by the Industrial Policy Resolution of 1956. According to these resolutions, the various industries were divided between the two sectors, viz. the private sector and the public sector. The responsibility for the development of several basic, heavy and strategic industries was assigned to the State and the development of the rest of the industries was left to the private sector. Even the private sector was sought to be controlled and influenced by the Government of India by means of direct controls or through appropriate fiscal and monetary policies.

1.3.1 General Features of Mixed Economy

- Co-existence of the Public and Private Sectors
- Role of Price System and Government Directives
- Government Regulation and Control of Private Sector
- Consumer's Sovereignty Protected
- Government Protection of Labour
- Reduction of Economic Inequalities
- Control of Monopoly

2 Economic Development

Though Economic Development has been defined differently from Economic Growth and Economic Progress by some, however, for our purposes here we can consider these terms as denoting the same. Thus we can base our definition of economic development on per capita income. Accordingly we can say that it denotes an increase in per capita income of the country at constant prices. A higher per capita would mean that people are better off and enjoy a higher standard of living and to raise the level of living of the people is the main objective of economic development. Nut the increase in national income must be maintained for a long time. A temporary or short-lived increase will not connote real economic growth. This improvement in income helps and in turn is facilitated by larger savings, increased capital formation and technological development.

2.1 Rostow's Stages of Economic Development

Rostow lays stress on the efficacy of free trade and free market capitalism. He has divided the historical process of economic growth into the following stages:

2.1.1 Traditional Society

- Subsistence economy
- Limited technology

2.1.2 Preconditions to "Take off" - Preparatory Stage

- A change in society's attitude towards science, risk-taking and profit-earning
- The adaptability of the labour force
- Political Sovereignty
- Development of a centralized tax system and financial institutions; and
- The construction of certain economic and social overheads like rail-roads and educational institutions

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2.1.3 The "Take off" Stage

- The economy transforms itself in such a way that economic growth subsequently takes place more or less automatically
- The rate of investment increases in such a way that real output per capita rises and this initial increase carries with it radical changes in the techniques of production and the disposition of income flows which perpetuate the new scale of investment and thereby the rising trend in per capita output
- It implies three things
    - The proportion of investment to national income outstrips the likely population increase
    - The period must be relatively short so that it should show the characteristics of an economic revolution
    - It must culminate in self sustaining and self generating economic growth

2.1.4 Drive to Maturity - Period of Self Sustained Growth

- Rates of saving and investment are of such magnitude that economic development becomes automatic
- Overall capital per head increases as the economy matures
- The structure of the economy changes increasingly
- The initial key industries which sparked the take-off decelerate as diminishing returns set in. But the average rate of growth is maintained by a succession of rapidly growing sectors

2.1.5 Age of Mass Consumption

- Industrial base dominates
- Widespread consumption of high value consumer goods

3 Models used in the Planning Process

3.1 Harrod – Domar Growth Model

Harrod and Domar analyzed the dynamic nature of investment and demand and showed how variations in capital and in demand were responsible for instability in economic growth.

The main determinants of economic growth are: natural resources, technological progress, population growth etc. These determinants of economic growth influence the rate of growth by influencing two important factors:

- The rate of Investment
- Capital-output Ratio

Hence the rate of economic growth in a country depends on the rate of investment and capital-output ratio. Harrod and Domar arrived at the following relation:

Growth Rate = Investment * (1/Capital-Output Ratio)

3.1.1 Relevance of Harrod-Domar Model for Developing Countries

Harrod-Domar model was formulated primarily to protect the developed countries from chronic unemployment and they were not meant to provide guidelines to the developing economies in their economic development. Since they were formulated primarily for the developed countries they were based on high propensity to save and a correct estimate of the capital-ouput ratio, which should remain fixed over time. On the other hand, the main problems of the under-developed countries is to raise their propensity to save because it is generally low in these countries. Nor is it possible to assume a fixed value of the capital-output ratio. This ratio happens to be very

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high in these countries. Thus the two important bases of the Harrod-Domar model are non existent in the case of developing economies.

Further, the nature of unemployment problem in developing countries is different from that in the developed countries. It is cyclical unemployment due to deficiency of demand in the developed economies and disguised in developing economies. In developed economies, unemployment can be removed by raising the level of investment so that aggregate demand increases which was not keeping pace with the growth of productive capacity. In the developing economies, there is unemployment because available productive capacity is inadequate to emply fully the existing labour force. Thus in such countries, the purpose of investment is to raise productive capacity rather than aggregate demand and fully utilize the existing idle capacity.

Thus the peculiar conditions prevailing in the developing countries e.g. disguised unemployment, low propensity to save and low productive capacity makes the Harrod-Domar model inapplicable to them. Also, this model assumes no government intervention, fixed prices and no institutional changes. All these assumptions too make it inappropriate.

However, we should not reject this model wholesale and emphasize their inapplicability to developing economies. With slight modifications and reinterpretation they can be made to furnish suitable guidelines even for the developing economies. In some cases, it is only a question of changing the emphasis. For instance, Domar's model recognizes the capacity creating role of investment. But it is intended to increase effective demand in developed countries, while in developing countries, the capacity creating role of investment is to be seen as a means of overcoming the problem of unemployment. Hence, to make the model applicable to the developing countries, it has to be suitably reinterpreted.

3.2 Lewis Model of Economic Development with Unlimited Labour Supply

Lewis presented a theory of economic development with the use of unlimited supply of labour. The supply of labour in under developed countries is generally such that an unlimited supply is available at the subsistence wage. This unlimited supply of labour is drawn from surplus agricultural labour, casual labour, domestic servants, women in households etc.

Lewis model is not based on disguised unemployment but on other conditions, viz.:

- The wage rate in the industrial sector is above the subsistence sector by a small but fixed margin
- The investment in the industrial sector is not large relative to population growth
- The cost of training of the skilled workers is constant

In his model, Lewis analyses the process of economic development in terms of inter-sectoral relationships in a dual economy composed of a 'Capitalist' (manufacturing, mining etc.) Sector and a 'Subsistence Sector' or the Self-Employment sector. In an overpopulated country the capitalist sector draws labour from the subsistence sector of which there is an almost unlimited supply. The wage in the capitalist sector depends on what labour gets/earns in the subsistence sector and is a bit higher so as to attract labour. Hence at this wage, the capitalist sector can have as much labour as it requires. Subsistence wage, in turn, is governed by the conventional view of the minimum required for subsistence or by the average product per worker in subsistence agriculture.

Lewis points out that the process of economic growth must come to an end when:

- No surplus labour is left
- Population declines
- Food prices rise pushing up wages; and
- Workers press for higher wages

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3.2.1 Relevance of Lewis Model for India

Nehru's approach was based on the Lewis model. The basic idea was that India has an agriculture sector with a huge amount of surplus labour. If the surplus labourers are taken away from the agriculture sector, it will not affect output in that sector. The industrial sector has positive productivity for the labourers. If this sector is promoted, it will generate profit. If this profit is invested in machines and tools, the capital per worker will increase and this in turn, will boost profits. This profit is reinvested again and the process moves on. So, this will increase capital formation at a fast rate. Thus, the basic understanding has been that agriculture is not likely to bring about a turnaround, whereas continuous investment of profit generated by the industrial sector in industries will start a self-sustaining growth process.

3.3 Mahalanobis Strategy of Economic Growth

There has been a lot of controversy in our country on the appropriate strategy to be adopted for planned economic development. There was no clear strategy in the First Five-Year Plan. But when the second plan was being formulated Prof. P.C Mahalanobis prepared a growth model in which he showed that to achieve a self-sustained growth quickly in the country, it would be essential to devote a major part of the development outlay to building basic heavy industry, e.g. of capital goods industry like steel and the engineering industry for making different types of machines, the multipurpose river valley projects for irrigation and power.

According to Prof. Mahalanobis, the rate of real capital formation in a country like India did not depend merely on savings in the form of money but it depends on the capacity for making capital goods. He argued that even if the rate of savings was substantially raised and it was desired to accelerate economic growth and capital formation by investing it in the consumer goods industries, it would be futile. The reason is that the capital goods required for the consumer goods industries are not produced in the country in sufficient quantities.

Thus, Prof. Mahalanobis was of the view that if large investment is not made in the heavy basic and capital goods industry, the country will forever remain dependent on foreign countries for the imports of steel and capital goods like machinery for economic development and real capital formation. Since it is not possible for India to earn sufficient foreign exchange for the purpose by increasing exports, the capital goods cannot be imported in sufficient owing to foreign exchange constraints. The result will be that the rate of economic growth and the rate of real capital formation in the country will be slow indeed. Thus according to him, to achieve rapid economic growth and self-reliance, it would be necessary to give a high priority to basic and capital goods industries in the development strategy of a plan.

3.4 Planning Model adopted in India

The second five year was based on the Nehru-Mahalanobis strategy of development, which guided the planning practice for more than three decades until the end of the Seventh Five Year Plan. The draft outline of this plan was based on the Mahalanobis Model which was viewed as a variant of the Soviet Planning model and the Lewis model. The basic elements of this strategy can be summed up as:

- Raising the rate of investment since the rate of development is dependent on the rate of investment. It involved stepping up domestic and foreign savings also
- Rapid growth of the productive capacity of the economy by directing public investment toward development of industries. Simultaneously, promotion of labour-intensive small and cottage industries
- Import substitution for self-reliance
- An elaborate system of controls and industrial licensing
- Predominance of public sector in capital goods industries

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3.4.1 Relevance of Planning in India:

Though Planning has been one of the basic pillars of the Indian state's approach to development since Independence, however in recent times the relevance of planning is much debated. One argument is that planning has failed to achieve its goals. The second argument is that planning has become irrelevant owing to globalization and liberalization. However, planning based on the Mahalanobis framework was fine during the first three plans. The problems that surfaced later were not due to planning but are the product of lack of appropriate planning and mismanagement by the government. Planning does not become irrelevant due to internationalization of capital. In a liberalized economy, the nature of planning changes corresponding to the changes in the nature of state intervention but it does not become irrelevant. Public investment will continue to have a major role in social sectors and rural economic infrastructure and the prioritization of the investment has to be properly planned. The role of planning in our federal system is to coordinate the activities of all levels in the government – center, states and local level – and that of the market and civil society actors. In this way, it has to evolve a shared commitment to national goals among all actors in the society. Further the inherent exclusionary tendencies of the market can only be limited by the State through proper planning. To make Planning successful, the country has to follow a more decentralized and participatory planning. The poor are to be placed in our economic planning. To remove regional disparities there is need for regional planning, town and country planning. It also needs to made contemporary and comprehensive by including not only the conventional issues but also the emerging areas, like critical environmental issues.

4 Infrastructure Investment Models

4.1 Financing of Infrastructure

The relationship between infrastructure development and economic growth is well established in the literature. While infrastructure development facilitates economic growth; economic growth increases demand for more infrastructure. Thus, development of adequate and quality infrastructure is a necessary, if not sufficient; condition to maintain growth momentum in any economy. However, infrastructure development is an arduous job for any country as it involves huge investments, long gestation periods, procedural delays and returns spread over a long period of time. These unique features of infrastructure development raise some issues which are specific to the financing of infrastructure.

To support the high economic growth, the investment requirements in the infrastructure sector is estimated to be around 41 lakh crore (revised to Rs 45 lakh crore in the Approach paper for the Twelfth Plan) during the Twelfth plan period. Let us look at the broad pattern of financing of infrastructure in our country before highlighting some of the issues involved in it.

- According to the Planning Commission, during the first three years of Eleventh Five Year Plan, funds from the Central Government budget financed around 45 per cent of the total investment in infrastructure.
- The remaining 55 per cent was divided between debt financing (41 per cent) and equity financing (14 per cent).
- It is noteworthy that within the debt financing, commercial banks alone financed around 21 per cent and another 10 per cent was financed by the NBFCs.
- Notably other sources of financing, such as, External Commercial Borrowings (ECBs), equity, FDI and insurance companies financed less than 10 per cent of the total infrastructure investment each.

4.1.1 Issues in Infrastructure Financing

- **Funding Gap** - Funding Gap is the most important issue that we face on this front. The slowdown in the economy has further aggravated this funding gap in the infrastructure sector. More recently, in the context of Eurozone debt crisis, accessing external resources by way of ECBs could also become difficult and this would also accentuate the funding gap.

- **Fiscal Burden -** We have already seen that almost half of the total investment in the infrastructure sector was done by the Government through budget allocations. Here the point to be noted is that Government funds have competing demands, such as, education, health, employment generation, among others.
- **Asset-Liability Mismatch of Commercial Banks -** After the budgetary support, next in line for financing infrastructure were funds from the commercial banking sector. However, it is a well known fact that these are institutions that primarily leverage on short-term liabilities and, as such, their ability to extend long-term loans to the infrastructure sector is limited. This is because, by doing so they get into serious asset-liability mismatches.
- **Takeout financing -** Takeout financing offers a window to the banks to free their balance sheet from exposure to infrastructure loans, lend to new projects and also enable better management of the asset liability position. In other words, takeout financing enables financing longer term projects with medium term funds. However, due to several factors the mechanism has not really emerged as a game-changer. One plausible reason is that the model does not envisage equitable distribution of risks and benefits. One of the oft repeated arguments is that banks assume credit and liquidity risk since the inception of the project but once the project is economically viable, taking out of the loan results in loss of opportunity of earning returns on seasoned loans.
- **Investment Obligations of Insurance and Pension Funds -** From the point of view of asset-liability mismatches, insurance and pension funds are one of the best suited institutions to invest in the infrastructure sector. This is because, in contrast to the commercial banking sector, these institutions leverage on long-term liabilities. However, they are constrained by their obligation to invest a substantial portion of their funds in Government securities. Of course, in a way, this facilitates the financing of gross fiscal deficit of the Central Government and hence enables the Central Government to make more investments. However, this limits the direct investment of these institutions in the infrastructure sector
- **Need for an Efficient and Vibrant Corporate Bond Market -** An active corporate bond market can facilitate long-term funding for the infrastructure sector. However, despite the various initiatives taken by the Reserve Bank, Securities & Exchange Board of India and Government of India, the corporate bond market is still a long way to go in providing adequate financing to the infrastructure sector in India.
- **Developing Municipal Bond Market for Financing Urban Infrastructure** -For large scale financing urban infrastructure which is assuming critical importance in the context of rapid urbanization, conventional fiscal transfers to the urban local bodies or municipals from governments are no longer considered sufficient. There have been some earnest experimentations by these bodies to tap unconventional methods of financing such as public private partnerships, utilizing urban assets more productively, accessing carbon credits, etc. but then these do not address the financing needs. One possible way of addressing the problem is developing a municipal bond market.
- **Insufficiency of User Charges -** It is a well known fact that a large part of the infrastructure sector in India (especially irrigation, water supply, urban sanitation, and state road transport) is not amenable to commercialization for various reasons, such as, regulatory, political and legal constraints in the real sector. Due to this, Government is not in a position to levy sufficient user charges on these services. The insufficiency of user charges on infrastructure projects negatively affect the servicing of the infrastructure loans. Generally, such loans are taken on a non-recourse basis and are highly dependent on cash flows. Hence, levy and collection of appropriate user charges becomes essential for financial viability of the projects.
- **Legal and Procedural Issues -** Infrastructure development involves long gestation periods, and also many legal and procedural issues. The problems related to infrastructure development range from those relating to land acquisition for the infrastructure project to environmental clearances for the project. Many a times there are legal issues involved in it and these increase procedural delays. The added uncertainty due to these factors affects the risk appetite of investors as well as banks to extend funds for the development of infrastructure.

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4.1.2 Measures taken by the Government

- **Public-Private Partnership Projects in Infrastructure -** As Government faces a tight budget constraint in the context of a rule based fiscal policy framework, it was important to encourage the private sector to invest more in the infrastructure sector. Resultantly, the Government started encouraging Public-Private Partnership (PPP) projects in the infrastructure sector. PPP mechanism provides built in credit enhancement for improving project viability by way of buyback guarantee, escrow arrangement, substitution rights for the lenders, etc. Government has taken several initiatives, especially to standardize the documents and process for structuring and award of PPP projects. This has improved transparency in relation to the issues involved in setting up PPP projects.
- **Viability Gap Funding** Viability gap funding was introduced in 2006, which provides Central Government grants up to 20 per cent of the total capital cost to PPP projects undertaken by any central ministry, state government, statutory entity, or local body. The scheme aimed at providing upfront capital grant to PPP projects to enable financing of commercially unviable projects. The level of grant is the net present value of the gap between the project cost and estimated revenue generation over the concession period based on a user fee that was to be levied in a pre-determined manner.
- **Foreign Direct Investment and Infrastructure Development -** To facilitate infrastructure financing 100 per cent FDI is allowed under the automatic route in some of the sectors such as mining, power, civil aviation sector, construction and development projects, industrial parks, petroleum and natural gas sector, telecommunications and special economic zones. Further, FDI is also allowed through the Government approval route in some sectors such as civil aviation sector, Petroleum and Natural Gas sector – refining PSU companies; Telecommunications etc
- **Setting up of India Infrastructure Finance Company Limited (IIFCL) -** Another major development was the setting up of IIFCL by the Central Government for providing long-term loans to the infrastructure projects. IIFCL is involved both in direct lending to project companies and refinancing of banks and other financial institutions. IIFCL can provide funds to the infrastructure project up to 20 per cent of the total project cost as long-term debt
- **Setting up of Infrastructure Debt Funds -** Reserve Bank of India and the Securities and Exchange Board of India (SEBI) notified detailed guidelines for setting up of IDFs which can either be a mutual fund (trusts) (IDF-MF) or an NBFC (companies) (IDF-NBFC). The Scheduled commercial banks are allowed to act as sponsors to IDF-MFs and IDF-NBFCs with prior approval from RBI subject to certain terms and conditions. Further, to attract off-shore funds into IDFs, Government of India is contemplating the reduction of withholding tax on interest payments on the borrowings by the IDFs from 20 per cent to 5 per cent. Income of the IDFs is also expected to be exempt from income tax. The IDF-NBFC can raise resources through issue of either rupee or dollar denominated bonds of minimum five year maturity. IDFs are expected to channelize funds from insurance companies, pension funds and other long term sources into infrastructure sector. This will provide an alternative source of foreign currency funds for the infrastructure projects.
- **Tapping the retail investor base through Infrastructure Bonds -** To provide further impetus to infrastructure financing, Government of India has permitted IFCI, IDFC, LIC and infrastructure finance firms to issue long-term infrastructure bonds providing for tax benefit of up to Rs.20,000 in the year of investment, under the Income Tax Act. The tax-free status has been granted by the government to these bonds issued only by designated financial institutions. By introduction of such instruments, the retail base can be tapped for raising funds for infrastructure projects.
- **Use of Foreign Exchange Reserves for Infrastructure Development -** Although use of reserves for such purposes does not meet the criterion of reserve management objectives, a special and limited window has been created. Accordingly, IIFC (UK) Ltd. was incorporated in London and was set up in April 2008. Under this scheme, RBI invests, in tranches, up to an aggregate amount of USD 5 billion in fully government guaranteed foreign currency denominated bonds issued by this overseas Special Purpose Vehicles (SPV) of the IIFCL. The funds, thus raised, are to be utilized by the company for on-lending to the Indian companies implementing infrastructure projects in India and/or to co-finance the ECBs of such projects for capital expenditure outside India without creating any monetary impact.

- **Introduction of Credit Default Swaps -** Further, the introduction of Credit Default Swaps (CDS) would help banks to manage exposures while increasing credit penetration, and lending to infrastructure and large firms without being constrained by the extant regulatory prescriptions in respect of single borrower gross exposure limits.
- **Liberalisation & Rationalization of ECB policies -** Corporates implementing infrastructure projects were eligible to avail of ECB up to USD 500 million in a financial year under the automatic route. This limit has been raised to USD 750 million. Infrastructure Finance Companies (IFCs) i.e., Non Banking Financial Companies (NBFCs) categorized as IFCs by the Reserve Bank, are permitted to avail of ECBs, including the outstanding ECBs, up to 50 per cent of their owned funds, for on-lending to the infrastructure sector as defined under the ECB policy, subject to their complying with certain conditions

4.1.3 What more needs to be done?

- **Making the Infrastructure Project Commercially Viable -** This is the first and foremost thing we should do for financing infrastructure in a sustainable manner. As mentioned earlier infrastructure projects involve huge financing requirements, most of which are met by banks and other financial institutions directly and indirectly. Thus, it is very important to make the project commercially viable to ensure regular servicing of the loan. This will lead to sustainable development of infrastructure without jeopardizing the soundness of the financial sector. Project appraisal and follow-up capabilities of many banks, particularly public sector banks, also need focused attention and upgradation so that project viability can be properly evaluated and risk mitigants provided where needed.
- **Greater Participation of State Governments -** In a federal country like India, participation and support of the State governments is essential for developing high quality infrastructure. The State governments' support in maintenance of law and order, land acquisition, rehabilitation and settlement of displaced persons, shifting of utilities, and obtaining environmental clearances are necessary for the projects undertaken by the Central Government or the private sector. It is satisfying to know that many State governments have also initiated several PPP projects for improving infrastructure.
- **Improving efficiency of the Corporate Bond Market -** Vibrant corporate bond market will reduce the dependence on the banking sector for funds. Further, coordinated regulatory initiatives could be considered in the areas involving standardization of stamp duties on corporate bonds across the states, encouraging public issuance and bringing in institutional investors in a big way. It is also important to broad base the investor base by bringing in new classes of institutional investors (like insurance companies, pension funds, provident funds, etc.) apart from banks into this market.
- **Credit Enhancement -** One of the major obstacles in attracting foreign debt capital for infrastructure is the sovereign credit rating ceiling. Domestic investors are also inhibited due to high level of credit risk perception, particularly in the absence of sound bankruptcy framework. A credit enhancement mechanism can possibly bridge the rating cap between the investment norms, risk perceptions and actual ratings
- **Simplification of Procedures – Enabling Single Window Clearance -** It is well recognized that while funding is the major problem for infrastructure financing, there are other issues which aggravate the problems of raising funds. These include legal disputes regarding land acquisition, delay in getting other clearances (leading to time and cost overruns) and linkages (e.g. coal, power, water, etc.) among others. It is felt that in respect of mega-projects, beyond certain cut-off point, single window clearance approach could cut down the implementation period.

4.2 Public-private Partnership in Infrastructure

The partners in a PPP, usually through a legally binding contract or some other mechanism, agree to share responsibilities related to implementation and/or operation and management of an infrastructure project. This collaboration or partnership is built on the expertise of each partner that meets clearly defined public needs through the appropriate allocation of:

- Resources
- Risks
- Responsibilities, and
- Rewards

4.2.1 What advantages PPPs may provide?

Governments worldwide have increasingly turned to the private sector to provide infrastructure services in energy and power, communication, transport and water sectors that were once delivered by the public sector. There are several reasons for the growing collaboration with the private sector in developing and providing infrastructure services, which include:

- Increased efficiency in project delivery, and operation and management;
- Availability of additional resources to meet the growing needs of investment in the sector; and
- Access to advanced technology (both hardware and software).

4.2.2 How a PPP project is different from a conventional project?

There are significant differences between a conventional construction procurement project and a PPP project that need to be clearly understood. The main differences include:

- PPP projects are different from conventional construction projects in terms of project development, implementation, and management. The administrative and approval processes in the case of PPP projects are also different.
- A PPP project is viable essentially when a robust business model can be developed.
- The focus of a PPP project should not be on delivering a particular class/type of assets but on delivering specified services at defined quantity and levels.
- The risk allocation between the partners is at the heart of any PPP contract design and is more complex than that of a conventional construction project. Both partners should clearly understand the various risks involved and agree to an allocation of risks between them.
- A PPP contract generally has a much longer tenure than a construction contract. Managing the relationship between the private company and the implementing agency over the contract tenure is vital for the success of a PPP project.

4.2.3 Are there any limitations of PPPs?

There are many important economic, social, political, legal, and administrative aspects, which need to be carefully assessed before approvals of PPPs are considered by the government. PPPs have various limitations which should also be taken into account while they are being considered. The major limitations include:

- Not all projects are feasible (for various reasons: political, legal, commercial viability, etc.).
- The private sector may not take interest in a project due to perceived high risks or may lack technical, financial or managerial capacity to implement the project.
- A PPP project may be more costly unless additional costs (due to higher transaction and financing costs) can be off-set through efficiency gains.
- Change in operation and management control of an infrastructure asset
- through a PPP may not be sufficient to improve its economic performance unless other necessary conditions are met. These conditions may include appropriate sector and market reform, and change in operational and management practices of infrastructure operation.
- Often, the success of PPPs depends on regulatory efficiency.

4.2.4 Models of PPP

A wide spectrum of PPP models has emerged. These models vary mainly by:

- Ownership of capital assets;

- Responsibility for investment;
- Assumption of risks; and
- Duration of contract.

The PPP models can be classified into five broad categories in order of generally (but not always) increased involvement and assumption of risks by the private sector. The five broad categories are:

- Supply and management contracts
- Turnkey contracts
- Affermage/Lease
- Concessions
- Private Finance Initiative (PFI) and Private ownership.

A categorization of the PPP models together with their main characteristics is shown in table 1. While the spectrum of models shown in the table are possible as individual options, combinations are also possible such as, a lease or (partial) privatization contract for existing facilities which incorporates provisions for expansion through Build-Operate- Transfer.

Figure 1. Basic features of PPP models

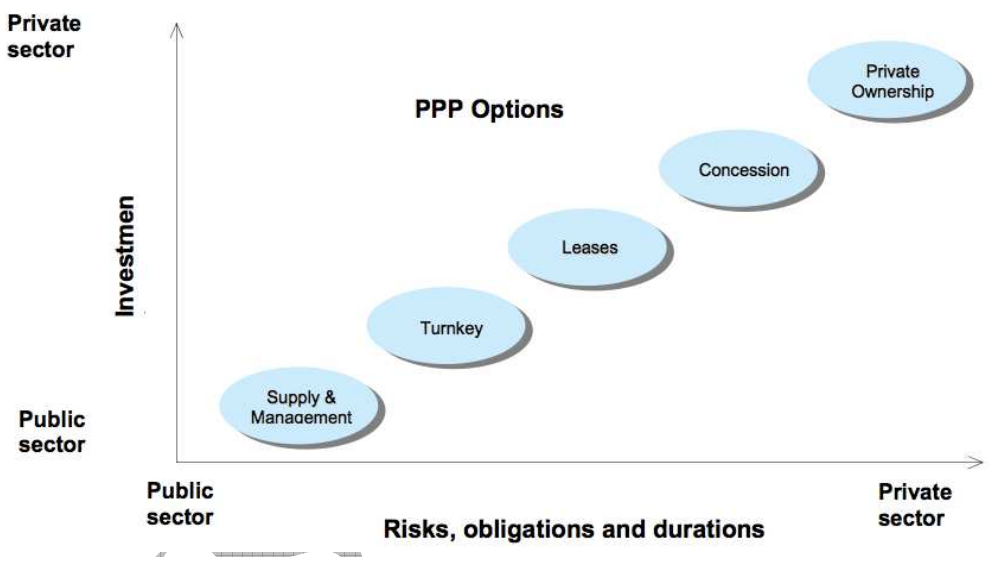

Table 1. Classification of PPP models

Broad category	Main variants	Ownership of capital assets	Responsibility of investment	Assumption of risk	Duration of contract (years)
Supply and management contract	Outsourcing	Public	Public	Public	1-3
	Maintenance management	Public	Public/Private	Private/Public	3-5
	Operational management	Public	Public	Public	3-5
Turnkey		Public	Public	Private/Public	1-3
Affermage/Lease	Affermage	Public	Public	Private/Public	5-20
	Lease*	Public	Public	Private/Public	5-20
Concessions	Franchise	Public/Private	Private/Public	Private/Public	3-10
	BOT**	Public/Public	Private/Public	Private/Public	15-30
Private ownership of assets and PFI type	BOO/DBFO	Private	Private	Private	Indefinite
	PFI***	Private/Public	Private	Private/Public	10-20
	Divestiture	Private	Private	Private	Indefinite

*Build-Lease-Transfer (BLT) is a variant.

**Build-Operate-Transfer (BOT) has many other variants such as Build-Transfer-Operate (BTO), Build-Own-Operate-Transfer (BOOT) and Build-Rehabilitate-Operate-Transfer (BROT).
***The Private Finance Initiative (PFI) model has many other names. In some cases, asset ownership may be transferred to, or retained by the public sector.

The main features of each of the broad categories of the PPP models are discussed next.

4.2.4.1 Supply and Management Contracts

A management contract is a contractual arrangement for the management of a part or whole of a public enterprise (for example, a specialized port terminal for container handling at a port or a utility) by the private sector. Management contracts allow private sector skills to be brought into service design and delivery, operational control, labour management and equipment procurement. However, the public sector retains the ownership of facility and equipment. The private sector is assigned specified responsibilities concerning a service and is generally not asked to assume commercial risk.

The private contractor is paid a fee to manage and operate services. Normally, the payment of such fees is performance-based. Usually, the contract period is short, typically three to five years. But the period may be longer for large and complex operational facilities such as a port or an airport.

Pros:

- Can be implemented in a short time.
- Least complex of all PPP models.
- In some countries, politically and socially more acceptable for certain projects (such as water projects and strategic projects like ports and airports).

Cons:

- Efficiency gains may be limited and little incentive for the private sector to invest.
- Almost all risks are borne by the public sector.
- Applicable mainly to existing infrastructure assets.

4.2.4.2 Turnkey

Turnkey is a traditional public sector procurement model for infrastructure facilities. Generally, a private contractor is selected through a bidding process. The private contractor designs and builds a facility for a fixed fee, rate or total cost, which is one of the key criteria in selecting the winning bid. The contractor assumes risks involved in the design and construction phases. The scale of investment by the private sector is generally low and for a short-term. Typically, in this type of arrangement, there is no strong incentive for early completion of the project. This type of private sector participation is also known as Design-Build.

Pros:

- Well understood traditional model.
- Contract agreement is not complex.
- Generally, contract enforcement is not a major issue.

Cons:

- The private sector has no strong incentive for early completion.
- All risks except those in the construction and installation phases are borne by the public sector.
- Low private investment for a limited period.
- Only limited innovation may be possible.

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4.2.4.3 Affermage/Lease

In this category of arrangement, the operator (the leaseholder) is responsible for operating and maintaining the infrastructure facility (that already exists) and services, but generally the operator is not required to make any large investment. However, often this model is applied in combination with other models such as build- rehabilitate-operate-transfer. In such a case, the contract period is generally much longer and the private sector is required to make significant investment.

The arrangements in an affermage and a lease are very similar. The difference between them is technical. Under a lease, the operator retains revenue collected from customers/users of the facility and makes a specified lease fee payment to the contracting authority. Under an affermage, the operator and the contracting authority share revenue from customers/users.

In the affermage/lease types of arrangements, the operator takes lease of both infrastructure and equipment from the government for an agreed period of time. Generally, the government undertakes the responsibility for investment and thus bears investment risks. The operational risks are transferred to the operator. However, as part of the lease, some assets also may be transferred on a permanent basis for a period which extends over the economic life of assets. Fixed facilities and land are leased out for a longer period than for mobile assets. Land to be developed by the leaseholder is usually transferred for a period of 15-30 years.

Pros:

- Can be implemented in a short time.
- Significant private investment possible under longer term agreements.
- In some countries, legally and politically more acceptable for strategic projects like ports and airports.

Cons:

- Has little incentive for the private sector to invest, particularly if the lease period is short.
- Almost all risks are borne by the public sector.
- Generally used for existing infrastructure assets.
- Considerable regulatory oversight may be required.

4.2.4.4 Concessions

In this form of PPP, the government defines and grants specific rights to an entity (usually a private company) to build and operate a facility for a fixed period of time. The government may retain the ultimate ownership of the facility and/or right to supply the services. In concessions, payments can take place both ways: concessionaire pays to government for the concession rights and the government may pay the concessionaire, which it provides under the agreement to meet certain specific conditions. Usually, such payments by the government may be necessary to make projects commercially viable and/or reduce the level of commercial risk taken by the private sector, particularly in a developing or untested PPP market. Typical concession periods range between 5 to 50 years.

Pros:

- Private sector bears a significant share of the risks.
- High level of private investment.
- Potential for efficiency gains in all phases of project development and implementation and technological innovation is high.

Cons:

- Highly complex to implement and administer.
- Difficult to implement in an untested PPP market.
- May have underlying fiscal costs to the government.
- Negotiation between parties and finally making a project deal may require long time.
- May require close regulatory oversight.
- Contingent liabilities on government in the medium and long term

In a Build-Operate-Transfer or BOT type of concession (and its other variants namely, Build-Transfer-Operate (BTO), Build-Rehabilitate-Operate-Transfer (BROT), Build-Lease-Transfer (BLT) type of arrangement), the concessionaire makes investments and operates the facility for a fixed period of time after which the ownership reverts back to the public sector. In a BOT model, operational and investment risks can be substantially transferred to the concessionaire. In a BOT model, the government has, however, explicit and implicit contingent liabilities that may arise due to loan guarantees and sub-ordinate loans provided, and default of a sub-sovereign government and public or private entity on non- guaranteed loans.

By retaining ultimate ownership, the government controls the policy and can allocate risks to parties that are best suited to assume or remove them. BOT projects may also require direct government support to make them commercially viable. The concessionaire's revenue in a BOT project comes from managing and marketing of the user facilities (for example, toll revenue in a toll road project) and renting of commercial space where possible. Concessions for BOT projects can be structured on either maximum revenue share for a fixed concession period or minimum concession period for a fixed revenue share, a combination of both, or only minimum concession period.

4.2.4.5 Private Finance Initiative (PFI)

- In the private finance initiative model, the private sector remains responsible for the design, construction and operation of an infrastructure facility. In some cases, the public sector may relinquish the right of ownership of assets to the private sector.
- In this model, the public sector purchases infrastructure services from the private sector through a long-term agreement. PFI projects, therefore, bear direct financial obligations to the government in any event. In addition, explicit and implicit contingent liabilities may also arise due to loan guarantees provided to the lenders and default of a public or private entity on non-guaranteed loans. A PFI project can be structured on minimum payment by the government over a fixed contract tenure, or minimum contract tenure for a fixed annual payment, or a combination of both payment and tenure.

- In the PFI model, asset ownership at the end of the contract period is generally transferred to the public sector. Setting up of a Special Purpose Vehicle (SPV) may not be always necessary. A PFI contract may be awarded to an existing company. For the purpose of financing, the lenders may, however, require the establishment of an SPV. The PFI model also has many variants.
- In a PFI project, as the same entity builds and operates the services, and is paid for the successful supply of services at a pre-defined standard, the SPV / private company has no incentive to reduce the quality or quantity of services. This form of contractual agreement reduces the risks of cost overruns during the design and construction phases or of choosing an inefficient technology, since the operator's future earnings depend on controlling the costs. The public sector's main advantages lie in the relief from bearing the costs of design and construction, the transfer of certain risks to the private sector and the promise of better project design, construction and operation.

Pros:

- Private sector may bear a significant share of the risks.
- High level of private investment.
- Potential for efficiency gains and innovation is high.
- Attractive to private investors in an untested or developing PPP market.
- Most suitable for social sector infrastructure projects (schools, dormitories, hospitals, community facilities, etc.).

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Cons:

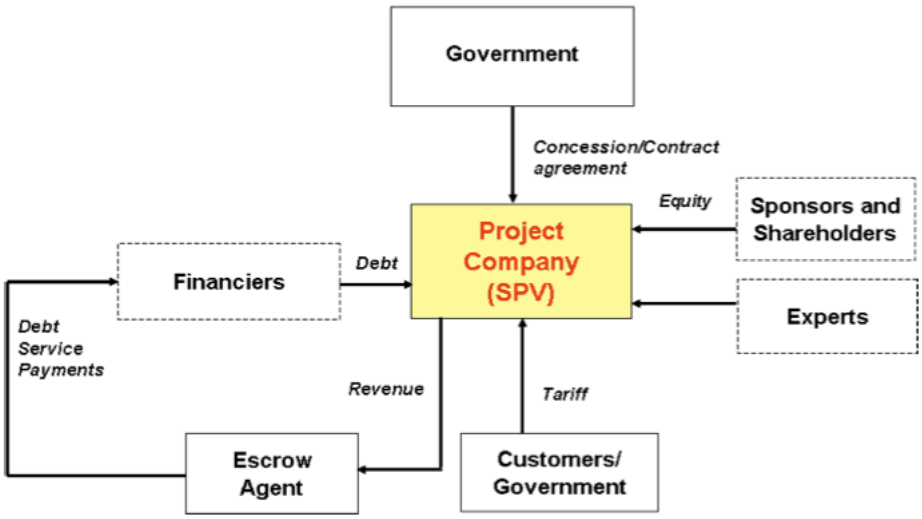
- Complex to implement and manage the contractual regimes.
- Government has direct financial liability.
- Negotiation between parties may require long time.
- Regulatory efficiency is very important.
- Contingent liabilities on the government in the medium and long term.

4.2.5 Understanding the basic structure of a PPP arrangement

A typical PPP structure can be quite complex involving contractual arrangements between a number of parties, including the government, project sponsor, project operator, financiers, suppliers, contractors, engineers, third parties (such as an escrow agent5), and customers. The creation of a separate commercial venture called a Special Purpose/Project Vehicle (SPV) is a key feature of most PPPs. The SPV is a legal entity that undertakes a project and negotiates contract agreements with other parties including the government. An SPV is also the preferred mode of PPP project implementation in limited or non-recourse situations, where the lenders rely on the project's cash flow and security over its assets as the only means to repay debts

- Figure 2 shows a simplified PPP structure. The actual structure of a PPP, however, depends on the type of partnership model and can be quite complex involving contractual arrangements between a number of parties including the government, project sponsor, project operator, financiers, suppliers, contractors, engineers, third parties (for example, an escrow agent), and customers
- An SPV is usually set up by the private concessionaire/sponsor(s), who in exchange for shares representing ownership in the SPV contribute the long-term equity capital, and agree to lead the project. The SPV may not always be directly owned by the sponsors. They may use a holding company for this purpose.
- An important characteristic of an SPV as a company is that it cannot undertake any business that is not part of the project. An SPV as a separate legal entity protects the interests of both the lenders and the investors. The formation of an SPV has also many other advantages. A project may be too large and complicated to be undertaken by one single investor considering its investment size, management and operational skills required and risks involved. In such a case, the SPV mechanism allows joining hands with other investors who could invest, bring in technical and management capacity and share risks, as necessary

Figure 2. Typical structure of a PPP project[7]



- The government may also contribute to the long-term equity capital of the SPV in exchange of shares. In such a case, the SPV is established as a joint venture company between the public and private sectors and the government acquires equal rights and equivalent interests to the assets within the SPV as other private sector shareholders.

- Sometimes, governments want to ensure a continued interest (with or without controlling authority) in the management and operations of infrastructure assets such as a port or an airport particularly those which have strategic importance, or in assets that require significant financial contribution from the government. In such a case, a joint venture may be established. A joint venture is an operating company owned by a government entity and a private company (or multiple companies including foreign companies if permitted by law), or a consortium of private companies.
- Often, an SPV is formed as a joint venture between an experienced construction company and a service operations company capable of operating and maintaining the project.
- Other than its strategic, financial and economic interest, the government may also like to directly participate in a PPP project. The main reasons for such direct involvement may include:
    - To hold interest in strategic assets;
    - To address political sensitivity and fulfil social obligations;
    - To ensure commercial viability of the project;
    - To provide greater confidence to lenders; and
    - To have better insight to protect public interest.

Direct government involvement in a PPP project is usually guided by the legal and regulatory regime of the country and the government policy on PPPs. For example, the government may hold certain defined percentage of the stake in a strategic project such as an airport or a port.

4.2.6 PPP Initiatives in india

The Government of India is promoting PPPs as an effective tool for bringing private-sector efficiencies in creation of economic and social infrastructure assets and for delivery of quality public services. India in recent years has emerged as one of the leading PPP markets in the world, because of several policy and institutional initiatives taken by the central government. By end December 2012 there were over 900 PPP projects in the infrastructure sector. These projects are at different stages of implementation, i.e. bidding, construction, and operational.

4.2.6.1 Approval of Central-sector PPP projects

Since its constitution in January 2006, the Public Private Partnership Appraisal Committee (PPPAC) has approved 307 central project proposals. These include NHs (242 proposals), ports (29 proposals), airports (2 proposals), tourism infrastructure (1proposal), railways (1 proposal), housing (27 proposals), and sports stadia (5 proposals).

4.2.6.2 VGF for PPP Projects

Under the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme), 145 projects have been granted approval. Thirteen new sub-sectors have been included in the list of sectors eligible for VGF support under the Scheme. These include:

- Capital investment in the creation of modern storage capacity including cold chains and post-harvest storage.
- Education, health, and skill development.
- Internal infrastructure in National Investment and Manufacturing Zones.
- Oil/gas/liquefied natural gas (LNG) storage facility [includes City Gas distribution (CGD) network]; oil and gas pipelines (includes CGD network); irrigation (dams, channels, embankments, etc); telecommunication (fixed network) (includes optic fibre/ wire/cable networks which provide broadband /internet); telecommunication towers; terminal markets; common infrastructure in agriculture markets; and soil-testing laboratories.

4.2.6.3 Support for Project Development of PPP Projects

The India Infrastructure Project Development Fund (IIPDF) was launched in December 2007 to facilitate quality project development for PPP projects and ensure transparency in procurement consultants and projects.

4.2.6.4 Capacity Building and Strengthening of State and Central Institutions

The National PPP Capacity Building Programme was launched by the Finance Minister in December 2010, and was rolled out last year in 15 States and two central training institutes, viz. the Indian Maritime University and Lal Bahadur Shastri National Academy of Administration. A comprehensive curriculum has been prepared and 11 training programmes conducted to train 154 trainers, who have trained over 1975 public functionaries, who deal with PPPs in their domain.

Online toolkits for PPP projects for five sectors were developed and were launched by the Finance Minister. These are available on this Department's website on PPPs, i.e. www.pppinindia.com. The PPP toolkit is a web-based resource that has been designed to help improve decision-making for infrastructure PPPs in India and to improve the quality of the infrastructure PPPs that are implemented in India. In the past one year, 720 national and international users have availed of this one-of-a-kind web-based resource to structure better PPP projects.

4.2.6.5 Monitoring of PPP Projects

With an increasing reliance being placed on PPP projects across many wings of the government, it has become necessary to adopt a well-defined institutional structure for overseeing contract performance effectively. The Institutional Framework requires project authorities to create a two-tier mechanism for monitoring the performance of PPP projects:

- A PPP Projects Monitoring Unit (PMU) at the project authority level
- A PPP Performance Review Unit (PRU) at the Ministry or State Government level, as the case may be.

The PMU is to prepare a report to be submitted to PRU within 15 days of the close of the relevant month. The report is to cover compliance of conditions, adherence to time lines, assessment of performance, remedial measures, imposition of penalties, etc. The PRU is to review the reports submitted by the different PMUs and oversee or initiate action for rectifying any defaults or lapses.

4.2.6.6 PPP Rules and PPP Policy:

Following the recommendations of the Committee on Public Procurement, the Prime Minister's announcement regarding transparency and accountability in procurement, and preparation of the Public Procurement Bill, and to ensure that PPP projects are procured and implemented by following laid down processes and observing principles of transparency, competitive bid process, affordability, and value for money, the draft PPP Rules and PPP Policy have been prepared. These have undergone extensive consultation process at central and state government levels for finalization.

Global experience indicates that PPPs work well when they combine the efficiency and risk assessment of the private sector with the public purpose of the government sector. They work poorly when they rely on the efficiency and risk assessment of the government sector and the public purpose of the private sector. India should be careful not to undertake PPPs that do not apportion risks and responsibilities sensibly. Moreover flexibility needs to be built into arrangements so that the contract can be withdrawn and put up for rebid when the private party underperforms. The government needs to study the PPP experience and build some central capacity to help ministries, authorities, and states structure contracts and renegotiate troubled ones.

5 Models of Foreign Investment

5.1 Why the need for foreign investment?

- In most developing countries like ours, domestic capital is inadequate to meet the purpose of economic growth.
- The inflow of foreign capital helps in removing the balance of payment over time.
- By taxing the profits of foreign enterprise, the developing countries mobilize funds for development projects.

- Foreign capital contributes to the generation of employment.
- Foreign investment fills the gaps in management, entrepreneurship, technology and skill.

5.2 Forms of Foreign Investment

- It includes foreign direct investment (FDI) and foreign portfolio investment (FPI)
- Foreign direct investment is the investment in physical assets by foreign individuals, companies or financial institutions.
- Foreign portfolio investment in the investment made in financial assets. It includes investments made by foreign institutional investors.

5.3 Foreign Direct Investment

- Investment in the businesses by foreign citizens usually involving majority stock ownership of the enterprise
- Joint ventures between the foreign and domestic companies

5.3.1 Forms of FDI

There are two types of FDI

- **Greenfield Investment:** It is the direct investment in new facilities or the expansion of existing facilities. It is the principal mode of investing in developing countries.
- **Mergers and Acquisition:** It occurs when a transfer of existing assets from local firms takes place.

5.3.2 Why FDI preferred?

- It is of non-debt creating nature.
- It is also less prone to quick reversals. South-east Asian crisis emanated due to the reversals of short-term capital inflows.

5.3.3 Forbidden Territories

FDI is not permitted in the following industrial sectors:

- Arms and ammunition
- Atomic Energy
- Railway Transport
- Coal and lignite
- Mining of iron, manganese, chrome, gypsum, sulphur, gold, diamonds, copper, zinc
- Retail trading, except single brand product retailing
- Gambling & Betting
- Lottery

5.3.4 Foreign Investment Promotion Board

- It offers a single window clearance for foreign direct investment proposals in India that are not allowed access through the automatic route.
- It comprises Secretaries from Department of Commerce, Department of Industrial Policy & Promotion and Ministry of External Affairs as members, with Secretary in Department of Economic Affairs in the Ministry of Finance as the chairperson.

- To expedite flow of foreign investment into the country, the Union government has allowed the FIPB to clear proposals from overseas entities worth up to Rs. 1,200 crore. Earlier the limit was Rs. 600 crore.

5.3.5 Invest India to promote FDI

Invest India has been constituted to promote FDI. The company with Rs. 10,000 million will have 49 percent share from government and 51 percent from FICCI. The principles of the company are to promote FDI in the country, to provide processing facilities to foreign investors and act as coordinator among various ministries and also to provide feedback to the government on industrial policy.

5.4 Foreign Institutional Investors

- Foreign Institutional Investors (FII s) means an entity established or incorporated outside India which proposes to make investment in India. Positive tidings about the Indian economy combined with a fast-growing market have made India an attractive destination for FIIs.
- FII inflows are called 'hot money' because they can be taken out any time.

5.4.1 Entry Options

A foreign company planning to set up business operations in India has the two following options.

5.4.1.1 Incorporated Entity

- By incorporating a company under the Companies Act,1956 through Joint Ventures; or Wholly Owned Subsidiaries
- Foreign equity in such Indian companies can be up to 100% depending on the requirements of the investor, subject to equity caps in respect of the area of activities under the Foreign Direct Investment policy.

5.4.1.2 Unincorporated Entity

- As a foreign Company through liaison office/representative office, project office and branch office.
- Such offices can undertake activities permitted under the Foreign Exchange Management Regulations, 2000.

5.5 Recent Initiatives to promote Foreign Investment

5.5.1 Expansion of Qualified Foreign Investors (QFIs) Scheme:

- In Budget 2011-12, the government, for the first time, permitted Qualified Foreign Investors (QFIs), who meet the know-your-customer (KYC) norms, to invest directly in Indian MFs.
- In January 2012, the government expanded this scheme to allow QFIs to directly invest in Indian equity markets.
- Taking the scheme forward, as announced in Budget 2012-13, QFIs have also been permitted to invest in corporate debt securities and MF debt schemes subject to a total overall ceiling of US$ 1 billion.
- In May 2012, QFIs were allowed to open individual non interest-bearing rupee bank accounts with authorized dealer banks in India for receiving funds and making payment for transactions in securities they are eligible to invest in.

- In June 2012, the definition of QFI was expanded to include residents of the member countries of the Gulf Cooperation Council (GCC) and European Commission (EC) as the GCC and EC are the members of the Financial Action Task Force (FATF).

5.5.2 Initiatives to attract FII Investment

- As regards FII investment in debt securities, there has been progressive enhancement in the quantitative limits for investments in various debt categories.
- The FII limit for investment in G-Secs (government securities) has been enhanced by US $ 5 billion, raising the cap to US $ 20 billion.
- The scheme for FII investment in long-term infra bonds has been made attractive by gradual reduction in lock-in and residual maturity periods criteria.
- In November 2012, the limits for FII investment in GSecs and corporate bonds (non-infra category) have been further enhanced by 5 billion each, taking the total limit prescribed for FII investment to US$ 25 billion in G-Secs and US$51 billion for corporate bonds (infra+non-infra).
- FII debt allocation process has also been reviewed for bringing greater certainty among foreign investors and helping them periodically re-balance their portfolios in sync with international portfolio management practices.

5.5.3 Liberalization in External Commercial Borrowings Policy during 2012-13

The important steps taken in the arena of external commercial borrowings (ECB) policy liberalization include:

- Enhancing the limit for refinancing rupee loans through ECB from 25 per cent to 40 per cent for Indian companies in the power sector
- Allowing ECB for capital expenditure on the maintenance and operation of toll systems for roads and highways so long as they are a part of the original project subject to certain conditions, and also for low cost housing projects.
- Reducing the withholding tax from 20 per cent to 5 per cent for a period of three years (July 2012- June 2015) on interest payments on ECBs.
- Introducing a new ECB scheme of US $10 billion for companies in the manufacturing and infrastructure sectors.
- Permitting the Small Industries Development Bank (SIDBI) as an eligible borrower for accessing ECB for on-lending to the micro, small, and medium enterprises (MSME) sector subject to certain conditions.
- Permitting the National Housing Bank (NHB)/ Housing Finance Companies to avail themselves of ECBs for financing prospective owners of low cost / affordable housing units.

5.5.4 Impact:

- Improved capital flows in recent months, particularly FII flows
- The resulting increase in capital flows has more than balanced the widening current account deficit in recent months.
- Volatility remains high because of high share of FII flows in total capital flows and the week-to-week variation in such flows
- The share of ECB's has increased substantially for a long time now. However the increase in ECB's in the recent period caused some concern given the depreciation of rupee as it would mean a higher debt service burden in rupee terms that could impact profitability and balance sheets of corporate borrowers.

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G.S. PAPER III – ECONOMIC DEVELOPMENT

Issues related to direct and indirect farm subsidies and minimum support prices; Public Distribution System- objectives, functioning, limitations, revamping; issues of buffer stocks and food security.

1 Issues related to Direct and Indirect Farm Subsidies and Minimum Support Prices

1.1 Government's price policy: MSP; FRP; CIP; DCP

1.2 Issues of Pricing in Agriculture

1.3 The Burden of Subsidies

2 Public Distribution System

2.1 Objectives

2.2 Functioning

2.3 Limitations

2.4 Revamping

3 Issues of Buffer Stocks and Food Security

4 Food Security Technology Missions

5 Technological Missions

6 Economics of Animal Rearing

7 Provisions related to Agriculture in Budget 2013-14

8 Current Legislative Reforms

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1. Issues related to Direct and Indirect Farm Subsidies and Minimum Support Prices

Right from the time of independence, achieving food security for all has been a national goal. Food Management is an important component in realizing this goal. The main objectives of food management include:

- procurement of food grains from farmers at remunerative prices,
- distribution of food grains to consumers at affordable prices; and
- maintenance of food buffers for food security and price stability.

The government has a number of instruments at its disposal to achieve these objectives.

1.1 Government's price policy

Government's price policy seeks to ensure remunerative prices to the farmers for their produce with a view to encourage higher investment and production and to safeguard the interest of the consumers by making available supplies at reasonable prices. The price policy also seeks to evolve a balanced and integrated price structure in the perspective of overall needs of the economy. Towards this end, the Government fixes the Minimum Support Price (MSP) for major agricultural commodities viz. paddy, jowar, bajra, maize, ragi, arhar (tur), moong, urad, cotton, groundnut-in-shell, sunflowerseed, soyabean, sesamum, nigerseed, wheat, barley, gram, masur (lentil), rapeseed/mustard, safflower, copra and Jute and Fair and Remunerative Price (FRP) for sugarcane, taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP), the views of State Governments and Central Ministries as well as other concerned stake holders.

i. Minimum Support Price

MSP is the price which the government ensures to farmers for their produce. Government announces minimum support price (MSP) for major crops during the two main crop seasons – rabi and kharif – every year. The substantial hike in MSP has resulted in better prices available to farmers for their produce. Successive rise in MSP has also led to overall food security to the country: India is now self-sufficient in wheat and rice. Rice, wheat and major coarse cereals are purchased by procuring agencies under MSP. Government helps producers of pulses, oilseeds and some other crops by **market intervention** when prices tend to fall below the MSP. The government is strengthening the procurement infrastructure so that farmers do not have to resort to distress sale of their produce.

MSP is in the nature of a minimum guaranteed price for the farmers offered by the Government for their produce in case the **market prices fall below that level.** If the market offers higher price than MSP, the farmers are free to sell their produce at that price.

ii. Fair and Remunerative Price (FRP)

The Fair Price is offered in the interest of farmers keeping in view the need for a remunerative price and the present situation of the agriculture. For example: the 'fair and remunerative price' of Sugarcane is determined under the **Sugarcane (Control) Order 1966.** This will be uniformly applicable all over the country. States can top up FRP to give farmers a more remunerative price. The concept of FRP in case of essential commodities such as in place of Statutory Minimum Price (SMP) is in fact a big step forward as it ensures upfront payment towards margins on account of profit and risk to sugarcane farmers on the cost of production and transportation of sugarcane. Moreover, there is a system of **State Advisory Prices (SAP)** in some States, which are generally higher than the FRP.

iii. Central Issue Price (CIP)

It is the price at which Central Govt. issues the food grains to State Governments/UT Administrations. Wheat and rice are issued to the State Governments/UT Administrations from the Central pool at the uniform Central Issue Prices (CIP) for distribution under Targeted Public Distribution System (TPDS). The Steps to Contain Price Rise in Essential Commodities:

- **Reduced import duties to zero** – for wheat, onion and pulses and to 7.5% for refined edible oils. The import duty on sugar has been kept at 10%.
- **Banned export of edible oils** (except coconut oil, forest based oil and edible oils in blended consumer packs upto 5 kg with a Minimum Export Price of USD 1500 per MT) and pulses (except Kabuli chana and organic pulses and lentils up to a maximum of 10000 tonnes per annum).
- **Imposed stock limits** from time to time in the case of select essential commodities such as pulses, edible oil, and edible oilseeds for a period upto 30.9.2013 and in respect of paddy and rice upto 30.11.2013.
- Maintained the Central Issue Price (CIP) for rice (at Rs 5.65 per kg for BPL and Rs 3 per kg for AAY) and wheat (at Rs 4.15 per kg for BPL and Rs 2 per kg for AAY) since 2002.
- Suspended Futures trading in rice, urad, tur, guar gum and guar seed.
- To ensure adequate availability of sugar for the households covered under TPDS, the levy obligation on sugar factories was restored to 10%.
- Government allocated rice and wheat under **Open Market Sales Scheme** (OMSS Scheme).

iv. Decentralized Procurement

The Scheme of Decentralised Procurement (DCP) of foodgrains (rice and wheat) was introduced in 1997-98 with a view **to enhance the efficiency of procurement and Public Distribution System (PDS)** and **to encourage local procurement and reduce out go of food subsidy.** Under the scheme, the States undertake the responsibility of procurement of foodgrains, its scientific storage and distribution through Targeted Public Distribution System (TPDS). The surplus of foodgrains procured by DCP States, in excess of their TPDS requirement is handed over to FCI for the Central Pool stocks and deficit, if any, is met by FCI. At present the States of West Bengal, Madhya Pradesh, Chhattisgarh, Uttarakhand, Andaman and Nicobar Islands, Odisha, Tamil Nadu, Karnataka and Kerala are procuring rice under the decentralised procurement scheme. Government of Andhra Pradesh have agreed to adopt the Decentralised Procurement (DCP) Scheme of procurement from 2012-13 onwards for seven districts. The Government of India is actively pursuing this issue with the remaining State Governments to adopt the DCP scheme.

Due to the introduction of decentralized procurement there has been an increase in the procurement of rice in the country benefitting large number of farmers. Provision of minimum nutritional support to the poor through subsized foodgrains and ensuring price stability in different states are the twin objectives of the food security system. In fulfilling its obligations towards distributive justice, the government incurs food subsidy. Food Subsidy is released to Food Corporation of India (FCI) and Decentralised Procurement (DCP) States on distribution of foodgrains. It is the difference between cost of foodgrains procured and Central Issue Price (CIP). Under Decentralised Procurement (DCP) Scheme, States undertake the responsibility of procurement of foodgrains, its storage and distribution under Targeted Public Distribution System (TPDS). The entire difference between the **economic cost of foodgrains** and **Central Issue Price** (CIPs) is reimbursed to these States directly as food subsidy.

1.2 Issues of Pricing in Agriculture

Though with economic liberalization and gradual integration with the world economy, relaxation of export controls on several agricultural products since 1991 have helped agricultural exports, there are still occasional interventions by the government (for example, export bans on wheat and rice, or limits on the stocking of grains by private trade that dissuade the private sector players from investing in the agri-system. However, one of the main government interventions in the agricultural markets currently is its policy of **minimum support prices (MSP)** for agricultural commodities. For procurement of horticultural commodities which are perishable in nature and not covered under the Price Support Scheme, with a view to protect the growers of these commodities from making distress sale in the event of bumper crop during the peak harvesting periods when the prices tend to fall below the economic cost of production, a Market Intervention Scheme (MIS) is implemented on the request of a State /UT Government which is ready to bear 50 percent loss (25 percent in case of North-Eastern States), if any, incurred on its implementation.

MSP is viewed as a form of market intervention by the central government and as one of the supportive measures (safety nets) to the agricultural producers i.e. farmers. This has also a strong linkage to factor market of the agriculture and related sector

1.2.1 The MSP is aimed at:

(i) Assure remunerative and relatively stable price environment for the farmers by inducing them to increase production and augment the availability of food grains.

(ii) Improve economic access of food to people.

(iii) Evolve a production pattern which is in line with overall needs of the economy.

1.2.2 Problem with the Minimum Support Price Policy

Most important aspects deserve attention is sustainable MSP policies are:

(i) unwarranted fluctuations in prices, which may be provoked by domestic causes and international price variations

(ii) uneven incentive structure for the farm producers; allocation of resources towards desired crops

(iii) consumers face sharp price rise which may have been created by monsoon failure or artificial scarcity.

(iv) farmers in the states which don't have surplus production are deprived of the benefit of MSP.

(v) market prices in some mandies even fall below MSP.

1.2.3 Govt. intervention for regulating prices

i. Model APMC act

Model APMC bill is designed to help small farmers get **better prices** through **contract farming.** The legal framework for contract farming under the State Agricultural Produce Marketing (Regulation) Acts will be quite helpful to the small farmers in securing better remuneration for their produce, particularly in backward areas/ districts, as such arrangements would **cover the price risk** and also the production risk to a great extent. Contract Farming has the potential of combining small farmers' efficiency with economy of scale, utilizing corporate management skills, providing assured markets and reducing transaction costs in the value chain by ensuring vertical integration. Several national and multinational processors or fast food chains are increasingly entering into contract with the farmers to encourage them to cultivate farm products (fruit, vegetables, etc.) of the desired quality by providing them not only seeds and other inputs but also assured procurement of the produce at pre-decided prices. Such tie-ups have special significance for small and marginal farmers, who have small marketed surplus and do not have staying power. They may not individually be capable of investing in technology, but through self help groups or

cooperatives, there could emerge a desirable institutional framework, through which farmers can suitably reap the benefits of contract farming arrangements.

Contract farming is particularly useful for high value crops because it enables the corporates to associate with the farmers and helps in imparting the latest technological know how to them. The Model Agricultural Produce Marketing (Regulation) Act circulated by the Central Government to the States in 2003 for implementing marketing reforms has provisions for the registration of contract farming sponsors and recording of contract farming agreements with the Agricultural Produce Marketing Committee (APMC) or a prescribed authority under the Act, protection of title or rights of the farmers over the land under such contracts, dispute settlement mechanism and a model draft agreement suggesting various terms and conditions.

In seven States/ Union Territories there are no APMC Acts, therefore, there is no regulation of contract farming in such States / UTs. The Model Act circulated by the Ministry is suggestive in nature, and, since Agriculture is a State subject, it is for the State Governments to decide on the implementation, intermediation and monitoring of the contract farming arrangements in their State.

1.3 The burden of subsidies

i Nutrition Based Subsidy Scheme

The Cabinet approved Nutrient Based Subsidy (NBS) rates for Phosphatic and Potassic (P&K) fertilisers for the year 2013-14 on May 1, 2013. As per the NBS policy, the government fixes subsidy rates for various nutrients for P&K fertilisers every year. In contrast, the government periodically fixes the **Maximum Retail Price (MRP) for urea**, which is not covered under the NBS policy. The difference between MRP and normative cost is paid to the urea companies as subsidy.

Under the NBS policy, P&K fertiliser manufacturers and importers set the domestic MRP for their products in accordance with international prices of these fertilisers. Despite a decline in international prices of P&K fertilisers, commensurate declines in domestic MRPs have not been observed. Hence, the government has mandated P&K fertiliser manufacturers and importers to submit certified cost data while claiming subsidy. **In case the government finds MRPs to be unreasonable, the subsidy may be restricted or denied.** If the government discovers an abuse of the subsidy mechanism, a fertiliser company's grade(s) of fertilisers or the entire company itself may be excluded from the NBS scheme. The government expects new NBS rates to result in about 15% reduction in P&K subsidy outgo (**about Rs 4,400 crore**) for the year 2013-14 and at least Rs 1,500 and Rs 1,000 per tonne decline in prices of DAP and MOP from their current levels.

2 Public Distribution Systems (PDS)

2.1 Objective

Government of India is committed to ensure **food security** for all and to make available essential commodities to vulnerable section at reasonable cost round the year through Public Distribution System (PDS). With this objective in mind the PDS was reorganised in 1997 with its focus on the poor whereby the population Below Poverty Line (BPL) will be given 20 kg of foodgrains per month per family at 50 per cent of economic cost. This will benefit an estimated 33 crore of people living Below Poverty Line (BPL) in the country while the population Above Poverty Line (APL) will continue to get foodgrains at economic cost through the fair price shops. The estimated subsidy for running the Targeted Public Distribution System is estimated at Rs. 7457crore.

2.2 Functioning of PDS

A well targeted and properly functioning Public Distribution System (PDS) is an important constituent of our food security. The Targeted Public Distribution System (TPDS) with its focus on "poor in all areas" envisages issue of 35 Kg of foodgrains per family per month for the population Below Poverty Line (BPL) at specially subsidized prices. Under TPDS, the States are required to formulate and implement foolproof arrangements for identification of poor, for delivery of foodgrains to Fair Price Shops (FPSs) and for its distribution in a transparent and accountable manner at the FPS level. The thrust is to include only the really poor and vulnerable sections of society. The National Agenda for Governance seeks to reform and improve the Public Distribution System so as to serve the poorest of the poor in rural and urban areas.

2.3 Limitations of PDS

1. Procurement of foodgrains in a few States led to many problems with regard to the levy of taxes, storage and transportation to different centres. This resulted in heavy transit losses.
2. As the major food deficit States are located in the North-East and far South, transportation of foodgrains from Punjab and Haryana to these States put enormous pressure on rail traffic besides causing huge expenditure on transportation cost and losses on account of transit, storage and pilferage.
3. **Post-harvest grain losses** have become more pronounced due to food scarcity conditions arising out of vagaries of weather and fluctuation in production levels.
4. Farmers retain roughly 70% of the foodgrains for food, feed or seed purpose. Of the balance 30% is traded and marketed. About 50% is handed by the public sector (the Food Corporation of India assisted by various State agencies) and the rest goes to private trade. A considerable loss of foodgrains, both in quality and quantity, takes place at farm level.

2.4 Revamping PDS

- To overcome these problems the Government **decentralized the procurement** process by dispersing the procurement centres to different parts of the country, encouraging local procurement to the maximum extent. Under this scheme, the designated States procure, store and issue foodgrains as per allotments indicated by the Centre under PDS. The difference between the economic cost of the State Governments and the Central Issue Prices is passed on the State Governments as subsidy.
- An adequate storage of **buffer stock of foodgrains** in the Central Pool is an essential element of the national food policy. Buffer stock of foodgrains is necessary not only to impart inter-seasonal stability to foodgrain supply and prices but also to ensure food security and meet emergent situations arising out of unexpected crop failures and natural disasters. Buffer stock norms for each quarter have been prescribed.
- Since foodgrain production has almost reached a plateau, one of the means of meeting the consumption requirement for increasing population is by **reducing the post-harvest losses** by strengthening forward linkages in the agriculture sector.
- **Initiatives towards computerization of PDS**: Ministry of Consumer Affairs, Food & Public Distribution has given top priority to Public Distribution System (PDS) reforms which include improvement of infrastructure for distribution and storage of PDS food grains. State Governments have been urged to take initiatives to computerize system and adopt best practices of management.
- e-gov and PDS: Computerization of TPDS is being implemented as a Mission Mode Project (MMP) under the National e-Governance Plan (NeGP) by the Central Government. As per MMP guidelines, a dedicated institutional mechanism by way of an Empowered Committee (EC) and a **Central Project e-Mission Team (CPeMT)** for

computerization of TPDS has been set up. States/UTs have also been requested to establish a two-tier structure at their level comprising a State Apex Committee as well as a State Project e-Mission Team (SPeMT). Detailed guidelines for end-to-end Computerisation of TPDS have been issued to all States/UTs. Action Plan for computerization of TPDS have also been received from all States/UTs. The application software prepared by National Informatics Centre (NIC) has been shared by it with State Information Officers (SIOs) of NIC. To ensure the implementation of Computerization of TPDS, the progress is also being reviewed in various meetings, conferences, etc. In the first phase, the scheme on Computerization of TPDS Operations had been approved to be implemented on pilot basis in three districts each of Andhra Pradesh, Assam, Chhattisgarh and Delhi. A pilot scheme on **Smart Card based delivery of essential commodities** has been initiated in Chandigarh UT and Haryana. Under the scheme, existing ration cards are to be replaced by Smart Cards.

3. Issue of Buffer Stock

The buffer stocks are required to **feed TPDS** and other welfare schemes, ensure **food security** during the periods when production is short of normal demand during bad agricultural years; and (iii) **stabilize prices** during period of production shortfall through open market sales. The total annual stock of food grains in the Central Pool is distributed over different quarters of the year depending upon offtake and procurement patterns. The seasonality of production and procurement is thus a decisive factor in determining the minimum norm of food grains stocks required in a particular quarter of the year. For working out buffer stocking norms and making recommendations for policy decisions, the Government has been setting up from time to time Technical Groups under the Chairmanship of Union Food Secretary. The last buffer stock strategic standards norms were set in 2005. Government maintains buffer stocks of wheat and rice in the Central Pool.

3.1 Strategic reserve of food grains

As per buffer norms and in order to ensure food security in the country, Government has decided that **a strategic reserve** of 50 lakh tonnes of foodgrains would be maintained by Food Corporation of India (FCI). The strategic reserve is to be built up over a period of time starting from 2008-09. The stock of foodgrains in the Central Pool including strategic reserve would be kept in the available godowns/ additional godowns proposed to be constructed by the FCI and State agencies. The cost of maintaining the strategic reserve would be borne by the Government of India in the form of subsidy.

3.2 TPDS

The Government has allocates foodgrains @ 35 kg per family per month for Below Poverty Line (BPL) including Antyodaya Anna Yojana (AAY) category under Targeted Public Distribution System (TPDS). In addition, the Government makes a special ad-hoc additional allocation @ 10 kg of foodgrains per family per month for all accepted number of BPL, AAY and APL families to check inflationary trend in the economy.

3.3 Issues with Buffer Stocks of Food grains in India:

i. Contradictions in the policy approaches

42% percent of our little children are malnourished while India's godowns are bursting with food grain. There are glaring contradictions in India's policy approach towards buffer stock management. Subsidies on food and agriculture have shot up and bumper crops have been harvested. Despite that food prices in key staple commodities have continuously increased. Farmers are being paid more than double than 10 years ago. Still they are committing suicide. Exporters of food grains and agriculture commodities have been making huge profits at the cost of national exchequer loses.

ii. An artificial shortage

India has bumper crops every year; 259.32 million tonnes in 2012-13 and have enormous buffer stocks. The Food Corporation of India expects to procure some 50 million tonnes of wheat this rabi season, stocks may touch a mark of 100 million tonnes. Stockpiling by the FCI has led to an artificial shortage of wheat despite bumper crops. This leads rise in domestic prices dramatically. There is no sense in building up such massive stocks at a huge cost to the economy and burden on consumers.

iii. Low per capita availability

Per capita availability of food grain stands at 462.9 gm in 2011 which is less than 170 kg per person per year. The average food availability for 2006-10 was 404.62 gm per capita. Declining per capita availability of food grain has been a severe problem to the livelihood of the general masses in India which is admitted in the Economic survey for 2012-13.

iv. Storage Capacity

Huge amount of food grains keep laying in open sky in agriculture affluent states such as Punjab, Haryana and UP; at the same time the previous stock keep on rotting. The warehousing system of the food grains in India is highly inadequate and inefficient and ineffective. The Ministry of Consumer Affairs, Food & Public Distribution has taken a number of initiatives to create additional food grain storage capacity which include 152.97 lakh ton capacity in 19 states through private entrepreneurs and central and state ware housing corporations. Steps have also been taken for construction of **godowns in North eastern** region with a cost of Rs 568.17 crores to stock food grains in the region and speedy movement of food grains from procuring states to distribution centres.

v. Export of Surplus Foodgrains

The export of foodgrains depends on availability of surplus over and above the requirement of **buffer stock including strategic reserve,** international demand and supply situation, quality standards in the importing countries, varieties traded and price competitiveness. The Empowered Group of Ministers (EGOM) on Food takes into account various factors including the stocks of food grains available in the country, surplus over and above the buffer stock norm and strategic reserve requirements, the concerns of food security, availability of food grains to common man at reasonable price and remunerative prices to the grower, on a continuous basis and decides on the export of food grains as and when required. The Government has also decided to export limited quantities of wheat/non basmati rice from time to time to various countries like Afghanistan, Nepal, Sri Lanka, Maldives, Bangladesh and Oman on diplomatic/humanitarian basis.

Problem with exports: Unable to manage the stocks, the government resorts to exports at subsidized rates which only benefit the traders. Given that the economic cost of wheat is Rs. 19,100 (per metric tonne) and the minimum export price for wheat fixed by the government is in the region of Rs. 16,200, the losses are estimated at Rs 1,700 crore for the previous year. Global prices have tumbled in the past week below the government fixed minimum export price of $300 a metric tonne to about $270.

4. Food Security

India is lagging behind in achieving the MDGs of halving hunger by 2015. The decline in per capita foodgrain availability and its unequal distribution have serious implications for food security in both rural and urban areas. The proportion of households below the poverty line was 28% is close to 300 million persons. The percentage of population consuming diets providing less than 2400 kcal (underlines definition of below poverty line) per capita per day is almost 77% of the rural population. Poverty is concentrated and food deprivation is acute in predominantly rural areas with limited resources such as rain-fed agricultural areas. Food sector as a whole has also been supported in the current budget with higher provision for **food subsidies, market intervention and imports.** These will help in attaining food security for all and containing food

inflation. The National Food Security Mission, a scheme intended to bridge yield gaps of major crops, has been provided Rs. 2,250 crore.

4.1 National Food Security Bill

A sum of Rs. 10,000 crore has been kept for the National Food Security Act. The Government hopes that the Bill for this will be passed by Parliament as early as possible. This allocation is over and above the normal provision for food subsidy, towards the incremental cost that is likely under the Act.

4.2 Swaminathan Committee Report recommendations on Food Security

- Implement a **universal public distribution system.** The National Commission on Farmers pointed out that the total subsidy required for this would be 1% of GDP.
- Reorganise the delivery of **nutrition support programmes** on a life-cycle basis with the participation of Panchayats and local bodies.
- **Eliminate micronutrient deficiency** induced hidden hunger through an integrated food cum fortification approach.
- Promote the establishment of Community Food and Water Banks operated by Women Self-help Groups (SHG), based on the principle **'Store Grain and Water everywhere'.**
- Help small and marginal farmers to improve the productivity, quality and profitability of farm enterprises and organize a Rural Non-Farm Livelihood Initiative.
- Formulate a **National Food Guarantee Act** continuing the useful features of the Food for Work and Employment Guarantee programmes. By increasing demand for food grains as a result of increased consumption by the poor, the economic conditions essential for further agricultural progress can be created.

4.3 National Food Security Mission (NFSM)

A Centrally Sponsored Scheme on NFSM was launched in the country to enhance the production of rice, wheat and pulses by 10, 8 and 2 million tones, respectively by the end of 11th Plan. The mission aims at increasing production of rice, wheat and pulses through area expansion and productivity enhancement, restoring soil fertility and productivity, creating employment opportunities, and enhancing farm level economy to restore confidence of farmers of targeted districts. Various activities of NFSM relate to demonstration of improved production technology, distribution of quality seeds of HYVs and hybrids, popularization of newly released varieties, support for micro nutrients, gypsum, zero tillage, rotavators, weeders and other farm implements, IPM, INM, extension, water lifting and moisture saving devices training and mass media campaign including awards for best performing districts. Besides, the pilot projects on community generators, control of blue bulls and demonstration of ICRISAT technologies would also be implemented.

The strategies adopted by the NFSM for increasing productivity and production of major crops are being further fine-tuned so that the momentum gained by the Mission in the 11th Plan is used for achieving 25 million tonne per year additional foodgrain production by 2017.

In the 11th Plan, NFSM exceeded its target of adding 20 million tonne foodgrain production per year in 2011-12, a year before the target date. In the first year of the current Plan, i.e. 2012-13, as against the target of producing additional 2 MT rice, 1 MT wheat and 1.25 MT pulses, NFSM has achieved significantly higher production - 7 MT rice, 9 MT wheat and 2.5 MT pulses.

4.4 The Chhattisgarh Model for Food Security

Chhattisgarh is the only state to enact a food security law. A combination of policy, policing and adminstrative measures for wider coverage rather than targeted distribution, putting ration shops in the hands of those trusted by the community they serve, incentives for those running the fair price shops, computerised tracking of foodgrain, weeding out bogus BPL (below poverty line) cards and zero tolerance for pilferage has resulted in efficient delivery of foodgrain to 74 % of the population. The Chhattisgarh Food Security Act extends coverage to 90%t of the population. Apart from grains, beneficiaries are entitled to 2 kg of pulses at Rs 5- Rs 10 per kg. The Chhattisgarh model would argue that the Food Security Act can work without impacting the economy negatively. The state first reformed its PDS and gave its farmers sufficient incentives before enacting the law.

5. Technology Missions

5.1 Integrated Watershed management techniques

The main objectives of the IWMP are to restore the ecological balance by harnessing, conserving and developing degraded natural resources such as soil, vegetative cover and water. The outcomes are prevention of soil run-off, regeneration of natural vegetation, rain water harvesting and recharging of the ground water table. This enables multi-cropping and the introduction of diverse agro-based activities, which help to provide sustainable livelihoods to the people residing in the watershed area. In addition, the Scheme of Technology Development, Extension and Training (TDET) are also being implemented to promote development of cost effective and proven technologies to support watershed management.

Technological support is very critical for the development of wastelands. Proper area specific strategy has to be developed keeping in view the agro-climatic conditions and capability of the soil. The Central Sector Scheme of **Technology Development, Extension & Training** (TDET) was launched during the year 1993-94 to develop suitable technologies for development/reclamation of wastelands for sustainable production of food, fuel wood, fodder etc. The Scheme is being implemented through ICAR Institutes, State Agriculture Universities (SAUs), DRDAs and Government institutions having adequate institutional framework and organizational backup. Successful implementation of the Scheme is expected to bridge the gap between the existing technologies and the need relevant to the latest situation. Under this Scheme, 100% Central Grant is admissible to implement the projects on wastelands owned by the

Government, Public Sector Undertakings including Universities, Panchayats etc. In case of the projects on wastelands of Private Farmers/Corporate Bodies. Space technology, GIS Mapping, Satellite imagery technologies etc. have been very successful in various states across India.

5.2 Space technology applications for Agriculture

At present India has nine remote sensing satellites making it as **one of the largest constellation** of remote sensing satellites in the world. **Satellite sensors** provide valuable database to arrive at suitable decisions in maintaining productive capabilities of **agro ecosystems.** Remote sensing and INSAT are useful for various agricultural purposes as follows:

1. Pre-harvest crop acreage and production estimation is a remote sensing based nation-wide project to provide crop statistics with reasonable accuracy.
2. Satellites provides valuable inputs for diversification and intensification of crops.
3. Satellite imageries are useful for correct planning and improvement of **watershed development projects.**
4. **Mapping and monitoring of wastelands** is being carried out for entire country using remote sensing.
5. Remote sensing satellite data can be used for mapping of various **Saline and Usar soils** for reclamation measures.

6. **Potential Fishery Zones** (PFZ) are demarcated on the basis of presence of chlorophyll and sea- surface temperature data obtained from remote sensing satellites. Based on this, advisories are issued to fishermen.
7. By virtue of the unique combination of Remote Sensing and contemporary microwave satellites, periodic database to monitor droughts and floods is provided.
8. Indian Meteorological Department uses data from the INSAT for weather forecasting which is also used by IMD for providing agro-meteorological services.
9. INSAT utilization of **agriculture extension** services has been quite effective in disseminating improved agriculture practices throughout the country.
10. Precision agriculture, an emerging agricultural management concept, embodies the convergence of biotechnologies and other agricultural technologies with space and informatics to optimize agricultural inputs viz., fertilizers, pesticides, water etc, in tune with micro-level/field requirements. The concept is at present limited to developed countries and is yet to evolve in India.

5.3 National Mission on agricultural Extension & Technology

A new strategy is being formulated for farm mechanization during the Twelfth Five Year Plan. The aims & objectives of the proposed Sub Mission on Agricultural Mechanization (SMAM) under National Mission on agricultural Extension & Technology are as under:

- Increasing the reach of farm mechanization to small and marginal farmers;
- Establishment of 'Custom Hiring Centre' to offset the adverse economies of scale arising due to small landholding and high cost of individual ownership.
- Passing on the benefit of hi-tech, high value and hi-productive agricultural machinery to farmers through creating hubs for such farm equipment;
- Promotion farm mechanization through demonstration and capacity building activities ;
- Ensuring quality control of newly developed agricultural machinery.

5.4 Promoting Farm Mechanization among Small and Marginal Farmers

The Ministry of Agriculture has various extension services for disseminating the know-how of **modern agricultural technologies** throughout the country which also includes remote/rural areas by following ways:

- Through establishment of Agriculture Technology Management Agencies (ATMA) for introduction of new technologies to the farmers.
- Through **Kisan Call Centres** (KCC) for providing the information on modern technologies to the farming community.
- **Kisan Vigan Kendras** (KVK) of Indian Council of Agricultural Research (ICAR) are established with the aims at assessment, refinement and dissemination of modern technology to the farmers.
- Various agricultural technologies are being dissimientated through a network of Doordarshan National Channel, 18 Regional Kendras and 180 Narrowcasting Centres apart from 96 FM Radio Stations under **"Mass media Support to Agricultural Extension"** scheme. Promotion and strengthening of agricultural mechanization is also done through training, testing and demonstrations. To promote farm mechanization amongst small and marginal farmer and to facilitate custom hiring facility, the Government is also considering providing assistance on procurement of agricultural machinery to establish custom hiring centres, to individual Entrepreneurs, Self Help Group (SHG)/ User Groups (UG) of farmers, Cooperative Societies etc.

5.5 National Agricultural Innovation Project

The Indian Council of Agricultural Research (ICAR) and the World Bank have been implementing a joint National Agricultural Innovation Project (NAIP) in the country. The specific objective of the National Agricultural Innovation Project is to accelerate the collaborative development and application of agricultural innovations between public and research organizations, NGOs, farmers, private sector and other stakeholders. Some of the major activities under the project are as follows:-

- Three hundred thirty six (336) entrepreneurs have been incubated and 60 technologies commercialized.
- Rice knowledge management portal for providing complete rice information from a single portal has been developed.
- An online access to over 2,900 journals to 140 National Agricultural Research System (NARS) libraries has been provided.
- Over 610 NARS Scientists have so far been trained in frontier areas of agricultural sciences in the state of art laboratories across the world. 86 national trainings involving international experts have also been sanctioned and more than 80 have been completed.
- Research on production to consumption system is covered by 51 consortia working across sub-sectors of Indian agriculture.
- Sustained improvement in incomes and well-being of farm families, mainly in disadvantaged areas, have been undertaken in 102 districts of the country.

5.6 Agricultural Research and education

Indian Council of Agricultural Research (ICAR), is the main organisation of the Department of Agricultural Research and Education (DARE) of the Ministry of Agriculture. It has played pivotal role in developing agricultural technologies, input materials and critical scientific mass leading to self-sufficiency in food. The activities of the ICAR are organised into eight subject matter divisions, namely, Division of crop sciences, Horticulture, Soil Agronomy and Agro-Forestry, Agricultural Engineering, Animal Science, Fisheries, Agricultural Extension and Agricultural education. The Research is carried out through a chain of 45 Central institutes, 4 Bureaux, 10 project directorates, 30 national research centres (NRCs) and 80 All India Coordinated Research Projects (AlCRPs) located throughout the country, mostly at 28 State agricultural universities (SAUs) at their 200 zonal research stations. The whole country has been divided into 120 distinct agro-climatic zones and in each of them, a multidisciplinary regional research station has been established under on-going national agricultural research project.

Launched- **Jai Vigyan National Science and Technology Mission** on Conservation of Agro- biodiversity (Plant Genetic Resources). A total of 61,015 samples of diverse germplasm procured from 63 countries. In National Gene Bank, data pertaining to all conserved accessions have been computerized.

6. Economics of Animal-rearing

Animal husbandry and dairying are vital sectors of India's economy, more particularly the rural economy. It provides a significant proportion of **self-employment opportunity** in the employment generated in the agriculture livestock sector. **The Operation Flood** played major role in bringing the milk production to triple fold since its inception in 1970's. India also became the world's Number one milk producer in 1997, with an estimated production of 72 million tonnes, more than that of the then biggest – the United States (70.7 million tonnes). One sixth of world cattle population is in India and the Milk machine buffalo population contributes more than half of the globe. India ranks fifth in egg production in the world.

6.1 Contribution of Livestock in Indian Economy:

Animal Husbandry Sector plays a vital role in providing household nutritional security, increased income, and employment especially of women and in rural transformation. Animals provide a diverse range of output for cultivation, irrigation, transport; fibre and leather goods, manure for fertilizer and fuel besides direct production of milk, meat and eggs for human consumption. **Livestock provide economic security and social status to the family.** Concentration of livestock in general and small ruminants in particular, is in marginal, small and semi-medium holdings which mostly represent poorer sections of the society. Thus progress in livestock sector is directly related to a more balanced development of rural economy and upliftment of poorer sections of the society. As discussed above; animal husbandary provides self-employment to millions of households in rural areas. Women constitute 71% of the labour force in livestock farming. Rural women play a significant role in animal husbandry and are involved in operations like feeding, breeding, management and health care. In dairying, 75 million women are engaged as against 15 million men. A large manpower is also involved in livestock related activities like manufacture of animal food products and beverages, manufacture of textiles, tanning & dressing of leather, farming of animals, production, processing and preserving meat and meat products, manufacture of dairy products, retail and wholesale trade of livestock products.

Though the proportionate contribution of livestock sector to total GDP has remained steady between 4-6%; share of livestock in the agricultural GDP has improved from 15% in 1981-82 to 26% in 2010-11.

6.2 Dairy development

Dairying with crossbred cattle and high yielding buffaloes has become a remunerative business. Studies have shown that dairy enterprise as against crop in rural areas was on the top with regard to profit in marginal, small and medium holdings ,also that dairying and crop production together for small farmers having irrigated land was more profitable than crop farming alone. Animal Husbandry components provide easy cash; so small farmers prefer it to crop production. An **Integrated Dairy Development Project** has been put in place for non-operation flood, hilly and backward regions of the country. These two programmes will help dairy development by increasing milk production, generating additional employment and providing remunerative prices to the milk producers in addition to improving genetic merit of cattle and buffaloes.

In India's dairy development the role of international cooperation has been significant through bilateral and multilateral assistance. Among the countries that have participated include, Australia, Canada, Denmark, Germany, New Zealand, Sweden, Switzerland, UK and USA. European Union, FAZ/UNDP, FAD/WFP, UNICEF and the World Bank (IDA) are International Agencies that assisted in India's ambitious programme. One outstanding example of such cooperation is the Operation Flood (1970-96). Planned and executed by the National Dairy Development Board (NDDB), this project (OF) has been a major instrument for modernizing the dairy sector and putting it under the cooperative umbrella. India's milk production by 2020 will be 186 million tonnes at the growth rate of 4.3 per cent and 221 million tonnes at the growth rate of 5%. The consumption has been estimated to be 160 million tonnes thus making a surplus for export. There is a need to integrate good hygienic and manufacturing practices along with attractive **packaging and cold chain network** in the production system to improve the quality and shelf life of the products.

6.3 Fisheries

Fisheries help in augmenting food supply generating employment, raising nutritional level and earning foreign exchange. India is now the sixth largest producer of fish in the world. Fish Farmers Development Agencies (FFDA) provide a package of technical, financial and extension support to fish farmers, for the development in land fisheries. For the development of marine fisheries, apart from six major fishing harbours viz. Cochin, Chennai, Vishakhapatnam, Roychowk and Paradip, 41

minor fishing harbours and fish landing centres have been constructed to provide lending and berthing facilities to fishing craft.

6.4 Meat, Egg and Wool

Low nutritional input is the major concern in small ruminants for increasing their reproductive efficiency and body weight gains. The carcass weight in sheep and goats which are around 12 and 10 kg respectively have been constant for the last more than 20 years and the increase in volumes of meat and wool yield have largely been due to increase in numbers. Focus, therefore, in small ruminants would be on improvement of existing pastures/grass lands which have deteriorated over the years and adoption of semi-intensive systems of production to achieve higher growth rate and more number of lambs/kids per female in a year. Crossbred pigs have higher growth rate and better feed conversion efficiency. Rabbits should be encouraged for production of meat, wool and skin.

Commercial poultry production is highly organised and the germ plasm feed and other essential inputs like vaccine are being marketed by the private sector. Commercial poultry production, however, is concentrated in urban and peri-urban areas and limited to some States. The rural sector, which provides 32 - 35 per cent of eggs and broilers, has not been serviced by the private sector. Strengthening the rural poultry production system while providing household nutritional security would also provide extra family income. To increase egg production in the rural sector, State poultry and duck breeding farms are being strengthened to produce and disseminate breeding stocks suitable for low input technology to women beneficiaries and other socially backward segments of the society. The scheme which is currently being implemented in the North-Eastern States shall be extended to the rest of the country.

6.5 The National Livestock Mission(NLM)

A number of new initiatives have been proposed in the 12th Five Year Plan for retaining youth in Agriculture Sector and funding for research and innovations in the sector. The twin objectives of the plan are ensuring **food security** and improving the lot of farmers through higher investments in agriculture and allied sectors. To address the challenges in live stock sector, National Livestock Mission and National Programme for Bovine Breeding & Dairying have also been proposed in the Plan.
The National Livestock Mission will be launched in 2013-14 to attract investment and to enhance productivity of livestock, taking into account local agro-climatic conditions. Rs. 307 crore have been provided for the Mission. There will be a sub Mission in NLM for increasing the availability of feed and fodder.

6.5.1 Submissions under NLM:

- Sub-Mission on Livestock Development,
- Sub-Mission on Pig Development in North-Eastern Region,
- Sub-Mission on Fodder and Feed Development,
- Sub-Mission on Skill Development, Technology Transfer and Extension.

6.5.2 Components of NLM

- Forage production from Non-forest wasteland / rangeland / grassland / non-arable land (ha) and Forage production from Forest Land (ha);
- Cultivation of coarse grains and dual purpose crops ;fodder seed production and distribution ;Conservation of fodder through post harvest technologies ;
- Distribution of hand driven chaff cutters; distribution of power driven chaff cutters;

- Establishment of high capacity Fodder Block Making units ;
- Distribution of low capacity, tractor mountable Fodder Block Making units Silage making units; bypass protein making units; area specific mineral mixture / feed processing units; feed testing laboratories; strengthening of the regional fodder stations;
- strengthening of research; training and human resource Development; institutional strengthening and support.

6.6 Challenges to Animal Rearing in India

- Availability of **quality nutrients** through feed and fodder resources has to be ensured.
- The **large size of cattle population** is hampering the vertical genetic improvement in cattle production.
- The small sized herds both in governmental and institutional farms and with private farmers is an important issue especially when the developed countries are making use of genomic tools for **vertical genetic improvement** in their livestock genetic resources.
- **Disease diagnosis,** health and hygiene maintenance of livestock is affecting the production potential. Emerging and remerging animal disease that may affect the health across the species is causing concern, especially, the zoonotic diseases.
- Safer food, packaging and maintenance of quality milk and other animal products would positively affect the livestock products in the country as well as **for exports.**
- Amelioration of ill effects arising out of **climate changes** especially the mitigation strategies for methane production by livestock.
- Resource constraints, large population size, low productivity and small livestock are other the main constraints.

7. Agriculture in Budget 2013-14

There is a substantial rise in allocation for farm schemes, new schemes on nutri-farms, farmer producer organisations, livestock etc. Union budget for 2013-14 supports the agriculture sector in a big way. While the existing provisions have been continued, a number of new initiatives have been taken for bringing in more investment to this sector, promoting growth in key areas and farmers' welfare. The following are the **major provisions** relating to agriculture and food sector in the budget:

- Agriculture gets **Rs 27,049 crore,** an increase of 22% over Revenue Expenditure of the current year.
- Plan outlay for agriculture has been raised considerably: Agriculture Ministry: **Rs 17095 crore;** out of this, for **agricultural research**: **Rs 3,415 crore.**
- Agricultural credit target fixed at Rs 700,000 crore.
- The interest subvention scheme for short-term crop loans will be continued. A farmer will be able to get credit at **4 % per annum.**
- The interest subvention scheme has so far been applied to loans given by **public sector banks, RRBs and cooperative banks.** This is being extended to crop loans borrowed from private sector **scheduled commercial banks**.
- Bringing Green Revolution to Eastern India (**BGREI**) has been a remarkable success; an allocation of Rs 1000 crore in 2013-14. Assam, Bihar, Chhattisgarh and West Bengal have increased their contribution to rice production.
- The original Green Revolution States face the problem of stagnating yields and over-exploitation of water resources. The answer lies in crop diversification. Rs 500 crore has been allocated for crop diversification to promote technological innovation and encourage farmers to choose crop alternatives.

- The **Rashtriya Krishi Vikas Yojana** is intended to mobilise higher investment in agriculture; Rs. 9,954 crore is allocated to RKVY.
- The National Food Security Mission, a scheme intended to bridge yield gaps of major crops, has been provided Rs. 2,250 crore.
- The allocation for the **integrated watershed programme** has been raised to Rs. 5,387 crore to help small and marginal farmers who are vulnerable everywhere especially in drought prone and ecologically-stressed regions. Watershed management techniques help in improving productivity of land and water use.
- A pilot programme on **Nutri-Farms** for introducing new crop varieties that are rich in micro-nutrients such as **iron-rich bajra, protein-rich maize and zinc-rich wheat** is to be started; Rs 200 crore has been allocated for this to start pilots in the districts most affected by malnutrition.
- The National Institute of Biotic Stress Management for addressing plant protection issues will be established at Raipur, Chhattisgarh. The Indian Institute of Agricultural Bio-technology will be established at Ranchi, Jharkhand and will serve as a centre of excellence in agricultural bio-technology.
- A pilot scheme to replant and rejuvenate coconut gardens that was implemented in some districts of Kerala and the Andaman & Nicobar Islands will be extended to the entire State of Kerala. Rs 75 crore has been allocated for this scheme.
- Farmer Producer Organizations (FPO) have emerged as aggregators of farm produce and link farmers directly to markets. Matching equity grants will be provided to registered FPOs upto Rs. 10 lakh per FPO to leverage working capital from financial institutions. Rs 50 crore is being provided for this purpose.
- Besides, a **Credit Guarantee Fund** will also be created in the Small Farmers' Agri Business Corporation with an initial corpus of Rs 100 crore.

7.1 Latest Budgetary Provisions on Subsidy

- Rs 90,000 crore have been provided for food subsidy [including expenditure likely on implementation of the Food Security Act] as against 2012-13 RE of `85,000 crore. The subsidy is used in TPDS operations and foodgrain procurement. In addition, provisions have been made for subsidy on import of pulses (`250 crore) and edible oils (`318.34 crore).
- Other subsidies that will benefit the agricultural sector are: fertilizer subsidy: Rs 65,971.5 crore; interest subvention on farm credit: Rs 6,000 crore; price support by Jute and Cotton Corporations: Rs 255 crore.

8. Current Legislative Reforms

8.1 The Agricultural Biosecurity Bill 2013

The Bill 2013 proposes:

a. integration of plant and quarantine services;

b. establishment of an Authority for prevention, control, eradication and management of pests and diseases of plants and animals and unwanted organisms for ensuring agricultural biosecurity; the Bill establishes the **Agricultural Biosecurity Authority of India** that will:

- regulate the import and export of plants, animals and related products;
- prevent the introduction of quarantine pests from outside India;
- Implementing post-entry quarantine measures.

c. to meet international obligations or India for facilitating imports and exports of plants, plant products, animals, animal products, aquatic organisms and regulation of agriculturally important micro-organisms;

d. prevention and control of pest infestation or infection, including declaration of an area as "controlled area" for this purpose and measures for control of such infestation or infection;

e. provision for infection, taking samples, entry and search of premises, checking of conveyances to ensure compliance of **phytosanitary and sanitary measures** and also seizure, treatment and disposal of plants, animals and their products to prevent spread of pests by designated officers;

f. declaration of biosecurity emergency in case of outbreak of organisms threatening biosecurity and actions and procedures to deal with it;

g. removal of plant, animals, their products and other objects imported in violation of the provisions of the proposed legislation.

h. **The Customs Act, 1962** or other laws in force, that prohibit the import of certain customs and goods shall also apply to those pests, plants and animals, which require permits or are prohibited by the Authority.

i. An **Agricultural Biosecurity Fund** shall be constituted for the purposes specified in the Act; envisaged Authority may borrow money from any source through the issue of bonds and debentures to discharge its functions.

8.2 Model APMC Act

Quite recently on July, 2013; Committee on Agricultural Market Reforms recommended Universal Implementation of Model APMC Act. The Committee submitted its report to agriculture minister. **The Committee of State Ministers In-charge of Agriculture Marketing to promote marketing reforms has called for an effective implementation of Model APMC Act in all the states.** This committee was constituted in March, 2010 under the Chairmanship of **Shri Harshvardhan Patil**, Minister for Cooperation and Parliamentary Affairs, Govt. of Maharashtra. The mandate of the committee was to

(i) persuade various State Governments/Administration of Union Territories to implement the reforms in agriculture marketing through adoption of Model APMC Act and Rules;

(ii) suggest further reforms necessary to provide a **barrier free national market;**

(iii) suggest measures to effectively disseminate market information and to promote grading, standardization, packaging and quality certification of agricultural produce.

(iv) setting up of multiple and competitive marketing channels; independent regulatory authority to encourage private investors;

(v) need for **viability gap funding** to attract private sector investment; higher investment in marketing infrastructure under RKVY;

(vi) waiver of market fee on fruit and vegetables; setting up of independent district level authority for registration and dispute settlement;

(vii) setting up grading units with trained manpower in the market.

8.3 National Food Security Bill: Discussed below under Food Security heading.

8.4 Biotechnology Regulatory Authority of India Bill, 2013

The Bill was introduced in the Lok Sabha on April 23, 2013 to promote the safe use of modern biotechnology by enhancing the effectiveness and efficiency of regulatory procedures. Some of the key features of the Bill are:

- The Bill establishes the **Biotechnology Regulatory Authority of India** (Authority).

- The functions of the Authority shall include regulating the research, transport, import, manufacture and use of organisms and products of modern biotechnology.
- A **Biotechnology Regulatory Appellate Tribunal** will hear appeals against the decisions of the Authority.
- Field trials for certain organisms or products cannot be conducted unless the Authority permits them as aiding the development of modern biotechnology such as genetically engineered plants, animals used in food or any animal clones that can be applied in agriculture, fisheries or food products.
- The Bill will not apply to the clinical trials of drugs, under the Drugs and Cosmetics Act, 1940, and food or food additives or any material under the Food Safety and Standards Act, 2006.
- An Inter-Ministerial Governance Board will oversee the performance of the Authority. A **Biotechnology Advisory Council** will render strategic advice to the Authority regarding developments in modern biotechnology and their implications in India.
- Regulatory divisions of the Authority have been created to deal with agriculture, forest and fisheries, human health and veterinary products, etc.
- A Risk Assessment Unit will appraise applications before final approval is granted for proposed research, transport or import of an organism or product.

8.5 Amendments to the Multi-State Co-operative Societies (Amendment) Bill

The Cabinet approved amendments to the Multi-State Co-operative Societies (Amendment) Bill 2010, currently pending in the Lok Sabha.

- The Bill amends the **Multi-State Co-operative Societies Act, 2002,** which regulates multi-state cooperative societies i.e. cooperatives which serves the interest of members in more than one state.
- The Bill seeks to allow the constitution of interim boards, grant the Central Registrar power to modify bye-laws, and permit the constitution of an election authority to conduct elections.
- The Standing Committee on Agriculture submitted its report on the Bill on December 20, 2012 and was of the opinion that several provisions of the Bill contravened the Constitution.
- According to the Ministry, the official amendments aim to ensure that the provisions of the Bill are in conformity with the provisions of the Constitution (Ninety-Seventh Amendment) Act, 2011. **The Act adds co-operative societies to the Constitution.**
- The Bill provides that the Central Registrar may declare a multi-state co-operative society "sick" and constitute an interim board for a period of up to five years.
- It defines a "sick co-operative society" as one which has accumulated losses equal to or exceeding the total of its paid-up capital, free reserves and surpluses and has also suffered cash losses in the current financial year and the one preceding it.

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G.S. PAPER II – SOCIAL JUSTICE

Welfare Schemes for Vulnerable Sections of the Population by the Centre and States and the Performance of these Schemes Mechanisms, Laws, Institutions and Bodies Constituted for the Protection and Betterment of these Vulnerable Sections

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Q1. How would you define the term 'vulnerable sections'?

There are various ways to define who vulnerable sections are. Consider for instance the following definitions:

- A vulnerable section in a population is one that has some specific characteristics that make it at higher risk of falling into poverty than others. Vulnerable sections include the elderly, the mentally and physically disabled, at-risk children and youth, ex-combatants, internally displaced people and returning refugees, HIV/AIDS-affected individuals and households, religious and ethnic minorities and, in some societies, women. (World Bank)
- People who are long-term unemployed, and also others who are inactive but not registered as unemployed. It should include workers who are in some form of employment but are at a high risk of losing their jobs. It is, therefore, a very heterogeneous group, whose members share perhaps only the involuntary character of their present status. (Atkinson, 2000)
- Groups that experience a higher risk of poverty and social exclusion than the general population. Ethnic minorities, migrants, disabled people, the homeless, those struggling with substance abuse, isolated elderly people and children all often face difficulties that can lead to further social exclusion, such as low levels of education and unemployment or underemployment. (European Commission)

Q2. Is there a fixed criterion on the basis of which vulnerability can be defined?

There are multiple and complex factors behind vulnerability with different layers and it often cannot be analyzed in isolation. Further, a section of the population may face discrimination on a number of grounds due to their multiple identities. For example, in a patriarchal society, disabled women face double discrimination of being a women and being disabled. So it is difficult to provide a fixed criterion or classify vulnerable sections into separate watertight compartments.

However, for our purposes we can identify the prominent factors on the basis of which individuals or members of groups are discriminated in India, as structural factors, age, disability, caste, class, gender etc. It is usually these factors, which become the basis of discrimination and vulnerability.

Q3. On basis of the above definitions and criteria which sections do you think we can include as being 'vulnerable' in India?

If we use the above criteria and definitions, in the context of India, we can include the following sections as vulnerable sections:

- Differently Abled Persons
- Old age people/ Senior Citizens
- Orphans and Street Children
- Women
- Sexual Minorities
- Schedule Caste/ Schedule Tribe/ Minorities/ Other Vulnerable groups

Q4. So now we know the sections that are vulnerable in India. But we don't yet know whether it is an individual or a group phenomenon. Discuss.

Vulnerability is not confined to individuals, rather relates to groups or sections. Thus, a social component is usually involved. This is particularly true in the case of India where inequality and exclusion are facts of life. Thus, some people not only have a greater share of valued resources – money, property, education, health, and power – than others, but social identities play a dominant role in acquiring these resources.

This can be more easily understood if we divide these social resources into three forms of capital- economic capital in the form of material assets and income; cultural capital such as educational qualifications and status; and social capital in the form of networks of contacts and social associations. Often, these three forms of capital overlap and one can be converted into the other. For example, a person from a well-off family (economic capital) can afford expensive

higher education, and so can acquire cultural or educational capital. Someone with influential relatives and friends (social capital) may – through access to good advice, recommendations or information – manage to get a well-paid job.

A section of society that lacks a plurality of these resources is more prone to discrimination than others in a number of spheres.

Q5. We mentioned that caste is one of the factors on the basis of which individuals or members of groups are discriminated in India. Explain how caste can perpetuate vulnerability among some sections of our population?

The caste system is a distinct Indian social institution that legitimizes and enforces practices of discrimination against people born into particular castes. These practices of discrimination are humiliating, exclusionary and exploitative.

Historically, the caste system classified people by their occupation and status. In actual practice both economic and social status tended to coincide. There was thus a fairly close correlation between social (i.e. caste) status and economic status – the high castes were almost invariably of high economic status, while the 'low' castes were almost always of low economic status.

Even now the caste-class correlation is still remarkably stable at the macro level. As the system has become less rigid, the distinctions between castes of broadly similar social and economic status have weakened. Yet, between different socio-economic groupings, the distinctions continue to be maintained. Therefore, caste continues to affect the life chances of Indians in the twenty-first century.

Q6. It is often mentioned that untouchability is an extreme and particularly vicious aspect of the caste system. Explain what untouchability is and analyze the vulnerable status of dalits in the light of untouchability practiced in the caste system.

Untouchability is indeed an extreme and particularly vicious aspect of the caste system that prescribes stringent sanctions against members of castes located at the bottom of the caste pyramid. Notions of 'distance pollution' existed in many regions of India for a long time.

However, untouchability refers not just to the avoidance or prohibition of physical contact but to a much broader set of social sanctions. For instance, it is almost always associated with economic exploitation of various kinds, most commonly through the imposition of forced, unpaid (or under-paid) labour, or the confiscation of property. There are three main dimensions of untouchability- namely exclusion, humiliation-subordination and exploitation – all are equally important to understand the phenomenon.

Although other (i.e., 'touchable') low castes are also subjected to subordination and exploitation to some degree, they do not suffer the extreme forms of exclusion reserved for 'untouchables.' Dalits experience forms of exclusion that are unique and not practiced against other groups – for instance, being prohibited from sharing drinking water sources or participating in collective religious worship, social ceremonies and festivals. At the same time, untouchability may also involve forced *inclusion* in a subordinated role, such as being compelled to play the drums at a religious event. The performance of publicly visible acts of (self-) humiliation and subordination is an important part of the practice of untouchability. Further, it is a pan-Indian phenomenon, although its specific forms and intensity vary considerably across regions and socio-historical contexts.

The word 'Dalit' which has been coined to refer to the ex-untouchable community means 'downtrodden' and conveys the sense of an oppressed people. Though it was not coined by Dr. Ambedkar, it resonates with his philosophy and the movement for empowerment that he led.

Q7. It is evident that untouchability is an extremely exploitative system that has been in practice for ages. Does the Constitution of India contain any provision to curb its practice?

Yes, the Constitution abolished untouchability and its practice in any form. Article 17 of the Constitution (Fundamental Right) that abolishes untouchability has been provided without any exception. It empowers the State to

prescribe by law providing punishment for the practice of untouchability. The Parliament enacted the Untouchability Offences Act, 1955 which has been subsequently amended and renamed as the Civil Rights Protection Act, 1976. It provides stringent punishment for the practice of untouchability. However, neither the Constitution nor the law defines what untouchability is. But the Judiciary has defined it as a social practice among the Hindus where a person is looked down upon and discriminated against solely on the basis of his birth.

Q. 8 Given the vulnerable status of Scheduled Castes, the Constitution includes certain provisions for their welfare. List them.

The Constitution includes the following provisions for the Scheduled castes:

- Article 15(4): It was introduced by the first Amendment Act after the SC judgment in the case of Champakam Dorairajan vs. State of Madras. Under this the State can make special provisions for the advancement of socially and educationally backward class of citizens including SCs and STs.
- Article 16(4): This clause allows the state to reserve vacancies in public service for any backward classes of the state that are not adequately represented in the public services.
- Article 16 (4A): It empowers the State to provide by law for the reservation of seats in favour of SCs and STs in public employment in promotions.
- Article 16(4B): It states the carry forward policy followed in favour of SCs and STs where the unfilled vacancies of the SCs and STs in a particular year are carried forward to the following years and filled up from among SCs and STs. It provides that the carry forward policy would be valid even if the overall reservation exceeds 50% in the subsequent years.
- Article 40: Provides reservation in one-third seats in Panchayats to SC/ST.
- Article 46: Enjoins the states to promote with care the educational and economic interests of the weaker sections, specially SC and STs.
- Article 330/332: Allows reservation of seats for SC/ST in the parliament as well as in state legislatures.
- Article 335: It sates that claims of the members of the Scheduled Castes and the Scheduled Tribes shall be taken into consideration, consistently with the maintenance of efficiency of administration, in the making of appointments to services and posts in connection with the affairs of the Union or of a State
- Article 338/338A/339: Establishes a National Commission of SCs and STs. Article 339 allows the central govt. to direct states to implement and execute plans for the betterment of SC/STs.
- Article 340: Allows the President to appoint a commission to investigate the condition of socially and economically backward classes and table the report in the parliament.

Q. 9 In addition to the Constitutional provisions, the Government of India has also constituted certain mechanisms, laws, institutions and bodies for their protection and betterment. Discuss.

The Ministry of Social Justice and Empowerment is the nodal Ministry to oversee the interests of the Scheduled Castes. Under the Scheduled Castes Development Bureau, the Ministry implements Scheduled Castes Sub-Plan (SCSP) which is an umbrella strategy to ensure flow of targeted financial and physical benefits from all the general sectors of development for the benefit of Scheduled castes. Under the strategy, states/UTs are required to formulate and implement Special Component Plan (SCP) for Scheduled Castes as part of their Annual Plans by earmarking resources. Another policy initiative for the development of Scheduled Castes is Special Central Assistance to Special Component Plan, in which cent percent assistance is given as additive to Scheduled Caste Sub-Plan of the States/UTs on the basis of certain criteria such as SC population of the States/UTs, relative backwardness of the States/UTs, percentage SC families in the States/UTs, covered by composite economic development programmes in the State Plan to enable them to cross the poverty line, percentage of SCP to the Annual Plan as compared to SC population percentage of the States/UTs.

The Ministry implements two acts for protecting the civil rights of the Scheduled Castes, viz.:

- Protection of Civil Rights Act, 1955; and
- The Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities Act, 1989)

Constitutional Measures:

- **National Commission for Scheduled Castes**

The National Commission for Scheduled Castes, a Constitutional body monitors the safeguards provided for Scheduled Castes and also reviews issues concerning their welfare. The Commission has wide powers to protect, safeguard and promote the interests of the SCs. The Commission has been conferred powers of a civil court trying a suit, to summon and enforce the attendance of any persons from any part of India and examining on oath, receiving evidence on affidavits.

- **National Commission for Safai Karmacharis**

The National Commission for Safai Karmacharis, a statutory body has, inter-alia, been empowered to investigate into specific grievances as well as matters relating to implementation of programmes and schemes for welfare of Safai Karmacharis.

- **Protection of Civil Rights Act, 1955**

In pursuance of article 17 of the Constitution of India, the Untouchability (Offences) Act, 1955 was enacted. Subsequently it was amended and renamed in the year 1976 as the " Protection of Civil Rights Act, 1955". Rules under this Act, viz. "The Protection of Civil Rights Rules, 1977" were notified in 1977. The Act extends to the whole of India and provides punishment for the practice of untouchability. It is implemented by the respective State Governments and Union Territory Administrations.

- **Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act, 1989**

The Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act, 1989, specifies offences, which are considered as atrocities, and provides for deterrent punishments for commission of the same. Comprehensive Rules were also framed under the SCs and STs (POA) Act in 1995, which among other things provided for relief and rehabilitation of the affected people.

- **Committee to review implementation of PCR and POA Acts**

Educational Development

- **Pre Matric Scholarship**
- **Pre-Matric Scholarships for Children of those engaged in Unclean Occupations:**
- **Rajiv Gandhi National Fellowship Scheme**
- **National Overseas Scholarship**
- **Upgradation of Merit for SC Students**
- **Free Coaching for SCs and OBCs**
- **Babu Jagjivan Ram Chhatrawas Yojana**
- **Dr. Ambedkar Foundation**

Economic Empowerment

- **Special central Assistance to Scheduled Castes Sub Plan (SCSP)**
- **Assistance to State Scheduled Castes Development Corporations**
- **National Scheduled Castes Finance Development Corporation**
- **Self-Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)**
- **Voluntary Organizations Working for the Welfare of SCs**
- **National Safai Karamcharis Finance and Development Corporation**

(Refer the chapter on Welfare in India Year Book and Economic Survey for details of these schemes).

Q. 10 Adivasis or tribals are another section of the population who often face discrimination. Explain who they are and why they are included as a vulnerable section.

Tribes or Adivasis in India have generally been defined in terms of what they were *not*. Tribes were defined as communities that did not practice a religion with a written text; did not have a state or political form of the normal kind; did not have sharp class divisions; and, most important, did not have caste and were neither Hindus nor peasants.

Like the Dalits, Tribes as social groups were recognized by the Indian Constitution as specially marked by poverty, powerlessness and social stigma. They were believed to be 'people of the forest' whose distinctive habitat in the hill and forest areas shaped their economic, social and political attributes. However, their long and close association with Hindu society and culture, made the boundaries between 'tribe' and 'caste' quite porous.

In the areas where tribal populations are concentrated, their economic and social conditions are usually much worse than those of non-tribals. The impoverished and exploited circumstances under which adivasis live can be traced historically to the pattern of accelerated resource extraction started by the colonial British government and continued by the government of independent India. The independence of India in 1947 should have made life easier for adivasis but this was not the case. Firstly, the government monopoly over forests continued. If anything, the exploitation of forests accelerated. Secondly, the policy of capital-intensive industrialization adopted by the Indian government required mineral resources and power-generation capacities which were concentrated in Adivasi areas. Adivasi lands were rapidly acquired for new mining and dam projects. In the process, millions of adivasis were displaced without any appropriate compensation or rehabilitation. Justified in the name of 'national development' and 'economic growth', these policies were actually a form of internal colonialism, subjugating adivasis and alienating the resources upon which they depended.

Q. 11 Mention the Constitutional provisions and other laws and institutions established for the welfare of Scheduled Tribes.

Constitutional Provisions:

Refer the Constitutional provisions mentioned above for Scheduled castes. Apart from them, certain other articles deal exclusively with problems faced by STs. They are as follows:

- Article 19(5): It allows the state to impose restriction on freedom of movement or of residence in the benefit of Scheduled Tribes.
- Article 164: Appoint special minister for tribal welfare in the states of MP, Bihar, and Orrisa.
- Article 275: Allows special grant in aids to states for tribal welfare.

Other welfare schemes, laws, mechanisms, bodies and institutions:

- **Scheduled Areas and Tribal Areas**

Scheduled Tribes live in contiguous areas unlike other communities. It is, therefore, much simpler to have an area-approach for development activities and also regulatory provisions to protect their interests.

In order to protect the interests of Scheduled Tribes with regard to land alienation and other social factors, provisions of ''Fifth Schedule and "Sixth Schedule" have been enshrined in the Constitution.

The Fifth Schedule under Article 244(1) of Constitution defines ''Scheduled Areas" as such areas as the President may by Order declare to be Scheduled Areas after consultation with the Governor of the State.

The Sixth Schedule under Article 244 (2) of the Constitution relates to those areas in the States of Assam, Meghalaya, Tripura and Mizoram which are declared as ''Tribal Areas" and provides for District Councils and/or Regional Councils for such Areas. These Councils have been conferred with wide ranging legislative, judicial and executive powers.

- **The Fifth Schedule Areas**

The criteria for declaring any area as a ‘‘Scheduled Area" under the Fifth Schedule are: (a) Preponderance of tribal population, (b) Compactness and reasonable size of the area, (c) A viable administrative entity such as a district, block or taluk, and (d) Economic backwardness of the area as compared to neighbouring areas.

The advantages of Scheduled Areas are as follows:

- The Governor of a state, which has Scheduled Areas, is empowered to make regulations in respect of the following:
    a. Prohibit or restrict transfer of land from tribal people;
    b. Regulate the business of money lending to the members of Scheduled Tribes.
- The Governor may be public notification direct that any particular Act of Parliament or of the Legislature of the State, shall not apply to a Scheduled Area or any part thereof in the State or shall apply to such area subject to such exceptions and modifications as he may specify.
- The Governor of a State having Scheduled Areas therein, shall annually, or whenever so required by the President of India, make a report to the President regarding the administration of the Scheduled Areas in that State and the executive power of the Union shall extend to the giving of directions to the State as to the administration of the said area.
- Tribes Advisory Council (TAC) shall be established in States having Scheduled Areas. The role of TAC is to advise the State Government on matters pertaining to the welfare and advancement of the Scheduled Tribes in the State as may be referred to it by the Governor.
- The Provisions of the Panchayats (Extension to Scheduled Areas) Act, 1996 (PESA) which were extended to Scheduled Areas, also contain special provisions for the benefit of Scheduled Tribes.

- **The Sixth schedule – Tribal Areas**

The Sixth Schedule under Article 244 of the Constitution identifies Autonomous districts in the Tribal Areas in the states of Assam, Meghalaya, Tripura and Mizoram. It also makes provisions for recognition of Autonomous Regions within these Autonomous Districts. These have been specified in Parts I, II, IIA & III of the table appended to paragraph 20 of the Sixth Schedule. In other words, areas where provisions of Sixth Schedule are applicable are known as Tribal Areas. The State-wise details of Tribal Areas are as under:

- Part-I Assam
    1. The North Cachar Hills District
    2. The Karbi-Anglong District
    3. The Bodo Land Territorial Area Districts
- Part II Meghalaya
    1. Khasi Hills District
    2. Jaintia Hills District
    3. The Garo Hills District
- Part IIA Tripura
    1. Tripura Tribal Areas District

- Part III Mizoram
    1. The Chakma District
    2. The Mara District
    3. The Lai District

The administration of Autonomous Districts and Autonomous Regions is done through District Councils/Regional Councils. These Councils are elected bodies and have powers of legislation, administration of justice apart from executive, developmental and financial responsibilities. The District or Regional Councils are empowered to make rules with the approval of the Governor with regard to matters like establishment, construction or management of primary schools, dispensaries, markets, cattle ponds, ferries, fisheries, roads, road transport and waterways in the district. The Autonomous Councils of the North Cachar Hills and Karbi Anglong have been granted additional powers to make laws with respect to other matters like secondary education, agriculture, social security and social insurance, public health and sanitation, minor irrigation, etc.

The Councils have also been conferred powers under the Civil Procedure Code and Criminal Procedure Code for trial of certain suits and offences, as also the powers of a revenue authority for their area for collection of revenue and taxes and other powers for the regulation and management of natural resources.

- **Tribal Sub-Plan (TSP)**

Upgradation of administration through the innovative strategy of the Tribal Sub-Plan (TSP) for STs was launched at the beginning of the 5th Five Year Plan in 1974-75, covering 21 States and 2 U.T.S., where Scheduled Tribes constitute a sizeable population.

This special strategy was expected to ensure that all the general development sectors, both at the Central and State levels, earmark funds for STs in proportion to their population so that adequate benefits from all the concerned sectors flow to this disadvantaged group. Thus the TSP strategy seeks to ensure adequate flow of funds for tribal development not only under every State Plan funds, but also from all the Central Ministries/Departments. TSP is a part of the overall plan of a State/UT or a Central Ministry/Department, and is therefore called a Sub-Plan.

The TSP promotes development activities through legal and administrative support. The TSP strategy is being implemented through 195 Integrated Tribal Development Projects (ITDPs)/Integrated Tribal Development Agencies (ITDAs), 259 Modified Area Development Approach (MADA) and 82 Clusters. The benefits of the Tribal Sub-Plan are also extended to the scattered tribal population.

The TSP is financed by four sources namely, flow from Centrally Sponsored Schemes. Special Central Assistance, State Plan, and Institutional finance. The Central Ministries have also been requested to utilize at lease 8% of their budget for the welfare and development of Scheduled Tribes.

- **Special Central Assistance for Tribal Sub-Plan**

In support of TSP, the Government of India launched the SCA scheme in 1974 to the States and the UTs, as an additive to fill up the gaps, especially in the family based income-generating programmes. As a result, there has been a substantial increase in the flow of funds during the Ninth Five Year Plan for the development of STs besides enlargement of the share of benefits for STs under all the development programmes.

The SCA to TSP is provided by the Ministry of Tribal Affairs to 21 Tribal Sub- Plan States including North Eastern States of Assam, Manipur and Tripura. Since 2003-04 the Ministry of Home Affairs is releasing the funds under SCA to TSP meant for the UTS.

The SCA is to be utilised in conjunction with the TSP flow with a view to meeting the gaps, which are not otherwise taken care of by the State Plan. The objective and scope of SCA to TSP was originally meant for filling up of the critical gaps in the family-based income-generation activities of the TSP. From the Tenth Five Year Plan, the objective and scope of SCA to TSP has been expanded to cover the infrastructure incidental to income-generation.

- Grants under the First Proviso to Article 275(1) of the Constitution
- Program for development of Forest Villages
- Scheme for Primitive Tribal Groups (PTGs)
- Scheme of Construction of Hostels for ST Boys and Girls
- Establishment of Ashram Schools in Tribal Sub-Plan Area
- Upgradation of Merit of ST students
- Post Matric Scholarships for ST students
- Vocational Training in Tribal Areas
- Education of Girls in Low Literacy Pockets
- Grants-in-Aid to Voluntary Organisations
- Rajiv Gandhi National Fellowship (RGNF)
- National Overseas Scholarship Scheme for Scheduled Tribes (NON-Plan)
- Scheme of TOP Class Education for ST Students
- Grants-in-Aid for Minor Forest Produce (MPP) Operations
- Exchange of visits by STs

- **National Scheduled Tribes Finance and Development Corporation**

- **Special Schemes**

    - Adivasi Mahila Sashaktikaran Yojana (AMSY)
    - Micro-credit scheme – launch of a new scheme

- Tribal Cooperative Marketing Development Federation of India Ltd. (TRIFED)

(Refer the chapter on Welfare in India Year Book and Economic Survey for details of these schemes).

Q. 12 Having discussed Tribals, we now discuss who the Backward Classes are.

Though untouchability was the most visible and comprehensive form of social discrimination. However, there were a large group of castes that were of low status and were also subjected to varying levels of discrimination short of untouchability. These were the service and artisan castes who occupied the lower rungs of the caste hierarchy. The Constitution of India recognizes the possibility that there may be groups other than the Scheduled Tribes and Scheduled Castes who suffer from social disadvantages. These groups – which need not be based on caste alone, but generally are identified by caste – were described as the 'socially and educationally backward classes'. This is the constitutional basis of the popular term 'Other Backward Classes' (OBCs), which is in common use today.

Like the category of the 'tribe' the OBCs are defined negatively, by what they are not. They are neither part of the 'forward' castes at the upper end of the status spectrum, nor of the Dalits at the lower end. But since caste has entered all the major Indian religions and is not confined to Hinduism alone, there are also members of other religions who belong to the backward castes and share the same traditional occupational identification and similar or worse socio-economic status.

However, the OBCs are severely under-represented in all spheres except landholding and political representation (they have a large number of MLAs and MPs). Although the upper OBCs are dominant in the rural sector, the situation of urban OBCs is much worse, being much closer to that of the Scheduled Castes and Tribes than to the upper castes.

Q. 13 The Government has enacted schemes for the welfare of backward classes. Discuss them.

Statutory Body

- **National Commission for Backward Classes**

In pursuance of the Supreme Court Judgement popularly known as Mandal Judgement (1992), the National Commission for Backward Classes was set up in 1993 as a permanent body for entertaining, examining and advising the Government on requests for inclusion and complaints of over-inclusion and under inclusion in the lists of Other Backward Classes (OBCs) of citizens. As per the provision of the Act, the advice tendered by the Commission shall ordinarily be binding upon the Government.

Educational Development

- Pre-matric Scholarships for OBCs
- Post-matric Scholarships for OBCs
- Hostels for OBC Boys and Girls
- Assistance to Voluntary Organisations for Welfare of OBCs

Economic Development

- National Backward Classes Finance and Development Corporation

(Refer the chapter on Welfare in India Year Book and Economic Survey for details of these schemes)

Reservation in Services

Reservation is given to Scheduled Castes (SCs), Scheduled Tribes (STs) and Other Backward Classes (OBCs) in services under the control of Government. Reservation is also provided to persons with disabilities and the ex-servicemen in certain categories of posts. The quantum of reservation for SCs, STs, and OBCs in direct recruitment on all-India basis by open competition is 15 per cent, 7.5 per cent and 27 per cent respectively. In direct recruitment on all-India basis, otherwise than by open competition, reservation is 16.66 per cent for SCs, 7.5 per cent for STs and 25.84 per cent for OBCs. In case of promotion SCs and STs get reservation at the rate of 15 per cent and 7.5 per cent respectively. There is no reservation for OBCs is case of promotion. Three per cent of vacancies are kept reserved for persons with disabilities. Ten per cent of the vacancies in the posts of the level of Assistant Commandant in all paramilitary forces, 10 per cent of the vacancies in Group-C posts and 20 per cent of the vacancies in Group-D posts are reserved for the ex-servicemen.

Article 341 and 342 of the Constitution define as to who would be the SCs and the STs with respect of any State or Union Territory. The Government has prepared a list of OBCs has been prepared by the Government. The inter-state area restrictions have been imposed so that the people belonging to the specific community residing in a specific area which has been assessed to qualify for SC, ST and OBC status only benefit from the facilities provided for them. Definition of 'ex-servicemen' for the purpose of getting reservation in services is contained in Ex-servicemen (Reemployment in Civil Services and Posts) Rules, 1979 and conditions for reservation to persons with disabilities are given under the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995. To ensure that reserved vacancies are filled by candidates belonging to appropriate category, certain relaxations and concessions like relaxation in upper age-limit, etc., are provided. Liaison officers have been appointed for SCs/STs and OBCs in each Ministry/Department to ensure proper implementation of reservation policy for them.

Q. 14 Let us discuss the issues related to minorities next.

The notion of minority groups is widely discussed and is more than a merely numerical distinction – it usually involves some sense of relative disadvantage. Thus, privileged minorities such as extremely wealthy people are not usually referred to as minorities; if they are, the term is qualified in some way, as in the phrase 'privileged minority'. When minority is used without qualification, it generally implies a relatively small but also disadvantaged group.

The sociological sense of minority also implies that the members of the minority form a collectivity – that is, they have a strong sense of group solidarity, a feeling of togetherness and belonging. This is linked to disadvantage because the experience of being subjected to prejudice and discrimination usually heightens feelings of intra-group loyalty and interests. Thus, groups that may be minorities in a statistical sense, such as people who are left-handed or people born on 29th February, are not minorities in the sociological sense because they do not form a collectivity.

However, it is possible to have anomalous instances where a minority group is disadvantaged in one sense but not in another. Thus, for example, religious minorities like the Parsis or Sikhs may be relatively well-off economically. But they may still be disadvantaged in a cultural sense because of their small numbers relative to the overwhelming majority of Hindus. Religious or cultural minorities need special protection because of the demographic dominance of the majority. In democratic politics, it is always possible to convert a numerical majority into political power through elections. This means that religious or cultural minorities – regardless of their economic or social position – are politically vulnerable. They must face the risk that the majority community will capture political power and use the state machinery to suppress their religious or cultural institutions, ultimately forcing them to abandon their distinctive identity.

Q. 15 List the measures taken by the Government to address the problems of the minorities in India.

Constitutional Measures

- **National Commission for Minorities**

The Minorities Commission which was set up in January 1978 by a Resolution issued by Ministry of Home Affairs became a statutory body with the enactment of the National Commission for Minorities Act, 1992 and renamed as The National Commission for Minorities.

- **National Commission for Religious and Linguistic Minorities**

The Government of India has been seized of the welfare needs of socially and economically backward sections among religious and linguistic minorities. For having a detailed examination to determine the criteria for identifications of socially and economically backward sections among religious and linguistic minorities and to suggest measures for their welfare, the Government has constituted a National Commission for Religious and Linguistic Minorities, with the following terms of reference: (a) to suggest criteria for identification of socially and economically backward sections among religious and linguistic minorities; (b) to recommend measures for welfare of socially and economically backward sections among religious and linguistic minorities, including reservation in education and government employment; (c) to suggest the necessary constitutional, legal and administrative modalities, as required for the implementation of their recommendations; and to present a Report of their deliberations and recommendations.

- **Special Officer for Linguistic Minorities**

The Office of the Special Officer for Linguistic Minorities (commonly known as the Commissioner for Linguistic Minorities) was created in July 1957, in pursuance of the provision of Article 350-B of the Constitution. The Commissioner for Linguistic Minorities of India (CLM) has his Headquarters at Allahabad with Regional Offices at Kolkata, Belguam and Chennai. The CLM takes up all the matters pertaining to the grievances arising out of the non-implementation of the Constitutional and Nationally Agreed Scheme of Safeguards provided to linguistic minorities that come to its notice or are brought to its knowledge by the linguistic minority individuals, groups, associations or organisations at the highest political and administrative levels of the State Governments and UT Administrations and recommends remedial actions to be taken.

- **The Central Wakf Council**

A Wakf is a permanent dedication of movable or immovable properties for purposes recognised by the Muslim Law as religious, pious or charitable. Apart from these religious aspects, the Wakfs are also instruments of social and economic upliftment.

Administration of Central Legislation for Wakfs is the responsibility of the Ministry of Social Justice and Empowerment. For the purpose of advising it on matters relating to working of the Wakf Boards and the proper administration of Wakfs in the country, the Central Wakf Council was established as a statutory body by the Central Government in December, 1964 under Section 8A of the Wakf Act, 1954 (now read as Sub-Sec(1) of the Section 9 of Wakf Act, 1995). The Council implements schemes for development of urban Wakf properties and educational programmes schemes.

- **The Durgah Khwaja Saheb Act, 1955**

It is an Act to make provision for the proper administration of Durgah and Endowment of the Durgah Khwaja Moinuddin Chisty (R.A.). Under this Central Act the administration, control and management of the Durgah Endowment has been vested in a representative Committee known as the Durgah Committee appointed by the Central Government.

- **Prime Minister's 15 Point Programme for the Welfare of Minorities**
- **Exclusive scholarship schemes for students belonging to the minority communities**
    - Merit-cum-Means Scholarship
    - Post-Matric Scholarships
    - Pre-Matric Scholarships
- **Identification of Minority Concentration Districts**
- **Free Coaching and Allied Scheme**
- **National Minorities Development and Finance Corporation**
- **Initiatives taken in Pursuance of the Sachar Committee Recommendations**

(Refer the chapter on Welfare in India Year Book and Economic Survey for details of these schemes)

Q. 16 Explain the term - Persons with Disabilities. What are the kind of problems that this section of the population faces.

The differently abled are not 'disabled' only because they are physically or mentally impaired' but also because society is built in a manner that does not cater to their needs. In contrast to the struggles over Dalit, adivasi or women's rights, the rights of the differently abled have been recognized only very recently. Yet in all historical periods, in all societies there have been people who are differently abled.

The social construction of disability has another dimension. There is a close relationship between disability and poverty. Malnutrition, mothers weakened by frequent childbirth, inadequate immunization programmes, accidents in overcrowded homes, all contribute to an incidence of disability among poor people that is higher than among people living in easier circumstances. Furthermore, disability creates and exacerbates poverty by increasing isolation and economic strain, not just for the individual but for the family; there is little doubt that disabled people are among the poorest in poor countries.

Q. 17 List the measures taken by the government to address the concerns of the Persons with Disabilities.

- **Persons with Disabilities Act, 1995**

A comprehensive law, namely, the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 has been enacted and enforced in February 1996. The law deals with both prevention and promotion aspects of the rehabilitation such as education, employment and vocational training, creation of barrier-free environment, provision of rehabilitation services for persons with disabilities, institutional services and supportive social security measures like unemployment allowance and grievance redressal machinery both at the Central and State-Level.

- **National Trust for the Welfare of Persons with Autism, Cerebral palsy, Mental Retardation and Multiple Disabilities**

The National Trust is a statutory body under "The National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999". The main objectives of the Trust are to enable and empower persons with these disabilities to live independently as fully as possible, to extend support to registered organisations providing need-based services and to evolve procedure for appointment of legal guardians for persons with disabilities requiring such protection.

- **Office of the Chief Commissioner for Persons with Disabilities**

The Chief Commissioner is an important statutory functionary, appointed under Section 57 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995. The functions and duties of the Chief Commissioner include coordinating the work of State Commissioners for persons with disabilities, monitoring of utilisation of funds disbursed by the Central Government, taking steps to safeguard rights and facilities made available to persons with disabilities and also to look into complaints with respect to deprivation of rights of persons with disabilities.

The Chief Commissioner can also take suo motu notice of non-implementation of any Rule, Law, etc. meant for persons with disabilities and is vested with the powers of a civil court relating to summoning of witness, discovery, requisitioning and production of any document, etc.

- **Rehabilitation Council of India**

The Rehabilitation Council of India is a statutory body set up under the Rehabilitation Council of India Act, 1992. The Council is responsible for regulating the training policies and programmes for various categories of professionals in the area of rehabilitation and special education. Its functions include: (i) standardization and regulation of training courses at different levels in all the training institutions throughout the country, (ii) recognition of institutions/universities running training courses in the area of rehabilitation of the disabled within and outside the country on a reciprocal basis, (iii) promotion of research in rehabilitation and special education, (iv) maintenance of a Central Rehabilitation Register for professionals possessing the recognized qualifications in the area of rehabilitation

and (v) encouragement of Continuing Rehabilitation Education programmes in collaboration with organisations working in the area of disability.

- India is a signatory to the Declaration on the Full Participation and Equality of People with Disabilities in the Asia Pacific Region. India is also a signatory to the **Biwako Millennium Framework** for action towards an inclusive, barrier free and rights based society. India signed the UN Convention on Protection and Promotion of the Rights and Dignity of Persons with Disabilities on 30th March, 2007, the day it opened for signature. India ratified the UN Convention on 1st October, 2008.

- **National Handicapped Finance and Development Corporation**
- **Scheme for Assistance to disabled Persons for Purchase/Fitting of aids and appliances**
- **Artificial Limbs Manufacturing Corporation of India**
- **Composite Regional Centers and Regional Rehabilitation Centers**

Q. 18 Explain the issues related to an ageing population. How does the Government plan to address them?

Demographic ageing is a global phenomenon. It has implications at both the macro and household level. It is true that due to strong family ties in India, majority of elderly people live with their sons or are supported by them in one way or the other. However, there have been changes in recent times, which have made the position of many elderly people vulnerable. These have mainly to do with changing nature of occupations of the children, changing life styles, extended periods of dependency and higher health and other costs.

Constitutional and Other Provisions

- Article 41 of the DPSP directs that the State shall, within the limits of its economic capacity and development, make effective provision for securing the right of public assistance in cases of old age.

- **National Social Assistance Programme (NSAP)**

The National Social Assistance Programme (NSAP) which came into effect from 15th August, 1995 represents a significant step towards the fulfillment of the Directive Principles in Article 41 of the Constitution. It introduces a National Policy for Social Assistance for the poor and aims at ensuring minimum national standard for social assistance in addition to the benefits that the states are currently providing and might rovide in future. NSAP at present comprises of the following:

- Indira Gandhi National Old Age Pension Scheme (IGNOAPS)
- Indira Gandhi National Widow Pension Scheme (IGNWPS)
- Indira Gandhi National Disability Pension Scheme (IGNDPS)
- National Family Benefit Scheme (NFBS)
- Annapurna Scheme

- **Integrated Programme for Older Person**

  Objectives:

  - Providing support for the capacity building of senior citizens by establishing and maintaining Old Age Homes; Day Care Centers; Mobile Medicare Units and Non-Institutional services.
  - Popularize the concept of life through re-enforcement & strengthening of the ability & commitment of the family to provide care to older persons.
  - Productive ageing.
  - Preparation of old age.
  - Generating greater awareness on issues concerning older persons

Q. 19 Who are Sexual Minorities? Why are they considered a vulnerable section of the population? Does the Constitution provide for any provisions to safeguard their interests?

Another group that faces stigma and discrimination are the sexual minorities. Those identified as gay, lesbian, transgender, bisexual, kothi and hijra, experience various forms of discrimination within the society and the health system. Due to the dominance of hetero-sexual relations as the only form of normal acceptable relations within the society, individuals who are identified as having same-sex sexual preferences are ridiculed and ostracized by their own family and are left with very limited support structures and networks of community that provide them conditions of care and support. Their needs and concerns are excluded from the various health policies and programmes.\

Constitutional Provisions for sexual minorities

- Art. 15(1): The State shall not discriminate against any citizen on grounds only of religion, race, caste, sex, place of birth or any of them.

Others:

- National AIDS Prevention and Control Policy.

Q. 20 Orphans and street children are also considered as vulnerable sections. Explain how.

A Street child is a term used to refer to a child who lives on the streets of a city. Such children are deprived of family care and protection. Most children on the streets are between the ages of about 5 and 17 years old, and their population between different cities is varied. Street children live in abandoned buildings, cardboard boxes, parks or on the street itself. A great deal has been written defining street children, but the primary difficulty is that there are no precise categories, but rather a continuum, ranging from children who spend some time in the streets and sleep in a house with ill-prepared adults, to those who live entirely in the streets and have no adult supervision or care. A widely accepted set of definitions, commonly attributed to UNICEF, divides street children into two main categories:

Children on the street are those engaged in some kind of economic activity ranging from begging to vending. Most go home at the end of the day and contribute their earnings to their family. They may be attending school and retain a sense of belonging to a family. Because of the economic fragility of the family, these children may eventually opt for a permanent life on the streets.

Children of the street actually live on the street (or outside of a normal family environment). Family ties may exist but are tenuous and are maintained only casually or occasionally.

Q. 21 List the Constitutional provisions that safeguard the interests of children.

Constitutional Provisions for children

- Article 15(3) empowers the state to make special provisions for welfare of children and women.
- Article 19 A: Education up to 14 yrs has been made a fundamental right. Thus, the state is required to provide school education to children.
- In the case of Unni Krishnan vs State of AP, SC held that right to education for children between 6 to 14 yrs of age is a fundamental right as it flows from Right to Life U/A 21. After this decision, education was made a fundamental right explicitly through 86th amendment in 2002.
- Article 24: Children have a fundamental right against exploitation and it is prohibited to employ children below 14 yrs of age in factories and any hazardous processes. Recently the list of hazardous processes has been update to include domestic, hotel, and restaurant work.
- Article 39(e) of DPSP puts responsibility of State to ensure that children of tender age should not be misused.
- Several PILs have been filed in the benefit of children. For example, MC Mehta vs State of TN, SC has held that children cannot be employed in match factories or which are directly connected with the process as it is hazardous for the children.
- In the case of Lakshmi Kant Pandey vs. Union of India, J Bhagvati has laid down guidelines for adoption of Indian children by foreigners.
- Article 45: Urges the state to provide early childhood care and education for children up to 6 years of age.

Q. 22 Apart from the Constitutional provisions which other policies and schemes have been enacted to protect the rights of children? Specify.

Statutory Bodies

- **National Commission for protection of Child Rights**

The Commissions for Protection of Child Rights Act, 2005 was notified in 2006. It has started functioning from March 2007. The National Commission for Protection of Child rights is a statutory body. Its mission is to protect, promote and defend child rights in India. Its mandate is to ensure that all laws, policies, programmes, practices and administration structure in the country are in consonance with the child rights perspective as enshrined in the constitution of India and also the UN Convention on the Rights of Children.

Policies

- **National Policy for Children**

The National Policy for Children was adopted in 1974. This policy lays down that the State shall provide adequate service for children, both before and after birth and during the growing stages for their full physical, mental and social development. The measures suggested in the policy include, amongst others, a comprehensive health programme, supplementary nutrition for mothers and children, free and compulsory education for all children up to the age of 4 years, promotion of physical education and recreational activities, special consideration for children etc. The Policy is being reviewed by the Ministry as per present needs and priorities.

- **National Charter for Children**

The Government of India adopted the National Charter for Children in 2004. The National Charter is a statement of intent embodying the Government's agenda for children. The document emphasizes GOI's commitment to children's rights to survival, health and nutrition, standard of living, play and leisure, early childhood care, education, protection of girl child, empowering adolescents, equality of life and liberty, name and nationality, freedom of expression, freedom of association and peaceful assembly, the right to a family and right to be protected from economic exploitation and all forms of abuse. It also provides for protection of children in difficult circumstances, children with disabilities, children from marginalized and disadvantaged communities and child victims, The document, while stipulating the duties of the State and the Community towards children, also emphasizes the duties of children towards family, society and the Nation.

Schemes

- **Integrated Child Development Services (ICDS) Scheme**

The Integrated Child Development Services (ICDS) Scheme was launched in 1975 as a Centrally Sponsored Scheme with the following objectives: (a) to improve the nutritional and health status of children below the age of six years and pregnant and lactating mothers; (b) to lay the foundation for the proper psychological, physical and social development of the child, (c) to reduce the incidents of mortality, morbidity, malnutrition and school dropouts, (d) to achieve effective coordination of policy and implementation among various departments to promote child development, (e) to enhance the capability of the mother to look after the health and nutritional needs of the child through proper health and nutrition education. The Scheme provides for a package of services to children below 6 years and pregnant women and lactating mothers, comprising (i) Supplementary nutrition (ii) Immunization, (iii) Health check-ups, (iv) Nutrition and Health education, (v) Referrals, (vi) Pre-school, non formal education.

- Rajiv Gandhi National Creche Scheme for the Children of Working Mothers
- Integrated Child protection Scheme (ICPS)
- Scheme for Welfare of Working Children in Need of Care and Protection
- Dhanlakshmi-Conditional Cash Transfer for Girl Child with insurance Cover
- Rajiv Gandhi Manav Seva Award For Service To Children
- Balika Samriddhi Yojana (BSY)
- Kishori Shakti Yojana (KSY)

- Nutrition Programme for Adolescent Girls (NPAG)
- Early Childhood Education for 3-6 Age Group Children Under the Programme of Universaliation of Elementary Education.
- Central Adoption Resource Agency (CARA)
- General Grant-in-Aid Scheme in the field of Women and Child Development.

(Refer the chapter on Welfare in India Year Book and Economic Survey for details of these schemes)

Q. 23 Women comprise roughly half of the population of our country. What is the reason that they are still a vulnerable section?

Because of the obvious biological and physical differences between men and women, gender inequality is often treated as natural. However, despite appearances, scholars have shown that the inequalities between men and women are social rather than natural. For example, there are no biological reasons that can explain why so few women are found in positions of public power. Nor can nature explain why women generally receive a smaller or no share in family property in most societies. But the strongest argument comes from the societies that were different from the 'normal' or common pattern. If women were biologically unfit to be inheritors and heads of families, how did matrilineal societies (as the Nairs of Kerala used to be, and as the Khasis of Meghalaya still are) work for centuries? How have women managed to be successful farmers and traders in so many African societies? There is, in short, nothing biological about the inequalities that mark the relations between and men. Gender is thus also a form of social inequality and exclusion like caste and class, but with its own specific features.

Women's reform was a major issue much before independence. While in the nineteenth century reform movements, the emphasis had been on the backward aspects of tradition like sati, child marriage, or the ill treatment of widows, two decades after Independence, women's issues re-emerged in the 1970s with emphasis on emphasis was on 'modern' issues – the rape of women in police custody, dowry murders, the representation of women in popular media, and the gendered consequences of unequal development. The law was a major site for reform in the 1980s and after, specially when it was discovered that many laws of concern to women had not been changed since the 19th century. As we enter the twenty-first century, new sites of gender injustice are emerging. The sharp fall in the child sex ratio and the implicit social bias against the girl child represents one of the new challenges of gender inequality.

Q. 24 Mention the Constitutional provisions laid down for the welfare of women.

- Article 15(3): It allows the state to make special provisions for women and children. Several acts such as Dowry Prevention Act have been passed including the most recent one of Protection of women from domestic violence Act 2005.
- Article 23: Under the fundamental right against exploitation, forcing people into immoral activities has been prohibited.
- Article 39: Ensures equal pay to women for equal work.

In the case of Randhir Singh vs Union of India, SC held that the concept of equal pay for equal work is indeed a constitutional goal and is capable of being enforced through constitutional remedies under Art. 32.

- Article 40: Provides one-third reservation in panchayats.
- Article 42: Provides free pregnancy care and delivery.
- Article 44: It urges the state to implement uniform civil code, which will help improve the condition of women across all religions. It has, however, not been implemented due to political compulsions. In the case of Sarla Mudgal vs Union of India, SC has held that in Indian Republic there is to be only one nation i.e. Indian nation and no community could claim to be a separate entity on the basis of religion.

Q. 25 Give an account of the various policies, schemes, mechanisms and bodies constituted as a safeguard against women vulnerability.

Policies

- **National Policy for Empowerment of Women (NPEW)**

It was formulated in 2001 with the express goal of bringing about the advancement, development and empowerment of women. The NPEW laid down detailed prescriptions to address discrimination against women, strengthen existing institutions which includes the legal system,, provide better access to health care and other services, equal opportunities for women's participation in decision-making and mainstreaming gender concerns in the development process etc. The policies/programmes of the Government are all directed towards achieving inclusive growth with special focus on women in line with the objective of the NPEW.

Statutory and Autonomous Organizations

- **National commission for Women**

It is a statutory body constituted in 1992 under the National Commission for Women Act, 1990. The main task of the Commission is to study and monitor all matters relating to the Constitutional and legal safeguards provided for women and to review the existing legislations and suggest amendments, wherever necessary. The commission also ensures speedy redressal of grievances of women.

- **Rashtriya Mahila Kosh (RMK)**

Rashtriya Mahila Kosh (National Credit Fund for Women) was set up by the Government of India in March 1993 as an independent registered society. Its main objective was to provide micro credit to poor, assetless women for income generation activities for asset creation and for tiding over contingent consumption needs, as also as an instrument of socio-economic change and development of women. Government has proposed to restructure and strengthen RMK to scale up their activities including that of background and forward linkages to function as a single window facilitator and service provider for women self help groups (SHGs).

Schemes

- Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG) - SABLA
- Indira Gandhi Matritva Sahyog Yojana (IGMSY – CMB Scheme
- Support to Training and Employment Programme for Women (STEP)
- Women Empowerment and Livelihood Programme in Mid-Gangetic Plains
- Swadhar
- Short Stay Homes
- Working Womens' Hostel
- Ujjawala
- Gender Budgeting Initiatives
- National Mission for Empowerment of Women
- Family Counselling Centers
- Condensed Courses of Education of Women
- Awareness Generation Programme

Other Programmes

- General Grant-in-aid Scheme for Innovative Work on Women and Child Development
- Convention on Elimination of Discrimination against Women (CEDAW)
- Beijing Platform for Action
- UN Convention on the Rights of the Child

(Refer the chapter on Welfare in India Year Book and Economic Survey for details of these schemes)

Q. 26 Analyze India's Welfare Policy. What is the criteria on the basis of which an assessment of India's Welfare Policy and Schemes can be done.

Independent India embraced equality as a cardinal value against a background of elaborate, valued and clearly perceived inequalities. Her constitutional policies to offset these proceeded from an awareness of the entrenched and cumulative nature of group inequalities. The result has been an array of programmes that have been called as welfare schemes It would not be unfair to say that these welfare schemes have been pursued with remarkable persistence and generosity (if not always with vigour and effectiveness).

Few in independent India have voiced disagreement with the proposition that the disadvantaged and vulnerable sections of the population deserve and need 'special help'. But there has been considerable disagreement about exactly who is deserving of such help, about the form this help ought to take and about the efficacy and propriety of what the government has done under this head.

There is no open defence of the practices followed in earlier times. Everyone is against untouchability and against caste discrimination. Public debate takes the form of argument among competing views of what is really good for the "lower" castes and for the country. These views involve a host of assertions about the effects – beneficial and deleterious – of social welfare schemes.

The evaluation of these schemes involves a two-stage inquiry. **First**, there is what we might call the problem of performance: does the scheme actually deliver the goods. **Second**, we need to evaluate what we might call the problem of achievement. Has the scheme produced the results that it is supposed to achieve – do more jobs for Scheduled Castes produce considerate treatment by officials, or stimulate educational accomplishment, or produce social integration? To what extent does delivering the jobs entail the costs alleged by critics of preferential treatment-stigmatizing the beneficiaries, fomenting group resentments, lowering self-esteem, and so on.

Q. 27 Based on the above mentioned scheme of evaluation can we say that India's welfare programmes have largely been able to meet their objectives?

Given the complexity and number of schemes, mechanisms, laws and institutions performance of these are difficult to measure: effects ramify in complex interaction with other factors. Compensatory policies are designed to pursue a multiplicity of incommensurable goals in unspecified mixtures that vary from programme to programme, from time to time, and from proponent to proponent.

However undeniably, welfare measures have produced substantive redistributive effects though redistribution is not spread evenly throughout the beneficiary groups. For instance, there has been a major redistribution of educational opportunities to the vulnerable sections. In the utilization of these opportunities, however, there is evidence for substantial clustering, which appears to reflect structural factors (for instance, the greater urbanization of some groups) more than deliberate group aggrandizement, as is often charged. The better situated among the beneficiaries enjoy a disproportionate share of programme benefits. This tendency, inherent in all government programmes is aggravated by a passive administration and by the concentration on higher echelon benefits.

The welfare schemes have brought a many-fold increase in the number of families liberated from circumscribing subservient roles, enabling them to utilize expanding opportunities and support high educational attainments.

However, if as critics of preferential programmes charge, receiving separate and special treatment in itself wounds and alienates the members of beneficiary groups, this is surely amplified by the hostility encountered on being identified as a recipient. As sources of alienation, these experiences must be placed against the background of more devastating manifestations of hostility, such as the much publicized assaults and atrocities perpetrated on Scheduled Castes.

Welfare programmes provide the basis for personal achievement and enlarge the beneficiaries' capacity to shape their own lives. However, though these programmes have kept the beneficiary groups and their problems visible to the educated public, they have not stimulated widespread concern to provide for the inclusion of the vulnerable sections, apart fro what is mandated by government policy. Some may also offer these as an excuse to absolve themselves of any responsibility for the betterment of the vulnerable sections on the ground that it is responsibility of

the government. The pervasive overestimation of the amount and effectiveness of welfare reinforces the notion that enough (or too much) is already being done and nothing more is called for.

In conclusion, one can only say that these schemes should not be judged only for their instrumental qualities. They are also expressive: through it Indians tell themselves what kind of people they are and what kind of nation India is. These schemes express a sense of connection and shared destiny. Advantaged and disadvantaged are indissolubly bound to one another. There is continuity between past and future that allows past injustices to be rectified. They embody the brave hopes of India reborn that animated the freedom movement and were crystallized in the Constitution. If the reality has disappointed many fond hopes, the turn away from the older hierarchic model to a pluralistic participatory society has proved vigorous and enduring.

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TOPIC: COMPARISON OF INDIAN CONSTITUTION (GS: PAPER III)

Section A	Introduction
Section B	Political Systems around the World
Section C	Salient features of constitution of various democratic countries
Section D	Borrowed Features of Indian Constitution
Section E	Comparison of Indian Constitution with that of others
Section F	Conclusion
Section G	Model Questions

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SECTION A: INTRODUCTION

"If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself."

The above statement defines the importance and need of a constitution for a country. A constitution is the highest law of a country and reflects the fundamental principles on which a system of government and administration of a country is based.

The term *constitution* comes through French from the Latin word *constitutio*, used for regulations and orders, such as the imperial enactments.

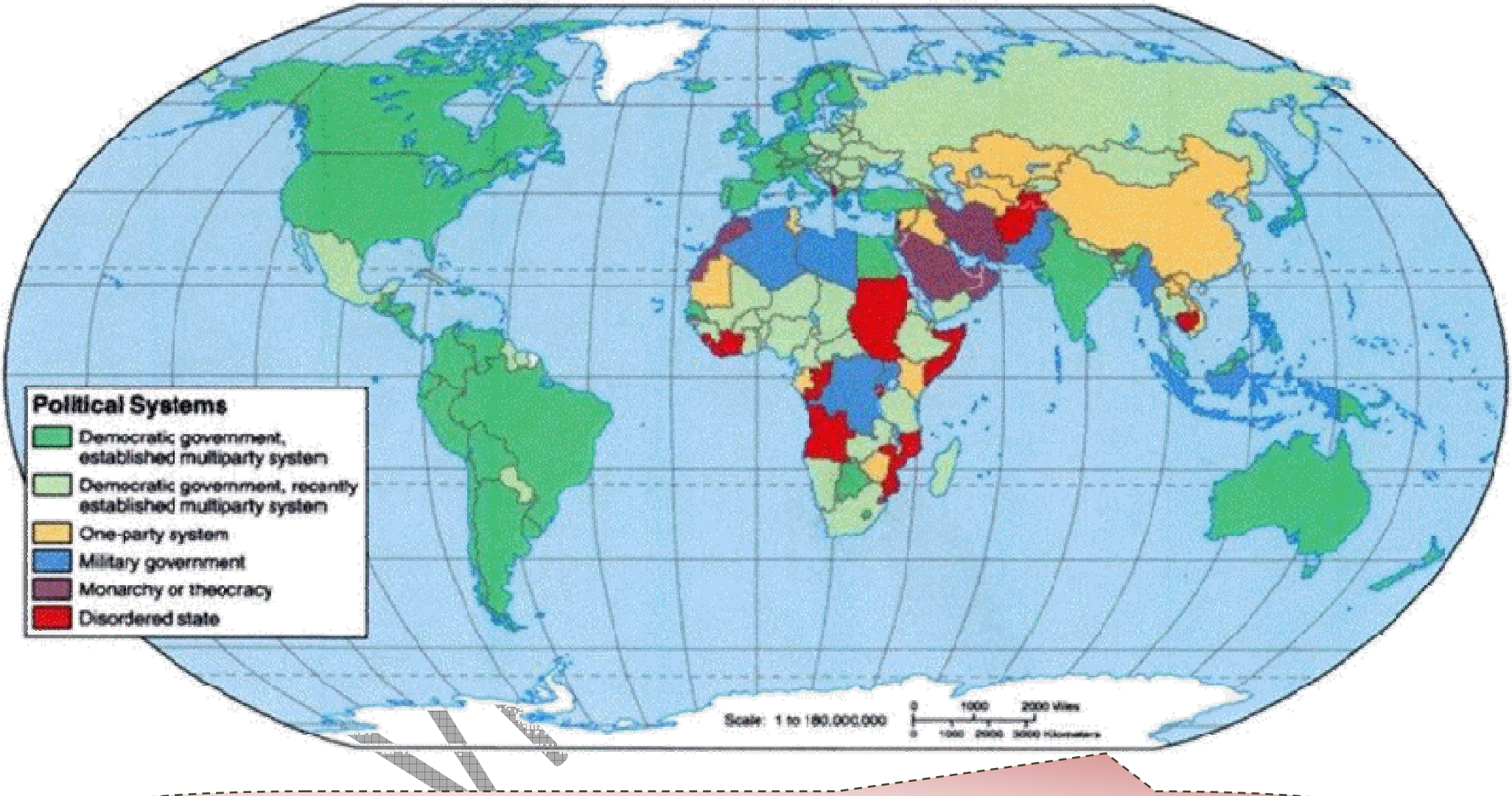
A constitution is a set of fundamental principles or established precedents according to which a state or other organization is governed. These rules together make up, i.e. *constitute*, what the entity is.

A constitution of a country needs to reinvent itself to keep pace with the global changes. Hence, comparative analysis gains importance in this respect. However, before going into the details of that, a cursory glance at various political systems in the world needs attention.

SECTION B: POLITICAL SYSTEMS ACROSS THE WORLD

Various Political systems prevalent across the world are explained below:

1. *Dictatorship* is a form of government in which the ruler is an absolute dictator (not restricted by a constitution or laws or opposition from the people).
2. *Democracy* is the government by the people, exercised either directly or through elected representatives.
3. *Republic* is slightly different from a democracy and is a government in which supreme power resides in a body of citizens entitled to vote and is exercised by elected officers and representatives responsible to them and governed according to law.
4. *Anarchy* is the absence of government; the state of society where there is no law or supreme power; a state of lawlessness; political confusion.



From the above diagram, it can be inferred that comparison of Indian constitution with other democratic countries like USA,UK, Japan, France, Russia and Germany will serve the purpose of comparative analysis.

SECTION C:SALIENT FEATURES OF THE CONSTITUTIONS OF VARIOUS DEMOCRATIC COUNTRIES

Constitution of USA

The United States of America is a federal republic consisting of fifty states and a federal district.

Main features of its constitution are:

1. *Presidential Democracy*-President is the head of state and head of government.
2. *Federal System*-It is a federal state that emerged from an initial agreement between a numbers of separate states.
3. *The Constitution and the Rule of Law*-In the United States, the Constitution is "king." Only laws passed through the mechanisms established by the Constitution are valid. Furthermore, any law that is inconsistent with the limitations, structures or principles established by the Constitution is considered, by definition, invalid.
4. *The Separation of Powers and Checks and Balances*-Another prominent feature of the U.S. Constitution is its scheme of separated powers. The Framers were well aware of the need to preserve liberty while establishing order with the new Constitution.

Constitution of UK

The United Kingdom of Great Britain and Northern Ireland, commonly known as the United Kingdom (UK) and Britain, is a sovereign state located off the north-western coast of continental Europe. The country includes the island of Great Britain, the north-eastern part of the island ofIreland and many smaller islands.

The UK's form of government is a constitutional monarchy with a parliamentary system and its capital city is London. It consists of four countries: England, Scotland, Wales and Northern Ireland.

Characteristics or features of the U.K. constitution:

1. The Constitution is not `written' in the sense of having a single document defining the powers of government and rights of individuals. Nevertheless many sources of constitutional law are written and these together with the non-legal rules make up the British Government.
2. The constitution is flexible and based on continuity of development.
3. In the absence of a written constitution having the status of fundamental, or higher law, the concept of Parliamentary sovereignty, or legislative supremacy represents the cornerstone of the constitution.

4. There is no strict separation of powers between the executive, legislature and judiciary, although a separation of functions exists and the concept retains importance under the constitution.
5. The United Kingdom has a constitutional monarchy.
6. The United Kingdom is a unitary, as opposed to a federal state.
7. The legislature is bicameral in nature.
8. The judiciary is independent.

Constitution of France

France is a unitary semi-presidential republic located mostly in Western Europe.

The current Constitution of France was adopted on 4 October 1958. It is typically called the Constitution of the Fifth Republic, and replaced that of the Fourth Republic dating from 1946 . Since then the constitution has been amended eighteen times, most recently in 2008.

Salient Features of its constitution are:

1. The preamble of the constitution recalls the Declaration of the Rights of Man and of the Citizen from 1789 and establishes France as a secular and democratic country, deriving its sovereignty from the people.
2. It provides for the election of the President and the Parliament, the selection of the Government, and the powers of each and the relations between them.
3. It ensures judicial authority and creates a High Court (a never convened court for judging the President), a Constitutional Council, and an Economic and Social Council. It was designed to create a politically strong President.
4. It enables the ratification of international treaties and those associated with the European Union.
5. The Constitution also sets out methods for its own amendment either by referendum or through a Parliamentary process with Presidential consent.

Constitution of Russia

Russia is a federal semi-presidential republic, comprising 83 federal subjects.

Salient features of its constitution are:

1. The Russian Constitution is based on world standards for human rights and basic principles of democratic state-building such as ideological neutrality of the state, political pluralism, competitive elections and separation of powers.

2. The constitution establishes a semi-presidential system, resembling the French system but with stronger executive power, due to the increased independence of the president in comparison to the French model.
3. The President of the Russian Federation holds primary power in the Russian political system. The President, who is elected for a six year term (following the2008 Amendments to the constitution), is the head of state and the Supreme Commander-in-Chief of the Armed Forces of the Russian Federation.
4. The constitution prescribes that the Government of Russia, is the executive branch of state power and is consisting of a prime minister (chairman of the Government), deputy prime ministers, and federal ministers and their ministries and departments.
5. The legislature's innate checks and balances are reflected in the ability of the Federal Council to examine and subsequently revise or reject legislation passed by the Duma.
6. The Russian Constitution provides for a Constitutional Court, a Supreme Court, a Supreme Court of Arbitration, and for the development of various lower courts. In contrast, the Constitution withholds several areas of traditional court jurisdiction from the Court and instead gives them to the President.

Constitution of Germany

Germany is a federal parliamentary republic in western-central Europe. The country consists of 16 states.

Salient Features of its constitution are:

1. The Basic Law for the Federal Republic of Germany (German: Grundgesetz für die Bundesrepublik Deutschland) is the Constitution of Germany. It was approved on 8 May 1949, and, with the signature of the western Allies of World War II on 12 May, came into effect on 23 May.
2. Basic rights are fundamental to the Basic Law, in contrast to the Weimar Constitution, which listed them merely as "state objectives".
3. The Basic Law established Germany as a parliamentary democracy with separation of powers into executive, legislative, and judicial branches.
4. The executive branch consists of the largely ceremonial Federal President as head of state and the Federal Chancellor, the head of government, normally (but not necessarily) the leader of the largest grouping in the Bundestag.
5. The legislative branch is represented by the Bundestag, elected directly through a mixture of proportional representation and direct mandates.
6. The judicial branch is headed by the Federal Constitutional Court, which oversees the constitutionality of laws.

7. Basic Law may be amended by an absolute two-thirds majority of the Bundestag along with a simple two-thirds majority of the Bundesrat
8. Germany has switched between confederal, federal and unitary rule, since the German Confederation was founded in 1815. The current Germany is a federal system of states.

Constitution of Japan

Japan is a constitutional monarchy where the power of the Emperor is very limited. As a ceremonial figurehead, he is defined by the constitution as "the symbol of the state and of the unity of the people"

Salient features of its constitution are:

1. The constitution provides for a parliamentary system of government and guarantees certain fundamental rights.
2. The constitution, also known as the "Postwar Constitution" is most characteristic and famous for the renunciation of the right to wage war contained in Article 9 and to a lesser extent, the provision for de jure popular sovereignty in conjunction with the monarchy.
3. It is a rigid document and no subsequent amendment has been made to it since its adoption.
4. Legislative authority is vested in a bicameral National Diet and, whereas previously the upper house had consisted of members of the nobility, the new constitution provided that both chambers be directly elected.
5. Executive authority is exercised by a Prime Minister and cabinet answerable to the legislature, while the judiciary is headed by a Supreme Court.

Constitution of India

The constitution of India was framed by the Constituent Assembly, set up in 1946 under the provisions of cabinet mission plan. Dr. Rajendra Prasad was the president of Constituent assembly and Dr. B.R. Ambedkar was the Chairman of the seven –member Drafting Committee which drafted the constitution.

The Indian constitution is the lengthiest and most detailed written constitution in the world. Though most of the features of our constitution are substantially borrowed from others, the framers gathered the best features of each of the existing constitutions and modified them according to the existing needs and conditions of the country.

The preamble of the constitution declares India a sovereign, Socialist, Secular, and democratic republic. It highlights justice, liberty, equality and fraternity as objectives of the constitution.

The Constitution of India consists of a preamble, 22 parts and 12 schedules. Although it is federal in nature it also has a strong unitary bias.

Parts

The individual Articles of the Constitution are grouped together into the following Parts:

Part I – Union and its Territory	Part XI – Relations between the Union and the States.
Part II – Citizenship	Part XII – Finance, Property, Contracts and Suits
Part III – Fundamental Rights	Part XIII – Trade and Commerce within the territory of India
Part IV – Directive Principles of State Policy	Part XIV – Services under the Union, the States.
Part IVA – Fundamental Duties	Part XIVA – Tribunals
Part V – The Union.	Part XV – Elections
Part VI – The States	Part XVI – Special Provisions Relating to certain Classes.
Part VII – States in the B part of the I schedule	Part XVII – Languages
Part VIII – The Union Territories	Part XVIII – Emergency Provisions
Part IX – The Panchayats	Part XIX – Miscellaneous
Part IXA – The Municipalities.	Part XX – Amendment of the Constitution
Part IXB – The Cooperative Societies	Part XXI – Temporary, Transitional and Special Provisions
Part X – The scheduled and Tribal Areas	Part XXII – Short title, date of commencement, Authoritative text in Hindi and Repeals

Schedules

Schedules are lists in the Constitution that categorize and tabulate bureaucratic activity and policy of the Government.

First Schedule (Articles 1 and 4) - This lists the states and territories of India
Second Schedule (Articles 59(3), 65(3), 75(6), 97, 125, 148(3), 158(3), 164(5), 186 and 221)- – This lists the salaries of officials holding public office, judges, and CAG
Third Schedule (Articles 75(4), 99, 124(6), 148(2), 164(3), 188 and 219)—Forms of Oaths – This lists the oaths of offices for elected officials and judges
Fourth Schedule (Articles 4(1) and 80(2)) – This details the allocation of seats in the Rajya Sabha (the upper house of Parliament) per State or Union Territory
Fifth Schedule (Article 244(1)) – This provides for the administration and control of Scheduled Areas and Scheduled Tribes
Sixth Schedule (Articles 244(2) and 275(1))— Provisions for the administration of tribal areas in Assam, Meghalaya, Tripura, and Mizoram
Seventh Schedule (Article 246)—The union (central government), state, and concurrent lists of responsibilities
Eighth Schedule (Articles 344(1) and 351)—The official languages.
Ninth Schedule (Article 31-B) – Originally Articles mentioned here were immune from judicial review on the ground that they violated fundamental rights. but in a landmark judgement in 2007, the Supreme Court of India held in I.R. Coelho v. State of Tamil Nadu and others that laws included in the 9th schedule can be subject to judicial review if they violated the fundamental rights guaranteed under Article 14, 15, 19, 21 or the basic structure of the Constitution.
Tenth Schedule (Articles 102(2) and 191(2))—"Anti-defection" provisions for Members of Parliament and Members of the State Legislatures
Eleventh Schedule (Article 243-D)—Panchayati Raj (rural local government)
Twelfth Schedule (Article 243-W)—Municipalities (urban local government)

SECTION D: BORROWED FEATURES OF INDIAN CONSTITUTION

Indian constitution has assimilated various features from other countries into its domain which imparts it a special character.

Following are the borrowed features of constitution from different countries.

From U.K.	• Nominal Head – President (like Queen) • Cabinet System of Ministers • Post of PM • Parliamentary Type of Govt. • Bicameral Parliament • Lower House more powerful • Council of Ministers responsible to Lowe House • Speaker in Lok Sabha
From U.S.	• Written Constitution • Executive head of state known as President and his being the Supreme Commander of the Armed Forces • Vice- President as the ex-officio Chairman of Rajya Sabha • Fundamental Rights • Supreme Court • Provision of States • Independence of Judiciary and judicial review • Preamble • Removal of Supreme court and High court Judges
From USSR	• Fundamental Duties • Five year Plan
From AUSTRALIA	• Concurrent list • Language of the preamble • Provision regarding trade, commerce and intercourse
From JAPAN	• Law on which the Supreme Court function
From WEIMAR CONSTITUION OF GERMANY	• Suspension of Fundamental Rights during the emergency
From CANADA	• Scheme of federation with a strong centre • Distribution of powers between centre and the states and placing. Residuary Powers with the centre
From IRELAND	• Concept of Directive Principles of States Policy(Ireland borrowed it from SPAIN) • Method of election of President • Nomination of members in the Rajya Sabha by the President

SECTION E: FEATURES OF INDIAN CONSTITUTION COMPARED WITH OTHER COUNTRIES

1. *Written Constitution*

A written constitution is a formal document defining the nature of the constitutional settlement, the rules that govern the political system and the rights of citizens and governments in a codified form.

- *India*-Written and longest known constitution
- *USA*-Written. It's a product of 1787 constitutional document and subsequent amendments, the congressional statutes, executive orders, judicial interpretations and the political conventions.
- *Great Britain*: British constitution is unwritten. Only small portion of British constitution is covered by written documents. The British constitution is an evolved one and not enacted one. Various sources of British constitution are: Conventions, Great Charters, Statutes, Common Law, Legal Commentaries.
- *France*: Since French revolution France has changed its constitution quite often. The present French constitution which established the Fifth republic is a written constitution.
- *Japan:* Present constitution of JAPAN became operative in 1947.It is also a written constitution.

2. *Flexible or Rigid*

A flexible Constitution is one that can be changed by ordinary law making process and the one which requires a special procedure for amendment is called rigid.

- *India:* constitution is more flexible than rigid. It is only few the amendment of few of the provisions of the constitution that requires ratification by state legislatures and even then legislation by ½ states would suffice. The rest of the constitution could be amended by a special majority by union parliament. But with the rise of regional parties and coalition govt. even getting the legislation by half of the states is becoming difficult as is evident in the issue relating to NCTC.
- *USA:* It has a rigid constitution. It can be amended by the congress by means of a special process provided by the constitution for that purpose.
- *Britain:* Has flexible constitution. It requires no special procedure for its amendment and can be amended by the parliament in the same manner as ordinary laws are made.
- *France:* Rigid Constitution-Needs Special procedure-60% majority votes in both the house of parliament is needed. Alternatively President can call a national referendum on constitutional amendment.

- *Japan:* Rigid- Requires special process:
    - The amendment shall be initiated by the diet. Such a proposal must be passed by a majority of two-thirds of its membership.
    - After that it is submitted to the people for ratification at a special referendum or special election.
- *Germany:* Rigid- Article 79 states the Basic Law may be amended by an absolute two-thirds majority of the Bundestag along with a simple two-thirds majority of the Bundesrat, excluding amendment of those areas defined by the eternity clause.

3. Unitary or Federal

Federalism is a system of government in which sovereignty is constitutionally divided between a central governing authority and constituent political units (like states or provinces). A unitary system is governed constitutionally as one single unit, with one constitutionally created legislature.

1. *India*: It is federal system with unitary bias. Though normally the system of govt is federal; the constitution enables the federation to transform itself into unitary state in emergencies.
    - Federal features: Division of power, written constitution, Supremacy of constitution, Rigid constitution, Independent judiciary, bicameralism.
    - Some Non- Federal features:
        - Single constitution
        - Contitution has made centre very strong by vesting more powers in it such as governor is appointed by president, parliament can change the territories, borders and names of states by simple majority(article 3).
        - Constitution more flexible than rigid.
        - Single citizenship
        - Single integrated judicial system
2. *USA:* It is a federal state. The constitution provides for division of power between central govt and state govt. residuary powers are vested in the states. Each state has its own constitution, elected legislature, governor and Supreme Court.
3. *Great Britain*: It is a unitary state and all powers are vested in a single supreme central govt. The local govts are created only for administrative convenience and they derive their authority from central govt which can also abolish them altogether at any time.
4. *France*: France is a unitary state. The local govts are created and abolished by central govt only for administrative convenience.
5. *Japan*: Japanese constitution provides for a unitary state.

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4. ***Type of Govt (Parliamentary v/s Presidential)***

In a parliamentary form of govt executive is responsible to legislature for its policies and acts. In presidential form of government the executive is completely separated from the legislature and is not accountable to legislature.

1. *India:* The constitution of India provides for a parliamentary form of govt both at the centre and in states. The parliamentary system of GOI is largely based on the British parliamentary system.
   - Principles of parliamentary govt of India:
     - Nominal and Real executives: President is the nominal executive and prime minister is real executive.
     - Majority party rule: The political party which secures majority seats in lok sabha forms the govt.
     - Collective responsibility: The ministers are collectively responsible to the parliament/Lok sabha.
     - Double membership: Ministers are members of both, legislature and executive.
     - Dissolution of the lower house: The lower house can be dissolved on the recommendation of prime minister.
2. *USA*: Has presidential form of govt. with following features:
     - President is both head of state and head of govt.
     - The president is elected by an electoral college for a fixed tenure of four years and can't be removed by congress except by process of impeachment for a grave unconstitutional act.
     - President governs with the help of a Cabinet, an advisory body whose members are selected and appointed by him and can be removed by him at any time.
     - The president cannot dissolve the 'house of representatives' – lower house of congress.
     - The president and his secretaries are not responsible to congress for their acts.
3. *Great Britain:* Has parliamentary form of govt where King is the nominal executive.
4. *France*: Has quasi presidential and quasi prime ministerial .On one hand, it provides for a powerful president who is directly elected by the people for a seven year term. On the other hand, there is a nominated council of ministers headed by prime minister which is responsible to the parliament.
5. *Japan*: Has parliamentary system with largely British parliamentary features except for the following:
     - The prime minister is chosen as well as appointed by king/queen but in Japan PM is chosen by Diet but appointed by emperor.

- In Britain ministers are appointed by king/queen but in Japan by PM.
- Britain-PM can't remove ministers but in Japan PM can remove.
- Britain-All ministers must be members of parliament, in Japan only majority must be members of Diet.

5. ***Sovereignty of Parliament***

Parliamentary sovereignty (also called parliamentary supremacy or legislative supremacy) is a concept in the constitutional law of some parliamentary democracies. It holds that the legislative body has absolute sovereignty, and is supreme over all other government institutions, including executive or judicial bodies. The concept also holds that the legislative body may change or repeal any previous legislation, and so that it is not bound by written law (in some cases, even a constitution) or by precedent.

1. *UK:* Parliament has the supreme power:
    - It can make, amend, substitute, and repeal any law.
    - The parliament can make constitutional laws by the same procedure as ordinary laws.
    - There is no system of judicial review in UK i.e. parliamentary laws cannot be declared as invalid by judiciary as being unconstitutional.
2. *France:* Has a parliament with limited powers vis a vis political executive. It can only make laws on those items which are defined in the constitution. On all other matters govt is empowered to legislate by executive decree.
    - Constitutional council: France has a constitutional council with nine members who are appointed for a term of nine years. It functions as a judicial watchdog. It is only an advisory body.
3. *Supremacy of constitution and judicial review- India, Japan, USA*: In all three countries the written constitution is regarded as the highest law of the land and Supreme Court acts as custodian of the constitution through its power of judicial review. But there is a difference. American Supreme Court does not derive its power of judicial review from constitution but Indian and Japanese Supreme Court does so.

6. ***Republic v/s Constitutional Monarchy***

A REPUBLIC is a form of government, and any state so governed, where the MONARCH (King or Queen) is not in fact or law or constitutionally the head of state. In essence, the word REPUBLIC connotes ownership and control of a given state by the population at large. The head of state of a REPUBLIC is usually held by one person, a President (e.g.: the U.S.A., Trinidad, France, Guyana)

who may be appointed or elected by the Prime Minister or the populace at large respectively; depending on the constitutional arrangements and essentials.

A constitutional monarchy is a form of government established under a constitutional system which acknowledges a hereditary or elected monarch as head of state.

- *Republic Countries*-India, USA, France, Germany, Russia
- *Constitutional Monarchy*- UK, Japan

7. President

1. *India:* The President of India is the nominal head of state of the Republic of India.
   - The real executive being council of ministers headed by Prime minister. He/She has to exercise his powers and functions with the aid and advice of council of ministers headed by PM.(Art 53, 74,75)
   - The President is indirectly elected by the people through elected members of the Parliament of India (Lok Sabha and Rajya Sabha) as well as of the state legislatures (Vidhan Sabhas), and serves for a term of five years.
   - President can be removed from his/her office before completion of term by impeachment for violation of constitution.
2. *USA:* The President of the United States of America is the head of state and head of government of the United States.
   - The president leads the executive branch of the federal government and is the commander-in-chief of the United States Armed Forces.
   - Constitutionally president is elected by an electoral college constituted by an electoral college constituted for the purpose. The members of this college are elected directly by the people of all the states .The College is a special body which is formed only for electing the president and gets dissolved after elections. The American presidency is one of the strongest democratic office in the world.
   - President holds his office for a fixed term of 4 years. He is eligible for re election but only once. He can be removed from his office before expiry of his term through impeachment proceedings for treason, bribery or other high crimes. The house of representatives initiates the impeachment proceedings by a majority vote. The case is then tried by Senate. If the senate also passes the impeachment resolution by a two-thirds majority, president stands impeached.
   - Article II of the U.S. Constitution vests the executive power of the United States in the president and charges him with the execution of federal law, alongside the responsibility of appointing federal executive, diplomatic, regulatory, and judicial officers, and

concluding treaties with foreign powers, with the advice and consent of the Senate. The president is further empowered to grant federal pardons and reprieves, and to convene and adjourn either or both houses of Congress under extraordinary circumstances

3. *France-* The president is the pivot of the constitution and occupies a dominant position in the system of govt. He is the real head of the state.
   - The President is directly elected by suffrage.
   - The length of the term was reduced from 7 yrs. A president cannot serve more than two consecutive terms. The president can be removed from the office through an impeachment process for high treason.
   - The impeachment resolution should be passed by both houses of parliament by an absolute majority.After this president is tried by high court of justice.
4. *Germany-*The President of the Federal Republic of Germany As Germany has a parliamentary system of government with the Chancellor running the government, the President has mainly ceremonial and supervisory duties.
   - President can give direction to general political and societal debates and has some important "reserve powers" in case of political instability
   - All federal laws must be signed by the President before they can come into effect; he can only refuse to sign a law that he believes to violate the constitution.
   - The President is elected by the Federal Convention, a body established solely for that purpose.
   - While in office the president enjoys immunity from prosecution and cannot be voted out of office or recalled. The only mechanism for removing the president is impeachment by the Bundestag orBundesrat for willfully violating German law. Once the Bundestag impeaches the president, the Federal Constitutional Court is charged with determining if he or she is guilty of the offence. If the charge is sustained the court has authority to remove the president from office.

8. Citizenship

1. *India-*The Indian citizenship and nationality law and the Constitution of India provide single citizenship for all of India. The provisions relating to citizenship upon adoption of the constitution are contained in Articles 5 to 11 in Part II of the Constitution of India. It does not allow dual citizenship. *But govt of India is increasingly becoming more flexible with regards to its dual citizenship rules for persons with Indian origin(PIOs) and overseas citizens of India.*
2. *USA-* A U.S. citizen may acquire foreign citizenship by marriage, or a person naturalized as a U.S. citizen may not lose the citizenship of the country of birth. U.S. law does not mention

dual nationality or require a person to choose one citizenship or another. Also, a person who is automatically granted another citizenship does not risk losing U.S. citizenship. However, a person who acquires a foreign citizenship by applying for it may lose U.S. citizenship. In order to lose U.S. citizenship, the law requires that the person must apply for the foreign citizenship voluntarily, by free choice, and with the intention to give up U.S. citizenship.

3. *UK*-When becoming a British citizen one does not need to give up your present citizenship or nationality to become a British citizen.One will not normally lose British nationality if he/she becomes a citizen or national of another country.
4. *France*-Dual citizenship has been permitted since 1973. Possession of one or more other nationalities, does not, in principle, affect the French nationality.
5. *Germany-* Dual citizenship is allowed under certain circumstances
6. *Australia*: With effect from 4 April 2002, there are no restrictions (under Australian Law) on Australians holding the citizenship of another country.

9. ***Fundamental Rights , Directive Principles and Fundamental Duties***

Fundamental Rights

1. *India-* Indian constitution has certain fundamental rights modelled on American Bill of Rights. But unlike USA fundamental rights in india are not absolute and hence govt can impose reasonable restrictions on them. Whether the restrictions are reasonable or not is to be decided by the courts.

   The six fundamental rights recognised by the constitution are:

   - Right to equality, including equality before law, prohibition of discrimination on grounds of religion, race, caste, sex or place of birth, and equality of opportunity in matters of employment, abolition of untouchability and abolition of titles.
   - Right to freedom which includes speech and expression, assembly, association or union or cooperatives, movement, residence, and right to practice any profession or occupation (some of these rights are subject to security of the State, friendly relations with foreign countries, public order, decency or morality), right to life and liberty, right to education, protection in respect to conviction in offences and protection against arrest and detention in certain cases.
   - Right against exploitation, prohibiting all forms of forced labour, child labour and traffic in human beings;
   - Right to freedom of religion, including freedom of conscience and free profession, practice, and propagation of religion, freedom to manage religious affairs, freedom from certain taxes and freedom from religious instructions in certain educational institutes.

- Cultural and Educational rights preserving Right of any section of citizens to conserve their culture, language or script, and right of minorities to establish and administer educational institutions of their choice.
- Right to constitutional remedies for enforcement of Fundamental Rights.

2. *USA-* The Bill of Rights lists specifically enumerated rights. The Supreme Court has extended fundamental rights by recognizing several fundamental rights not specifically enumerated in the Constitution
3. Similarly the constitution of USSR and Japan also guarantees certain fundamental rights. But *there are no such rights enumerated in the constitution of Great Britain.*

Fundamental duties

1. *India-* Fundamental duties have been taken from USSR. No other major country has it.
   Fundamental Duties are the ones that are recognized as moral obligations the citizens are expected to perform. Article 51A under Part IV A of the Constitution of India speaks of the Fundamental duties. One cannot enforce these fundamental duties legally. It was through the 42nd Amendment that these duties were introduced in the Constitution.
   There are 10 Fundamental duties that the citizens are expected to discharge. They are:
   - The citizens of India are expected to be abide by the Constitution and respect all its ideals. Likewise, the citizens are expected to respect the National Flag and the National Anthem.
   - The noble ideals that inspired our freedom struggle have to be cherished and followed.
   - The sovereignty, unity and integrity of India needs to be upheld and protected.
   - Citizens should be ready to defend and render national service towards India.
   - The spirits of common brotherhood and harmony have to be promoted by all the citizens wherein they need to transcend all forms of diversities pertaining to religion, language and region. All the practices that are derogatory to the dignity of women have to be renounced.
   - India has a rich, varied and composite culture and one needs to preserve it.
   - Natural environment including the forests, lakes, rivers and wildlife are expected to be preserved by the citizens.
   - People of India are expected to develop within themselves humanism, scientific temperament, and spirits of inquiry and reform.
   - Public property is expected to be safeguarded and violence needs to be avoided.
   - People are expected to strive for the excellence of all the individuals and collective activities to help in the development of the country.

Directive principles

The constitution of India contains certain directive principles (Part 4) which confer no justiciable rights on individuals but are regarded to be fundamental in the governance of the country-being in the nature of principles of social policy as contained in the Constitution of Republic of Ireland.

10. Due process of law/Procedure established by law

DUE PROCESS - It is the legal requirement that the state must respect all of the legal rights that are owed to a person and laws that states enact must confirm to the laws of the land like - fairness, fundamental rights, liberty etc. It also gives the judiciary to access the fundamental fairness, justice, and liberty of any legislation.

PROCEDURE ESTABLISHED BY LAW - It means that a law that is duly enacted by legislature or the concerned body is valid if it has followed the correct procedure. Say a law enacted by Indian legislature. Article 21 of Indian Constitution says that- 'No person shall be deprived of his life or personal liberty except according to procedure established by law'.

Situation in India

In India, there is no mention of the word 'Due Process'. A strict literal interpretation of Procedure established by Law give the legislative authority an upper hand and they may enact laws which may not be fair from a liberal perspective.

However, in India a liberal interpretation is made by judiciary after 1978 and it has tried to make the term 'Procedure established by law' as synonymous with 'Due process' when it comes to protect individual rights. In Maneka Gandhi vs Union of India case (1978) SC held that - 'Procedure established by law' within the meaning of article 21 must be 'right and just and fair' and 'not arbitrary, fanciful or oppressive' otherwise, it would be no procedure at all and the requirement of Article 21 would not be satisfied. Thus, the 'procedure established by law' has acquired the same significance in India as the 'due process of law' clause in America.

Due process is not used in contemporary English law, though two similar concepts are *natural justice* (which generally applies only to decisions of administrative agencies and some types of private bodies like trade unions) and the British constitutional concept of the *rule of law* as articulated by A. V. Dicey and others. However, neither concept lines up perfectly with the American theory of due process.

11. Emergency provisions

1. *India*-Part XVIII of the Constitution of India contains Articles 352-360 which deals with 'Emergency Provisions'.
    - There are three kinds of provisions according to the Constitution:

- National Emergency
- State Emergency-Earlier it was misused quite often but with judicial ruling in SR BOMMAI case and rise of regional parties its no longer misused.
- Financial Emergency-This type of emergency has never been declared so far.

- Grounds for Proclamation of Emergency: Before the 44th amendment to the Constitution of India, the following are the grounds under which the President can proclaim emergency:
  - War
  - External Aggression
  - Armed Rebellion

2. *Australia*-Unlike India, State-of-emergency legislation differs in each state of Australia.
3. *Canada-* The federal government of Canada can use the Emergencies Act to invoke a state of emergency. A national state of emergency automatically expires after 90 days, unless extended by the Governor-in-Council. There are different levels of emergencies: Public Welfare Emergency, Public Order Emergency, International Emergency, and War Emergency.
4. *France-* Three main dispositions concern various kind of "state of emergency" in France: article 16 of the Constitution of 1958 allows, in time of crisis, "extraordinary powers" to the president. Article 36 of the same constitution regulates "state of siege" .Finally, the April 3, 1955 Act allows the proclamation, by the Council of Ministers, of the "state of emergency" The state of emergency in France is framed by the Constitution of 1958, which states that it can be decreed by the president in the Council of Ministers, but must be confirmed by Parliament in order to be held after 12 days.
5. *Germany*-In the post-war Federal Republic of Germany the Emergency Acts state that some of the basic constitutional rights of the Basic Law may be limited in case of a state of defence, a state of tension, or an internal state of emergency or disaster (catastrophe).
6. *United States-In the United States, there are several methods for government response to emergency situations.*
   - A state governor or local mayor may declare a state of emergency within his or her jurisdiction. This is common at the state level in response to natural disasters.
   - The president of the United States, as head of the executive branch, has the authority to declare a federal state of emergency. The only emergency provisions in the U.S. Constitution are: "The Privilege of the Writ of Habeas Corpus shall not be suspended, unless when in Cases of Rebellion or Invasion the public Safety may require it.

Country / Feature	India	UK	USA	Russia	Japan	France	Germany
Written/Unwritten Constitution	Written	Unwritten	Written		Written	Written	
Flexible/Rigid	Both	Flexible	Rigid	Rigid	Rigid	Rigid	Rigid
Unitary/Federal	Federal with Unitary Bias	Unitary	Federal	Federal	Unitary	Unitary	Federal
Parliamentary/Presidential Democracy	Parliamentary Democracy	Parliamentary Democracy	Presidential Democracy	Semi Presidential	Parliamentary Democracy	Quasi Presidential and Quasi Prime ministerial	Parliamentary Republic
Sovereignty of Parliament	Supremacy of Constitution	Supremacy of Parliament	Supremacy of Constitution		Supremacy of Constitution	Parliament with limited Powers	
Republic/Monarch	Republic	Constitutional Monarchy	Republic	Republic	Constitutional Monarchy	Republic	Republic
President	Ceremonial		Executive	Executive		Executive	Ceremonial
	Indirect Election		Direct Election	Direct Election		Direct Election	Indirect Election
Dual Citizenship	Not recognised	Recognised	Recognised	Recognised	Not Recognised	Recognised	In principle, not recognized.
Fundamental rights	Yes	No	Yes	Yes	Yes	Yes	Yes
Due Process of Law/Procedure established by Law	Procedure established by Law	Rule of Law	Due Process of Law		Procedure Established by Law		

Table: Summary of Comparison of various features

SECTION F: WORKING OF INDIAN CONSTITUTION: ANALYSIS (Conclusion)

The working of the constitution has stood the test of the time but certain recent developments such as fragmented polity, rise of regional political parties and governments formed by regional parties in the states, for eg in Tamil Nadu, Bihar, W Bengal etc has posed new challenges for the centre-state relations. Similarly, the advent of coalition govt post late 1980's has raised certain questions for which constitution provides either ambiguous answers or no answers at all.

Considering the complexities and huge quantum of the task of modern day govt and changing nature of Indian politics there is a need to review and amend the constitution. Some of the areas in which changes are required are:

1. Eligibility of legislators: Those candidates facing corruption and criminal charges should not be allowed to contest the elections.
2. Frequent disruptions of parliamentary sessions have become the norm of the day. Minimum hours for which parliament have to work should be incorporated in the constitution.
3. Changes in civil services rules to ensure impartiality and neutrality.
4. The fundamental rights under part III of our constitution too need to include many of those rights that have developed over a history of various judicial pronouncements. These rights though not really stated in part III have been recognized as fundamental in nature and are better known as 'implied fundamental rights'. For eg: Right to food, right to livelihood, right to clean potable drinking water, right to fresh and clean environment.

Hence, today if it's getting harder to run the constitution then the problem does not lie in the constitution but in the "working" of the constitution. As the architect of Indian Constitution said that:

> *"Indeed, if I may say so, if things go wrong under the new Constitution, the reason will not be that we had a bad Constitution. What we will have to say is, that Man was vile."*
>
> *– Dr. B.R. Ambedkar, November 4, 1948*

SECTION G: MODEL QUESTIONS

1. Indian constitution is a borrowed constitution. Discuss.

2. Indian constitution is a 'slavish imitation of the west'. Do you agree? Give reasons with examples.

3. Inspite of borrowing majority of features from other constitutions, Indian constitution has failed to survive the present day complexities of the India's political and administrative situation. Do you agree? Give examples.

4. India should shift from Parliamentary form of governance to presidential form of governance. Critically analyse.

5. India is a quasi federal state. Do you agree?

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G.S. PAPER II – CONSTITUTION & POLITY

IMPORTANT ASPECTS OF GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY, CITIZEN'S CHARTER AND E-GOVERNANCE

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1 What is meant by Governance

There is no single universally acceptable way to define governance. A considerable literature exists on how it may be defined (See Box 1). For our purposes, however, we will confine ourselves to governance in so far as it **serves the citizens** by **safeguarding territorial integrity of the State** and **ensuring individual security**, **rule of law** and the **delivery of services**. Thus we can say that governance includes the following:

- The **processes** by which governments are chosen, monitored, and changed.
- The **systems of interaction** between the administration, the legislature, and the judiciary.
- The **ability** of government to **create** and to **implement** public policy.
- The **mechanisms** by which citizens and groups define their interests and interact with institutions of authority and with each other.

Box 1: Some definitions of Governance

"GOVERNANCE is the exercise of political, economic and administrative authority to manage a nation's affairs. It is the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights and obligations, and mediate their differences." (UNDP)

"GOVERNANCE is the manner in which power is exercised in the management of a country's social and economic resources for development. Governance means the way those with power use that power." (ADB)

GOVERNANCE is "… the traditions and institutions by which authority in a country is exercised for the common good. This includes (i) the process by which those in authority are selected, monitored and replaced, (ii) the capacity of the government to effectively manage its resources and implement sound policies, and (iii) the respect of citizens and the state for the institutions that govern economic and social interactions among them. "(World Bank)

Considering these issues in the context of India it can be said that though we are still a functioning democracy, but increasingly we are not being governed well. The evidence of **eroding political order** is everywhere. **Personal rule** has replaced **party rule** at all levels – national, state and district. Below the rulers, the entrenched civil and police forces have been **politicized**. Various social groups have pressed new and ever more diverse political demands in demonstrations that have often led to **violence**. The omnipresent but feeble state, in turn, has vacillated; its responses have varied over a wide range: indifference, sporadic concessions and repression. Such vacillation has fueled further opposition. The ineffectiveness of repression, moreover, has highlighted the **breakdown of the civil machinery** intended to enforce the law and maintain order. In order to protect themselves, citizens in some parts of the country have begun organizing **private armies**. The growing political violence has periodically brought the armed forces into India's political arena, whereas the armed forces once were considered apolitical. Was this outcome inevitable? India had long been considered something of a political exception. What happened? Something somewhere has definitely gone wrong.

2 Important Aspects of Governance

The **quality of governance** is an issue of increasing concern in countries around the world, both developed and developing. The UN Secretary-General had stated, "**Good governance** is perhaps the single most important factor in eradicating poverty and promoting development." However, a lack of systematic data, both over time within countries as well as between countries around the world, ensures that fundamental questions remain to be answered adequately. How can we best measure governance? How does governance performance differ across time and space? Which are the most critical issues of governance?

In India, at the broadest levels of governance, many major issues still remain unsettled. We have an especially daunting array of **key issues** which, one way or another, have not been properly addressed since Independence in 1947.
What are these issues?
Since such a list can become endless, we include the following:

- The role of the state, and the government in India, vis-à-vis the people.
- The capacity of (i.e., the resources available to) the government in India.
- The separation of powers between the executive, legislature, and judiciary, and the way that the constituent parts of these three arms of government operate internally.
- The way the political system operates.
- The state and markets in India.
- The role of selected institutions in the Indian intellectual community in contributing to governance in India.
- The management of economy, fiscal imbalances and deficits.
- Regional disparities within and across states.
- Poverty and unemployment.
- Denial of basic needs of food, water, shelter and clothing to a substantial proportion of the population.
- Environmental degradation and climate change.
- Internal Security issues viz. naxalism and home grown terrorism.
- Exclusion and marginalization of people on the basis of parochial identities.
- Lack of transparency and accountability in the working of the State and its agencies.

How important are these matters? The answer is that while day to day life continues despite the fact that issues of this kind remain unsettled, they are very important indeed. It is very difficult -- perhaps impossible -- to have satisfactory processes of governance at other levels across the nation when so many key high level issues remain unsettled. It is notable that the comment that "we don't have the rule of law in this country" is often heard in India, and that many Indians comment about the confused state of the Indian society. It would seem clear that it will be necessary to make considerable progress on some of the main questions of governance in India before more orderly processes of public life can be firmly established.

3 Citizen's Charter

As public services are funded by citizens, either directly or indirectly, they have the right to expect a particular quality of service that is responsive to their needs and which is provided efficiently at a reasonable cost. The Citizen's Charter is a **written, voluntary declaration** by service providers that highlights the standards of service delivery that they must subscribe to, availability of choice for consumers, avenues for grievance redressal and other related information. It is a useful way of defining, with stakeholder involvement, the nature and quality of service delivery. In other words, a Citizen's Charter is an **expression of understanding** between the citizen and the service provider about the nature of services that the latter is obliged to provide.

The Citizen's Charter programme was first launched in 1991 in the U.K. as part of a series of initiatives aimed at **enhancing standards of service delivery** and **making governance more transparent and accountable**. This influenced several countries such as Belgium, France, Canada, Australia, Malaysia, Spain, Portugal, India etc. to adopt similar measures.

The process of adopting Citizen's Charters in India began with a **'Conference of Chief Secretaries of all States and Union Territories'** held in 1996 on **"Effective and Responsive Administration".** This conference gave high priority to Citizen's Charters and was followed by the development of an **"Action Plan for Effective and Responsive Government"** at the similar conference in 1997. One of the major decisions taken at this forum was to introduce Citizen's Charters in the Departments of the Central and State Governments, especially those that had a large public interface such as the Railways, Telecom, and Public Distribution. Subsequently, many states have initiated citizen's charters as tools for enhancing standards of service delivery and fostering greater public accountability.

3.1 Salient Features of a Citizen's Charter

The salient features of a Citizen's Charter are:

1. Agreed and published standards for service delivery;
2. Openness and information about service delivery;
3. 'Choice' and Consultation with users;
4. Courtesy and helpfulness in service delivery; and
5. Provision of redressal of grievances.

- ***Standards:*** The Charter should lay out explicit standards of service delivery so that users understand what they can reasonably expect from service providers. These standards should be time-bound, relevant, accurate, measurable and specific. The actual performance vis-à-vis the standards adopted must be published and independently validated. The tendency among organizations to develop targets and standards based on their own convenience as opposed to the needs of the citizens must be avoided.

- ***Information and openness:*** A key attribute of good service is the availability of relevant and concise information to the users at the right time and at the right place. The Charters should contain, in plain language, full and accurate information about services available, levels and quality of service to be expected, available channels for grievance redressal etc. Handbooks, guides, posters, websites are some of the channels through which information can be provided to citizens.

- ***Choice and consultation:*** The Charter should provide choice of services to users wherever practicable. There should be regular and systematic consultation with the users of the service to fix service standards and to ascertain quality of service delivery.

- ***Courtesy and helpfulness:*** The Charter can help embed a culture of courteous and helpful service from public servants. In addition, small initiatives such as 'name badges', 'May I help you' counters etc. can go a long way in building customer confidence.

- ***Grievance redressal and complaints handling:*** There is a strong link between the provision of quality service and effective handling of complaints. Firstly, by facilitating and responding to complaints, the causes for complaint can be reduced. Secondly, by identifying 'trends' in complaints, the service provider can resolve systemic and recurring problems.

3.2 Developing and Implementing the Citizen's Charter

3.2.1 How to develop the Charter

Before undertaking a Citizen's Charter initiative, an organization must have clarity on why it is developing a charter and how it can establish the prerequisites for implementation.

An organization should start by answering the following questions:

1. Do we need a Charter?
2. What are the objectives and the scope of a Charter for our organization?
3. Are we clear about who our stakeholders are and how to get them engaged in the Charter initiative?
4. How should we involve the staff and take into account their views on what the Charter should provide?
5. How do we establish service standards and how do we relate those standards to existing performance criteria of the organization?
6. What institutional infrastructure and governance arrangements are required to develop the Charter and are they in place?
7. What are the resource implications of developing a Charter – in terms of time and money (including payment of compensation to citizens for delivery failures)?

3.2.2 Identifying and engaging with stakeholders

This is one of the most important aspects of developing and implementing a Charter. Without it the Charter is just a statement of intent rather than a live, meaningful – if voluntary – contract between the state and the citizen. This is a time consuming and costly exercise and should be carefully planned.

A **stakeholder** is someone who has a stake or interest – direct or indirect in the service being delivered. There is likely to be a wide range of stakeholders:

1. **Users** – the citizen representatives of the users, user groups, citizen advocacy groups, consumer organisations, parents (in the case of schools), politicians, users themselves and past and potential users;
2. **Employees and employee representatives** – who are involved in delivering services set out in the Charter; and
3. **Suppliers** – those involved in providing parts of the service, e.g., suppliers for the stamped paper for certificates, software vendors who design an IT application etc.

Once the stakeholders are identified, the next step is to engage them in meaningful discussion. If there is a Nodal Officer in the organisation in charge of the Charter, that individual should be responsible for devising a **'stakeholder engagement plan'**. The stakeholders should be met at least twice during the period of developing the Charter, firstly to ask their views on what should be included, and secondly to show them the charter that has been developed as a result of their views. They should be engaged periodically thereafter, especially at the time of review of the charter, which should take place annually.

3.2.3 Establishing service standards

Service standards are effectively the backbone of the Charter. It is, therefore, extremely important that they are developed according to the following guidelines.

1. They must be developed in **consultation with citizens**. Otherwise the standards set may not relate to aspects of service that citizens prioritize, or as per expected levels;
2. They must be developed in collaboration with planning and performance departments so that other performance indicators are aligned with service standards published in the Charter; and
3. Standards must conform to TRAMS i.e. they must be **T**ime bound, **R**ealistic, **A**chievable, **M**easurable and **S**pecific. For example, the standards should not say that officers will 'do their utmost,' a statement that is neither specific nor measurable.

3.2.4 Establishing a helpful institutional structure for the Charter

It is important to have a recognized focal point of responsibility within a department for the Charter. The evaluation of the Citizen's Charter initiative recommended the establishment of a **Nodal Officer** with clear reporting lines to senior management and with a brief to attend a government wide Advisory Group on the Charter. Similarly, better public relations efforts will help raise awareness of the Charter as well as enable customer satisfaction.

3.3 Implementing the Citizen's Charter

There are five broad areas involved in implementing the Charter. They are:

1. Generating awareness of the Charter;
2. Establishing citizen friendly devices to bring the Charter to life;
3. Establishing a complaint handling system;
4. Establishing feedback mechanisms; and
5. Evaluating and reviewing the Charter.

1. **How to generate awareness of the Charter?**

Generating awareness of the Charter is, to a large extent, dependent on engaging with citizens to ascertain their needs and expectations. Regular dialogue with citizens' advocacy groups, community-based organizations (such as user groups) and citizens can generate quick awareness of the Charter. Wide availability of the Charter and their

prominent display can enhance awareness among citizens and users. The use of other forms of publicity such as audiovisual medium, print, open house meetings, internet etc. can be made based on the profile of the users.

A formal process of review of the level of awareness should be undertaken through occasional surveys about the Charter. This should lead to a review of strategies used to raise awareness of the Charters.

2. **How to establish Citizen friendly devices to bring the Charter to life?**

If the development stage of the Charter has been carefully executed, the implementation phase can be easier. Some practical means that can accompany the implementation of Charters are:

- 'May I help you' counters;
- Biannual customer needs analysis in collaboration with user groups;
- Citizen Information Centre;
- Direct Helpline;
- Publication of Handbooks and Guides on the service provided;
- One-stop-shops where citizens can do all their transactions in one place; and
- Direct engagement with the customer, for example, telephoning or writing to them to seek their suggestions

3. **How to introduce effective complaint management?**
    - Designate a location in the office to receive complaints and make it accessible and visible to customers;
    - Acknowledge complaints:
        i. Personalise the response;
        ii. Talk to customer, if possible;
        iii. Use letters.
    - Develop a system for record-keeping;
    - Process, record, investigate and analyse complaints;
    - Keep the customer informed of the progress; and
    - Periodically analyse the complaints to identify trends.

4. **How to get feedback?**

One of the most important prerequisites for getting feedback is to make it easy for the citizen to provide it. This includes, among other things, ensuring that officials are available to see the citizens at the times specified. The different routes for feedback should include a combination of the following:

- Over the counter at the service outlets;
- By toll free telephone number;
- Through regular post, e mail, fax and telephone;
- Via community and consumer organisations;
- Consultative committees; and
- Through periodic surveys.

5. **How to Evaluate, monitor and review?**

It is critically important that the system for evaluating performance against Charter standards is congruent with the department's performance management system. That is, the standards in the charter should not be different from those of individual officials as per their job description or as set out in their departmental indicators. Other forms of evaluation, such as exit polls for user groups and use of surveys and feedback forms give a good indication of the quality of services.

Evaluation should take place regularly. This should be IT enabled so that data can be analysed in realtime and reports generated automatically on service failures. Self assessment should be practised with staff to assess how well they think they are delivering services. This can be compared against feedback from customers. External feedback can take a variety of forms:

- Face to face feedback with users visiting the office;
- Feedback forms provided to users at the counter;
- Using the services of voluntary organizations (for example, research organizations, consumer activists, universities, colleges, etc.);

- Media reports; and
- Charter Mark system – a formal way for the government to provide feedback through competitive benchmarking of Charters across different departments.

3.4 Key Lessons

The following pitfalls need to be avoided:

1. Since Citizen's Charters are likely to raise the aspirations of the users of the service, the departments should guard against the tendency to promise more than they can deliver. A realistic assessment of the capabilities of the service provider must be taken into account in drafting the Charter.
2. A critical review of the current systems and processes in the department should be undertaken to examine whether they are likely to have an adverse impact on the Charter.
3. Implementing the Charters without the staff owning them will defeat the purpose of the Charter. Motivating the staff and involving them in the preparation of the Charter are extremely important;
4. The Charters will remain merely a paper exercise of limited value if there is no consultation with the users. Departments should ensure user involvement at all stages of preparation and implementation of the Charter;
5. Independent audit of results is important after a period of implementation of the Charter.
6. Complex systems for lodging complaints or poor access to officers for redressal of grievances defeat the purpose and the spirit of the Charter;

The critical success factor in the entire Charter initiative is developing close relationships with stakeholders throughout the cycle of the charter, from inception and development of standards to raising awareness, to monitoring and reviewing, and determining appropriate compensation for redressal of grievances. At the same time, administrative commitment to change is imperative for sustaining the Charter initiative and enhancing service delivery standards.

4 Transparency and Accountability

Transparency and accountability (T&A) have emerged over the past decade as key ways to address both developmental failures and democratic deficits. In the development and aid context, the argument is that through greater accountability, the leaky pipes of corruption and inefficiency will be repaired, aid and public spending will be channelled more effectively and development initiatives will produce greater and more visible results. For scholars and practitioners of democracy, following the twentieth century wave of democratization it is time for democracy to **'deliver the goods'**, especially in terms of material outcomes, and **democratic accountability** can help it do so. For many non-governmental organizations (NGOs) and social movements, demanding and securing accountability is a path to people's empowerment, or at least to enhanced effectiveness in responding to the needs and voices of those they claim to serve.

Development, democracy and empowerment are obstructed, the argument goes, by a series of accountability failures. The traditional ways of delivering political and bureaucratic accountability, such as intra-government controls or elections, are increasingly found to be limited in scope. Administrative bottlenecks, weak incentives or corruption in state-centered political and bureaucratic accountability mechanisms restrict their effectiveness, particularly from the perspective of the poor and marginalized people who need accountability most, but who lack the means to work round such obstacles (World Bank, 2004).

In response to the inadequacy of traditional political and bureaucratic forms of accountability – also referred to as state-side, supply-side or institutional – an array of mechanisms and approaches has emerged in which citizens can hold states to account in ways other than elections and bureaucratic procedures. Supplanting or supplementing traditional forms, these **'demand-side' initiatives** are led by citizens and social actors who engage with more powerful actors located either within the state or in private sector entities contracted by the state.

Variously termed **'social', 'citizen-led' or 'demand-side' accountability**, this emerging field combines initiatives designed to improve transparency and access to information with other ways of holding to account the state and its agents (often, for example, private sector service providers). We refer to them collectively as **TAIs**. They have fast moved into the mainstream of development and aid, to the point where 'accountability' and 'transparency' are at risk of becoming

buzzwords, full of euphemism and normative resonance but emptied of their original meaning. The TAI field has evolved as multiple sub-fields with overlapping principles, origins and methods or approaches.

Defining accountability, Tisné states:
Broadly speaking, accountability refers to the process of holding actors responsible for their actions. More specifically, it is the concept that individuals, agencies and organisations (public, private and civil society) are held responsible for executing their powers according to a certain standard (whether set mutually or not).

By general consensus, accountability ideally involves both **answerability** – the responsibility of duty-bearers to provide information and justification about their actions – and **enforceability** – the possibility of penalties or consequences for failing to answer accountability claims. In fact, much of what we call accountability reflects only the weaker category, answerability. While citizen-led or public initiatives often involve 'soft' peer or reputational pressure, they rarely involve strong enforceability.

Conceptual debates on accountability and transparency range far and wide, but our focus here is on the newer and closely-related concepts of 'citizen-led' and 'social' accountability. Both are subject to some terminological looseness. Malena et al.'s definition of social accountability deliberately avoids too narrow a focus that might eclipse the vital roles that state actors and institutions can play in making citizen-led initiatives work:

Social accountability can be defined as *an approach towards building accountability that relies on civic engagement, i.e., in which it is ordinary citizens and/or civil society organizations who participate directly or indirectly in exacting accountability.* Mechanisms of social accountability can be initiated and supported by the state, citizens or both, but very often they are *demand-driven* and operate from the bottom-up.

Social accountability as a means to certain ends can be summarized by the following:

- ***Social accountability improves the quality of governance:*** Citizens' disillusionment with the quality of governance moves them beyond electoral participation 'toward engaging with bureaucrats and politicians in a more informed, organized, constructive and systematic manner' - often referred to often as the '**democratic outcomes'** case.
- ***Social accountability contributes to increased development effectiveness***: Given the difficulty, inability or unwillingness of governments to deliver essential services, service delivery effectiveness and policy design are improved by citizens' clearer articulation of their demands and more transparent public decision-making - often referred to as the '**developmental outcomes'** case.
- ***Social accountability initiatives can lead to empowerment:*** By providing information on rights and soliciting feedback from poor people, 'social accountability mechanisms provide a means to increase and aggregate the *voice* of disadvantaged and vulnerable groups' - sometimes referred to as the '**empowerment case**'.

Other claims focus on **transparency**. **Access to information via transparency initiatives** is seen as a right, an end in itself and also a **'leverage right'** capable of delivering further ends. Increased transparency in state decision-making can facilitate greater accountability to citizens. However, the right to information is not accountability in itself but is instrumental to it, and transparency does not automatically produce accountability but is a necessary but insufficient condition for it; certain types of transparency can generate certain types of accountability under certain conditions.

Finally, some of the claims made for TAIs focus on the relationships between **transparency, accountability and participation**. Some work suggests that these connections between transparency, accountability and participation might be correlations rather than solid causal links. A recent study of the outcomes of citizen engagement shows that participation does have an impact - usually but not always a positive one - on the measurable democratic and developmental outcomes arising from citizen engagement.

5 e-Governance

India is a nation that has a significant number of people who are below the minimal socio-economic benchmarks. This includes rural and urban poor, women in rural areas, street children, people belonging to historically disadvantaged castes and people living in less developed areas. The vulnerability of these sections of society has increased with globalization and this section is prone to become even more marginalized - economically and socially.

Successive governments have committed themselves to addressing these divides, but effective implementation of various economic development programmes aimed at individuals belonging to these sections of society has proved an elusive goal. Government of India (GoI) recognizes that **e-Governance**, in the context of developing countries, provides an excellent opportunity for improving governance. Used imaginatively, it is a trigger for introducing various **administrative reforms**. These changes could not only go a long way in improving the quality of life of these sections of society, but could actually provide them more equitable access to economic opportunities than ever before. In this context, the Government of India views e-Governance as a **strategic tool** for **transforming Governance** and **improving the quality of services** provided by the government to its people.

India's experience in **e-Governance / ICT initiatives** has demonstrated significant success in **improving accessibility, cutting down costs, reducing corruption, extending help** and **increased access to un-served groups**. Improved access to information has provided and social development opportunities, facilitated participation and communication in policy and decision-making processes and empowerment of the weakest groups. This has led to fostering a sense of ownership and building of social capital, which in turn, constitute a basis for **local revitalization**.

e-Governance is now mainly seen as a key element of the country's governance and administrative reform agenda. The Government of India aspires to provide:

- Governance that is easily understood by and accountable to the citizens, open to democratic involvement and scrutiny (an open and transparent government)
- Citizen-centric governance that will cover all of its services and respect everyone as individuals by providing personalized services.
- An effective government that delivers maximum value for taxpayers' money (quick and efficient services)

Hence the Government of India views e-Governance as a vehicle to initiate and sustain reforms by focusing on three broad areas:

Governance

- Transparency
- People's participation
- Promotion of a democratic society

Public services

- Efficient, cost-effective and responsive governance
- Convenient services to citizens and businesses
- Greater citizen access to public information
- Accountability in delivery of services to citizens

Management

- Simplicity, efficiency and accountability
- Managing voluminous information and data effectively
- Information services
- Swift and secure communication

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5.1 Applications of e-Governance

e-Governance is the use of information and communication technologies to support good governance. It has the following main applications:

5.1.1 Government To Citizen (G2C)

G2C will aim at connecting citizens to government by talking to citizens and supporting accountability, by listening to citizens and supporting democracy, and by improving public services. It will involve better services to the citizens through single point delivery mechanism and will involve areas like:

5.1.1.1 E-Citizen

Under e-citizen integrated service centers are created. The purpose of these centers is to provide various customer services. It offers services like issue of Certificates, Ration Cards, Passports, Payment of Bills and taxes etc. These centers will become one-stop Government Shops for delivery of all services.

5.1.1.2 E-Transport

The transport aspects that can be easily e-governed include:
Registration of motor vehicles, Issue of driving licenses, Issue of plying permissions (Permits), Tax and fee collection through Cash and Bank Challans and Control of Pollution.

5.1.1.3 E-Medicine

It involves linking of various hospitals in different parts of the country, thus providing better medical services to the citizen.

5.1.1.4 E-Education

E-Education constitutes various initiatives of educating the citizen and the Government with the various Information technologies.

5.1.1.5 E-Registration

E-Governing the registration and transfer of the properties and stamp duty to be paid thereon brings substantial reduction of paper work and reduces the duplicating of entries. Further the transparency in work increases and the overall time of process registration reduces.

The spirit behind G2C services encompass all the services that the Government is delivering to its citizens.

Essentials for achievement:

- ***Information for All***: Keeping the citizen informed, providing him with details of Government activities. The citizen will act as a watch dog to the Government if information is available to him. Certain interest groups like the journalists, opposition will always keep an eye on the expenditure of the Government, status of which will be available on-line. The same will bring accountability amongst Civil Servants. The rationale is to increase the pressure on staff to perform well and to improve public understanding of the government.

- ***Citizen Feedback***: Citizen Feedback is a must for improving the Government Services. Unless the Government listens to its citizens, it will not be able to find out what he wants. Thus it is an effort to make the public sector decision responsive to citizens' view or needs.

- ***Improving services***: World's best companies have done it, Indian companies have copied them, Governments abroad have followed the suit, why can't the Indian Government. The aim should be improving the services delivered to

citizens on dimensions such as speed, quality, reliability, convenience and cost. Information Technology will have a big role to play in the same; the services can be delivered from 24-hour one-stop Government shops.

5.1.2 Consumer To Government (C2G)

C2G mainly constitutes the areas where the citizen interacts with the Government. It includes areas like election when citizens vote for the Government; Census where he provides information about himself to the Government; taxation where he is paying taxes to the Government.

5.1.2.1 E-Democracy

The e-democracy is an effort to change the role of citizen from passive information giving to active citizen involvement. In an e-democracy the Government informs the citizen, represents the citizen, encourages the citizen to vote, consults the citizen and engages the citizen in the Governance. Taking the citizens input about the various government policies by organizing an e-debate will further strengthen the e-democracy. The concept of e-debate is similar to chat over the Internet, wherein not only the citizens but also the political leaders contesting the elections participate. The citizens give their feedback about the various policies of the parties and particularly the manifesto of the party. The initiative will further strengthen the process by *enhancing* the representative role, improving accessibility of citizens to their elected members and developing the capacity of elected representatives to engage in e-government. Elected members will also be provided with access to the local authority's Intranet and e-mail systems so that they become available online for decision making and people can easily access them.

Essentials for achievement:

- ***Citizen Participation***: For achievement of the above initiative the citizen has to participate in the Government Business and therefore spreading awareness becomes the responsibility of the State. The elections should not be fought on the principle of what one party or other has to offer. But they should be fought on the principle of what the citizens require. Market research programs should be carried out using the Information Systems to determine the needs of the citizens. GIS could be used as a tool to find out potential gaps in the services offered.

5.1.3 Government To Government (G2G)

This can also be referred as ***e-Administration.*** It involves improving government processes by cutting costs, managing performance, making strategic connections within government, and creating empowerment. It involves networking all Government offices so as to produce synergy among them. The major areas are:

5.1.3.1 E-Secretariat

Secretariat which is the seat of power has a lot of valuable information regarding the functioning of the State. The cross-linking of various departments and exchange of information amongst various components simplifies the process of Governance.

5.1.3.2 E-Police

E-Police will help to built citizen confidence. There will be two databases. One of police personnel and the other of criminals. The database of personnel will have the records of their current and previous postings. This will help to track policemen specialized in certain geographical regions and skills. For example, we want to look for a forensic expert. The database within seconds gives the list of all forensic experts. The same database will keep a track of their details like service record, family background etc which will also be helpful in intelligent posting and promotion of personnel. The second database will be of criminals. This database has to be upgraded to national database for its total utility. By just typing the name of a criminal a police officer will be able to know the details of his past activities, including his modus operandi and the area of operation. Further a database like this will help tap the criminals easily as all the police stations

will have simultaneous access to their record. The module also includes G2C activities like online filing of FIR's, finding the case status of an FIR etc. Creating a database of Lost and Found can assist further lost and found of valuables and individuals.

5.1.3.3 E-Court

The pending court cases in India have brought the legal system to a halt. Not only are the consumers asking for changes in the administration, but also the system will collapse if it continues in this manner. IT can transform the system and bring in the court cases to a level of zero dependency. Creating a database of cases can do the same. In fact such a system will help to avoid all the appeals to High Courts and Supreme Court, for the Judges can consider the appeals from an intranet wherein the case remains in the same district court but the Higher Court gives their decision online based on the recorded facts of the case. Such a step will not only help the citizens but will also reduce the backlog of cases. Further the use of IT in the areas like recording of court proceedings, high resolution remote video to identify fraudulent documents, live fingerprints scanning and verification, remote probation monitoring, electronic entry of reports and paper work will further speed up the court proceedings.

5.1.3.4 State Wide Networks

This involves linking all the departments of the Government with various district headquarters and the state capital, facilitating the flow of information between the various state departments and its constituents. Here various blocks are linked to district Headquarters, district headquarters to State Headquarters and State Headquarters to the National Capital.

Essentials for achievement:

- ***Cutting Expenditure***: With proper process control the input output ratio can be improved. The same can be achieved by cutting financial time costs. Cutting Government expenditure will lead to saving and accountability.

- ***Organize around outcomes, not tasks***. This principle suggests that a single person should perform all the steps in a process and that the person's job be designed around the outcome or objective rather than a single task. Say, for example, a citizen applies for a permit – it becomes the duty of the receiving authority that the citizen gets the same, rather than moving around to get it done.

- ***Managing process performance***: planning, monitoring and controlling the performance of process resources (human, financial and other). Informatisation supports this by providing information about process performance and performance standards. The rationale is to make more efficient or effective use of process resources.

- ***Establish a network:*** Treat geographically dispersed resources as though they were centralized. Government can use databases, telecommunications networks, and standardized processing systems to get the benefits of scale and coordination, while maintaining the benefits of flexibility and service. Strategic connections in Government should be established like central-to-local, ministry-to-ministry, executive-to-legislature, and decision maker-to-data store.

- ***Delegate and Empower:*** Put the decision point where the work is performed, and build control into the process. Thus, for overall Government Process Reengineering (GPR) to succeed the decision making should pass on to the people who do the actual work, from the people who are just monitoring it. People engaged in actual activities should be empowered to make decisions at the required focal point and hence to delegate such activities on their own so that the process itself can have built in controls. This will not only speed up the process but will cut cost as well.

5.1.4 Government To Business (G2B)

5.1.4.1 E-Taxation

This constitutes the various services that a business house needs to get from the Government, which includes getting licenses etc. In a similar scenario, it can also flow from a business house to the Government as in the case of procurements, from such business houses by the Government. This will become a B2G service.

Essentials for achievement:

- ***Standards:*** Standards for Electronic Transactions or E-Commerce needs to be built. The standards will also include standards on content etc.
- ***Payment Mechanism:*** A secure payment mechanism needs to be built to enable payments over the electronic medium.
- ***PKI:*** PKI or Public key Infrastructure is required for secure and authentic transactions.

5.1.5 Government To NGO (G2N)

5.1.5.1 E-Society

Building interactions beyond the boundaries of government by developing communities, building government partnerships and civil society. It involves building various associations or interest groups that will ensure the betterment of the society. Such initiatives deal particularly with the relationship between government and citizens: either as voters/stakeholders from whom the public sector derives its legitimacy, or as customers who consume public services.

Essentials for Achievement:

- ***Publishing****: D*elivering data to citizens. This involves open access to Government Information. The citizen has a right over Government information and its activities.
- ***Interaction:*** *De*livering data to citizens and receiving data from citizens. This involves taking feedback from the citizens and interacting with the interest groups.

5.2 Priorities and Objectives

For e-governance to succeed in India 'e-readiness' must be built. This means strengthening infrastructural inadequacies, reducing the barriers to e-governance, and strengthening the drivers to e-Governance. The priority is therefore to build e-readiness in seven key areas:

- Infrastructure
- Institutions
- Laws
- Leadership and commitment
- Human capacities
- Technology
- Data systems

The specific objectives are:

- To develop the high-level awareness and commitment that will carry forward e-governance for development.
- To develop the capacities necessary to address e-governance strategically.
- To develop the human and data infrastructure necessary for e-governance.
- To implement pilot projects.

5.3 Models and Successes

Recognizing that e-Governance is playing an increasingly important role in modern governance, various agencies of the Government and civil society organizations have taken a large number of initiatives across the country. Indicated below are some of the key models implemented in the country across some of the important citizen/business related departments

5.3.1 Customs and Excise (Government of India)

- 98% of export and 90-95% of import documentation computerized.
- Electronic filing through ICEGATE.
- Service Tax returns electronically processed

5.3.2 Indian Railways (Government of India)

- Anywhere to Anywhere reservation from Anywhere.
- Electronic Booking of tickets.
- Online Information of Railway reservation on Internet.

5.3.3 Postal Department (Government of India)

- Direct e-credit of Monthly Income Scheme returns into the investors accounts
- Dematerialization of Savings Certificate (NSC) and Vikas Patras (KVP), offering full portability

5.3.4 Passport / Visa (Government of India)

- 100% passport information computerized.
- All 33 Regional Passport Offices covered.
- Machine readable passports available.

5.3.5 AP Online (State Government of Andhra Pradesh)

An Integrated Citizen Services Portal providing citizen centric services such as: Birth/Death Certificates, Property Registration, Driver's License, Govt. Applications & Forms, Payment of taxes / utility bills etc.

5.3.6 Bhoomi – Automation of Land Records (State Government of Karnataka)

Bhoomi (meaning land) is the project of on-line delivery and management of land records. It provides computerized Record of Rights Tenancy & Crops (RTC) - needed by farmer to obtain bank loans, settle land disputes etc. It has also ensured increased transparency and reliability, significant reduction in corruption, exploitation and oppression of farmers. This project has benefited more than 20 million rural land records covering 6.7 million farmers.

5.3.7 CARD – Registration Project (State Government of Andhra Pradesh)

Computer Aided Administration of Registration Department (CARD) impacting more than 10 million citizens. The system ensures transparency in valuation of property and efficient document management system. The estimated saving of 70 million man-hours of citizen time valued at US$ 35 mil (investment in CARD - US$ 6million). Similar initiatives in other states like SARITA (State Government of Maharashtra), STAR (State Government of Tamil Nadu), etc. have further built upon this initiative.

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5.3.8 Gyandoot: Intranet in Tribal District of Dhar (State Government of Madhya Pradesh)

This project offers e-governance services including online registration of applications, rural e-mail facility, village auction site etc. It also provides services such as Information on Mandi (farm products market) rates, On-line public grievance redressal, caste & income certificates and Rural Market (Gaon ka Bazaar).

5.3.9 LOKMITRA (State Government of Himachal Pradesh)

- Offers e-governance services:
  - Online registration of applications,
  - Rural e-mail facility, village auction site etc.
- Key services provided to citizens
  - Information on Mandi (farm products market) rates
  - On-line public grievance redressal
  - Sending and receiving information regarding land records, income certificates, caste certificates and other official documents.
  - Market rates of vegetables, fruits and other items

5.3.10 e-Mitra - Integrated Citizen Services Center/ e-Kiosks (State Government of Rajasthan)

- Implemented using a PPP (Public Private Partnership) model
- Private partner paid by the government department / agency
- G2C services like:
  - Payment of electricity, water, telephone bills
  - Payment of taxes
  - Ticket Reservations
  - Filing of Passport applications
  - Registration of birth/death
  - Payment by cash/cheque/ credit card

The above mentioned models of e-Governance are only illustrative. Many of the State Governments have successfully implemented several such initiatives. This has positively impacted the quality of life of citizens. Hence e-Governance affords an excellent opportunity for India to radically improve the quality of governance and thereby:

- Allow for two-way communication between government and citizens not only for service delivery but also to receive opinions of citizens on policies and government performance
- Provide greater access to excluded groups, who have few opportunities to interact with government and benefit from its services and schemes
- Include all sections of the society in the mainstream of development
- Enabling rural and traditionally marginalized segments of the population to gain fast and convenient access to services in their own neighbourhoods.

5.4 Challenges and Limitations

5.4.1 Funding

Funding is the foremost issue in e-Governance initiatives. The projects that are part of the e-governance initiatives need to be funded either through the Government sector or through the private sector. For the private sector to step into the funding activity their commercial interests needs to be ensured. The projects can be built either on BOO (Built Own Operate) or BOOT (Built Own Operate Transfer) basis. Also the Government interest of Value Addition in services also needs to be taken care of while transferring the services to private sector. Advertising, sharing of Government information etc could be a few revenue generators for the Government.

5.4.2 Management of Change

The delivery of Government services through the electronic media including EDI, Internet and other IT based technologies would necessitate procedural and legal changes in the decision and delivery making processes. It demands fundamental changes in Government decision management. The employees need to be delegated more authority. De-layering of the decision-making levels leads to re-engineering and appropriate sizing of the decision-making machinery. These changes need not only be accepted by the Government and citizens but also be accepted by various interests groups like Employees unions. Under such circumstances bringing in a change will involve changing the mindsets of the people, and a complete Reengineering process needs to be carried out for the same. This will involve training of the personnel at all levels, more so, at the lower rung of Government management organizations. There will also be a loss of vested interests and power amongst the legislature and the executive, which may lead, to resistance to change.

5.4.3 Privacy

The privacy of the citizen also needs to be ensured while addressing the issues. Whenever a citizen gets into any transaction with a Government agency, he shells out lot of personal information, which can be misused by the private sector. Thus, the citizen should be ensured that the information flow would pass through reliable channels and seamless network.

5.4.4 Authentication

Secured ways of transactions for the Government services are another issue of concern. The identity of citizens requesting services needs to be verified before they access or use the services . Here digital signature will play an important role in delivery of such services. But the infrastructure needed to support them is very expensive and requires constant maintenance. Hence a pertinent need still survives, compelling the authorities to ensure the authenticity in their transactions thereby gaining absolute trust and confidence of the citizen.

5.4.5 Interoperability

A major design issue for integrated service delivery sites is, how to capture data in a Web-based form and transfer it to an agency's systems for processing and sharing that information in a common format. Infact the interoperation of various state Governments, the various ministries within a state Government is a critical issue. Further how the various islands of automation will be brought together and built into one is another key issue of e-Governance.

5.4.6 Delivery of services

The ability of citizens to access these services is another major issue. Since the penetration of PCs and Internet is very low in the country, some framework needs to be worked out for delivery of the e-Services that would be accessible to the poorest of the poor. What will be the Government's network to deliver those services? Could we have something like a single stop shop of the Government? A proposed mechanism is delivery of the same through the Government Post Offices, for they already have the brick and mortar support and the most extensive network in the nation.

5.4.7 Standardization

Defining the standards for the various Government services is another issue that needs to be addressed. The standards need to be worked out not only for the technologies involved but also for issues like naming of websites to creating E-Mail addresses.

5.4.8 Technology Issues

A number of organizations, both in the Centre and the States, have taken commendable initiatives to develop hardware and software platforms to address the challenges offered by e-Governance. At the central level in particular, the C-DAC, CMC and a number of others are noteworthy. The e-Governance initiative would have to address these Technology Issues/Objectives by identifying the appropriate hardware platforms and software application packages for cost-effective delivery of public services. This knowledge repository should be widely available through appropriate

Demo- Mechanisms. Offering a basket of these models to the State departments, both in the Center and the State, could be suitably customized as
per location and work specific requirements.

5.4.9 Use of local language

The access of information must be permitted in the language most comfortable to the public user, generally the local language. There do already exist technologies such as GIST and language software by which transliteration from English into other languages can be made.

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G.S. PAPER II – CONSTITUTION & POLITY

POWERS, FUCNTIONS & RESPONSIBILITIES OF VARIOUS CONSTITUTIONAL BODIES

CONTENT

1. Election Commission of India

2. CAG: The Comptroller and Auditor General of India

3. Union Public Service Commission

4. National Commission for SCs and STs

5. Special Officer for Linguistic Minorities

6. Attorney General

7. Solicitor General of India

8. Finance Commission

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1. ECI- The Election Commission of India

The Constitution of India has vested in the Election Commission (EC) of India the superintendence, direction and control of the entire process for conduct of elections to **Parliament** and **Legislature of every State** and to the offices of **President and Vice-President of India.**

Originally, the commission had only a Chief Election Commissioner. It currently consists of Chief Election Commissioner and two Election Commissioners. For the first time two additional Commissioners were appointed on 16th October 1989 but they had a very short tenure till 1st January 1990. Later, on 1st October 1993 two additional Election Commissioners were appointed. The concept of multi-member Commission has been in operation since then, with decision making power by majority vote.

1.1 Constitutional Provisions:

- Art. 324: broadly speaks of the functions of EC and its composition.
- Art. 325: there shall be one general electoral roll for every territorial constituency for election to either House of parliament and State legislature. It establishes equality among citizens by affirming that no person shall be ineligible for inclusion in the electoral roll on the grounds of religion, race, caste or sex.
- Art. 326: lays down adult suffrage as the basis of elections to the Lok Sabha and to the Legislative Assemblies of States.
- Art. 327: confers on Parliament the power to make provisions with respect to elections to federal and state legislatures
- Art. 328: confers on State Legislature the power to make laws with respect to elections to such legislature
- Art. 329: bars **interference by courts** in electoral matters. Notwithstanding anything said in the constitution i.e. validity of any law relating to the delimitation of constituencies or the allotment of seats to such constituencies shall not be called in question in any court

No election to either House of Parliament or either House of the Legislature of a State shall be called in question except by an **election petition.** Any elector or candidate can file an election petition on grounds of malpractice during the election. In respect of elections to the Parliament and State Legislatures they can only be filed before the High Court and in respect of elections for the offices of President and Vice-President, such petitions can only be filed before the Supreme Court.

1.2 Composition and Conditions of Service:

1. EC shall consist of the chief election commissioner and such number of other election commissioners, if any, as the president may from time to time fix (presently CEC + 2 ECs)
2. The appointment of the chief election commissioner and other election commissioners shall be made **by the president**
3. The president may also appoint after consultation with the election commission such regional commissioners as he may consider necessary to assist the election commission

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4. The conditions of service and tenure of office of the election commissioners and the regional commissioners shall be determined by the president
5. When any election commissioner is appointed, the chief election commissioner acts as the Chairman of the Election Commission
6. The chief election commissioner and the two election commissioners draw salaries and allowances at par with those of the Judges of the Supreme Court of India
7. The chief election commissioner or an election commissioner holds office for a term of 6 years from the date on which he assumes his office or till he attains the age of 65 years, whichever is earlier
8. Election commissioner or a regional commissioner shall not be removed from office **except on the recommendation of the chief election commissioner**

Q: Are the commissioners and the CEC equal?

In *S.S. Dhanoa vs Union of India (1991)*, the SC held: "The chief election commissioner does not appear to be primus inter pares, i.e. first among equals, but he is intended to be placed in a distinctly higher position"

In *T.N. Seshan vs Union of India (1995)*, the SC held that the CEC and ECs are equal. CEC is given the power of recommending the removal of ECs with the intention of shielding them and not to use it against them. CEC cannot use it suo moto as he is an equal to them

The Chief Election Commissioner and Other Election Commissioners (Conditions of Service) Act, 1991, as amended, provides that in case of difference of opinion on any matter, such matter shall be decided by the **opinion of the majority.** Thus the CEC cannot over-ride any decision of the commission by himself. As Chairman of the Election Commission he presides over the meetings, conducts the business of the day and ensures smooth transaction of business of the commission.

1.3 Independence of the Election Commission:

Article 324 of the Constitution has made the following provisions to safeguard and ensure the independent and impartial functioning of the election commission:

1. The CEC is provided with the security of tenure. He holds office for a term of 6 years from the date he assumes office or till he attains the age of 65 years, whichever is earlier
2. Art. 324(5) says that the CEC cannot be removed from his office except in like manner and on like grounds **as a Judge of the Supreme Court** i.e. he can be removed by the president on the basis of a **resolution passed to that effect by both the Houses** of Parliament with special majority, either on the ground of proved misbehaviour or incapacity
3. Any other **election commissioner** or a regional commissioner cannot be removed from office except **on the recommendation of the CEC**
4. The service conditions of the CEC cannot be varied to his disadvantage after his appointment

Some flaws:

1. The constitution has not prescribed the **qualifications** (legal, educational, administrative or judicial) of the members of the Election Commission
2. The constitution has not debarred the retiring election commissioners from any further appointment by the government
3. The administrative expenditure of the EC or the salaries, allowances and pensions of the CEC and ECs are **not charged on the Consolidated Fund of India**

1.4 Powers and Functions of the Election Commission:

1.4.1 Administrative Functions:

1. Art. 324(1) vests in the Commission the powers of superintendence, direction and control of the elections to the offices of the President and Vice-President, both Houses of the Parliament and both Houses of the State Legislature.
2. ECI appoints the following-
   - Chief Electoral Officer- ECI in consultation with State Government/Union Territory Administration nominates or designates an Officer of the said State/UT as the Chief Electoral Officer to supervise the election work in the State/UT
   - District Election Officer- ECI in consultation with the State Government/ Union Territory Administration designates an officer of the said State/UT as the District Election Officer to supervise the election work of a district
   - Returning Officer- ECI in consultation with State Government/Union Territory Administration nominates or designates an officer of the Government or a local authority as the Returning Officer for each assembly and parliamentary constituency. Returning Officer is responsible for the conduct of elections in the parliamentary or assembly constituency and may be assisted by one or more Assistant Returning Officers (again appointed by ECI) in the performance of his functions
   - Electoral Registration Officer- ECI appoints the officer of State or local government as Electoral Registration Officer for the preparation of Electoral rolls for a parliamentary/ assembly constituency
3. To prepare and periodically revise electoral rolls and to register all eligible voters
4. To supervise the machinery of elections throughout the country to ensure free and fair elections
5. To notify the dates and schedules of elections and to scrutinise nomination papers
6. To register political parties for the purpose of elections and grant them the status of national or state parties on the basis of their poll performance
7. To grant recognition to political parties and allot election symbols to them
8. To act as a court for settling disputed relating to granting of recognition to political parties and allotment of election symbols to them
9. To enforce the Model Code of Electoral Conduct that is mutually agreed upon by the political parties
10. To prepare a roster for publicity of the policies of the political parties on radio and TV in times of elections
11. To enforce limits on expenditure on elections
12. It has the power to postpone or order re-polls or countermand elections in the event of rigging, booth capturing, violence and other irregularities

1.4.2 Advisory Functions:

1. To **advise the President and the Governor** on matters relating to the disqualifications of the members of parliament and members of the state legislature respectively. The opinion of the Commission as given to the President ot the Governor is binding.
2. Cases of persons found guilty of corrupt practices at elections which are dealt with by **SC and High Courts** are also referred to the Commission for its opinion on the question as to whether such a person is to be disqualified and, if so, for what period
3. To advise the president whether elections can be held in a state under President's rule in order to extend the period of emergency after 1 year

1.4.3 Quasi-Judicial Jurisdiction:

1. The commission has the power to **disqualify a candidate** who has not lodged an account of his election expenses within the time and in the manner prescribed by law. The commission also has the power to remove/reduce the period such disqualifications ad any other disqualification under the law
2. It has quasi-judicial jurisdiction in the case of **settlement of disputes** between the splinter groups of a recognised party

1.5 Electoral Reforms:

1.5.1 Model Code of Conduct

- EC first issued a **Model Code of Conduct** for political parties at the time of the fifth general elections, held in 1971.
- Since then, the Code has been revised from time to time and lays down guidelines as to how political parties and candidates should conduct themselves during elections.
- A provision was made under the Code that from the time the elections are announced by the Commission, Ministers and other authorities cannot announce any financial grant, make promises of construction of roads, carry out any appointments in government and public undertakings which may have the effect of influencing the voters in favour of the ruling party.
- Despite the acceptance of the Code of Conduct by political parties, cases of its violation have been on the rise. It is a general complaint that the party in power at the time of elections misuses the official machinery to further the electoral prospects of its candidates.
- The misuse of official machinery takes different forms, such as issue of advertisements at the cost of public exchequer, misuse of official mass media during election period for partisan coverage of political news and publicity regarding their achievements, misuse of government transport including aircraft/helicopter, vehicles.

1.5.2 Disclosure of Antecedents by Candidates

- In June 2002, the EC on the direction of the Supreme Court, issued an order under Article 324 that each candidate must submit an affidavit regarding the information of his/her criminal antecedents; assets (both movable and immovable) of self and those of spouses and dependents as well; and qualifications at the time of filing his/her nomination papers for election to the Lok Sabha, the Rajya Sabha and the State Legislative Assemblies.
- But political parties believed that the EC and the judiciary were overstepping their powers. At the all-party meeting, held on July 8, 2002, representatives of 21 political parties decided that the EC's order should not be allowed to be implemented. The Supreme Court again came out as a guardian of the citizen's right to information. The Supreme Court made it clear that failing to furnish the relevant affidavit shall be considered as a violation of the Supreme Court's order and as such the nomination papers shall be liable to be rejected **by the Returning Officer.** Furnishing of wrong or incomplete information shall result in the rejection of nomination papers, apart from inviting penal consequences under the Indian Penal Code. The 2004 General Elections were conducted under these rules.
- The above order is an effective step to make democracy healthy and unpolluted. Citizens have every right to know about the persons whom they prefer as their representatives. The EC has directed all Returning Officers to display the copies of nomination papers and affidavits filed by candidates to the general public and representatives of print and electronic media, free of cost.

1.5.3 Registration of Political Parties

The party system is an essential feature of parliamentary democracy. However, there is no direct reference of political parties in the Constitution of India. The statutory law relating to registration of political parties was enacted in 1989 which was quite liberal. As a result, a large number of non-serious parties mushroomed and got registered with the Commission. Many of them did not contest elections at all after their registration. It led to confusion among electors as to whom to vote. **To eliminate the mushrooming of parties,** the EC had to take some rigorous steps:

- The Commission now registers a party which has at least 100 registered electors as its members and is also charging a nominal processing fee of Rs 10,000 to cover the administration expenses which it will have to incur on correspondence with the parties after their registration.
- In order to ensure that the registered political parties practice democracy in their internal functioning, the Commission requires them to hold their organizational elections regularly in accordance with their constitutions. The measures taken by the EC to streamline the registration of political parties have shown effective results.

1.5.4 Checking Criminalisation of Politics

The EC has expressed its serious concern over the entry of anti-social and criminal persons into the electoral arena. It has set down norms and made recommendations to the government to curb the menace of criminalization of politics.

- The Commission has urged all political parties to reach a consensus that no person with a criminal background will be given the party ticket.
- The candidates to an election are also obliged to submit an affidavit in a prescribed form declaring their criminal records, including convictions, charges pending and cases initiated against them. The information so furnished by the candidates is disseminated to the public, and to the print and electronic media.

1.5.5 Limits on Poll Expenses

- To get rid of the growing influence and vulgar show of money during elections, the EC has **fixed legal limits** on the amount of money which a candidate can spend during the election campaign.
- These limits are revised from time to time. The EC, by appointing expenditure observers keeps an eye on the individual accounts of election expenditure made by a candidate during election campaign. The contestants are also required to give details of expenditure **within 30 days of the declaration of the election results.**
- Apart from this, the EC is also in favor of holding the Lok Sabha and the Assembly elections simultaneously, and to reduce the campaign period from 21 to 14 days. This, they feel, will lead to trim down the election expenditure.

1.5.6 Use of Scientific and Technological Advancements

i. EVMs:

EC has been trying to bring improvements in election procedures by taking advantage of scientific and technological advancements. The introduction of 'electronic voting machines' (EVMs) is one of the steps in that direction by reducing malpractices and also improving the efficiency of the voting process. On an experimental basis, the EVMs were first tried in the **State of Kerala during the 1982** Legislative Assembly Elections. In June 1999 Assembly elections, **Goa became the first State to successfully use EVMs** in all its Assembly constituencies. In the 2004 Lok Sabha elections, the machines were used all over the country.

It is a major initiative taken by the EC to make the electoral process simple, quick and trouble-free. It has saved money, solved several logistical issues and also contributed to the conservation of environment through saving of paper. Another major advantage of these machines is that the counting of votes becomes more fast and accurate.

ii. IT:

EC has not lagged behind in making use of Information Technology for efficient electoral management and administration. It launched a website of its own in 1998. This is now a good source to have accurate information about elections, election laws, manuals and handbooks published by the Commission.

iii. Computerization of Electoral Rolls:

With a view to prevent impersonation of electors at the time of voting and to eliminate bogus and fictitious entries into electoral rolls, EC took a bold step in 1998 to take a nationwide programme for the 'computerisation' of electoral rolls. The printed electoral rolls as well as CDs containing these rolls are available to the general public for sale national and State parties are provided these **free of cost after** every revision of electoral rolls. The entire country's electoral rolls are available on its website. Karnataka became the first State to prepare electoral rolls with the photographs of voters in the 2008 elections.

iv EPICs:

In an attempt to improve the accuracy of the electoral rolls and prevent electoral fraud, the Election Commission in August 1993 ordered the issuance of electors' photo identity cards (EPICs) for all voters. During the 2004 Assembly elections, it was mandatory for people possessing EPICs to furnish it at the time of voting. The distribution of EPICs, on the part of Election Commission, was a major step to reduce electoral malpractices. Only genuine voters were listed in the rolls with the issuance of voter identity cards.

1.5.7 De-criminalization of politics

- For preventing persons with criminal background from becoming legislators, the Commission has made a proposal for disqualifying (from contesting election) a person against whom charges have been framed by a Court for an offence punishable by **imprisonment of 5 years or more.**
- There is a provision of disqualification once a person is convicted and sentenced to **imprisonment of two years or more.** The Commission's proposal is for disqualification even prior to conviction, provided the court has framed charges.
- As a precaution against foisting false cases on the eve of election, it has been suggested that only those cases in which charges are framed six months prior to an election should be taken into account for that election.

1.5.8 Political parties reforms

- The political parties should be legally required to get their **accounts audited annually.** The audited accounts should be put in public domain.
- There should be **transparency in the fund raising** and expenditure of political parties. Income tax exemption for donations should be given only for those political parties which contest election and win seats in the Parliament/State Legislature.

1.5.9 Misuse of religion for electoral gain

- The Commission has proposed that the provision in that Bill should be considered for avoiding misuse of religion by political parties.

1.5.10 Amendment of law to make `paid news' an electoral offence

- The Commission has been proposed amendment in the Representation of People Act(RoPA) , 1951, to provide therein that publishing and abetting the publishing of **`paid news'** for furthering the prospect of election of any candidate or

for prejudicially affecting the prospect of election of any candidate be made an electoral offence with punishment of a minimum of two years imprisonment.

1.5.11 Negative/neutral voting

- In the ballot paper and on the ballot unit, after the particulars relating to the last candidate, there should be provisions for a column **`none of the above'** to enable a voter to reject all candidates if he so desires.

1.5.12 Ban on transfer of election officers on the eve of election

- In the case of general election, there should be a ban against transferring any election related officer without the concurrence of the Commission for a period of six months prior to the expiry of the term of the House.

1.5.13 Punishment for false affidavit by candidates

RoPA, 1951 provides that furnishing false information in the affidavit filed by the candidate is an offence punishable by imprisonment up to **six months** or with fine. There is no clear provision for follow-up action in the event of candidates filing false affidavits.

- EC has recommended that RoPA, 1951 should be amended to provide that any complaint regarding false statement in the affidavit filed by the candidates in connection with the nomination paper shall be filed before the Returning Officer (RO) concerned within a period of **30 days from the date of declaration of the election** and that it shall be the responsibility of the **RO to take proper follow-up action.** Alternatively, complaint can lie directly to the Magistrate Court.

Summing Up

Over the years, EC has conducted a number of laudable electoral reforms to strengthen democracy and enhance the fairness of elections. These reforms are quite adequate and admirable. Undoubtedly, the election machinery, under the aegis of the EC, deserves credit for conducting elections in a free and fair manner.

However, our system is still plagued by many vices. To win votes, political parties resort to foul methods and corrupt practices. Such maladies encourage the anti-social elements to enter the electoral fray. The problem is not lack of laws, but lack of their strict implementation. In order to stamp out these unfair tendencies, there is a need to strengthen the hands of the EC and to give it more legal and institutional powers. The EC must be entrusted with powers to punish the errant politicians who transgress and violate the electoral laws.

2. CAG: The Comptroller and Auditor General of India

The Constitution of India provides for an independent office of the Comptroller and Auditor General of India (CAG). He is the head of the Indian Audit and Accounts Department. He is the guardian of the public purse and controls the entire financial system of the country at both the levels- the centre and state. His duty is to uphold the Constitution of India and the laws of Parliament in the field of financial administration.

CAG helps the parliament/state legislatures hold their respective governments accountable. He is one of the bulwarks of the democratic system of government in India; the others being the SC, the ECI and the UPSC. It is for these reasons Dr. B R Ambedkar said that the CAG shall be the most important Officer under the Constitution of India and his duties are far more important than the duties of even the judiciary.

2.1 A Brief History

The role of the CAG evolved in British India with **Lord Canning** initiating a major administrative drive before the Mutiny of 1857. In May 1858, for the first time, a separate department was set up with an Accountant General, who was responsible for accounting and auditing the financial transactions under the East India Company. After Mutiny, the **British Crown took over and passed the Government of India Act 1858.** This laid the foundation stone of Imperial Audit. **Sir Edward Drummond** took charge in 1860 as the first Auditor General and the term 'Comptroller and Auditor General of India' was first used in 1884. Under the Montford Reforms of 1919, the Auditor General became independent of the government. The Government of India Act 1935 strengthened the position of the Auditor General by providing for Provincial Auditors General in a federal set-up.

Why Comptroller?

In the 15th century, the word Controller developed the alternate spelling Comptroller as a result of an association between the first part of the word, cont, and an unrelated word count and its variant, compt. Many people pronounce comptroller like controller but both are acceptable. But the word Comptroller has a different meaning-someone who maintains and audits business. **Comptrollers are controllers but controllers are not comptrollers.**

Comparison with UK:

In India the institution of CAG only audits the accounts after the expenditure is committed. It does not have control over the withdrawal of moneys as in UK where the name Comptroller is justified since **no money can be drawn** from the public exchequer without the approval of the CAG

2.2 Constitutional provisions

- Art. 148: broadly speaks of the CAG, his appointment, oath and conditions of service
- Art. 149: broadly speaks of the Duties and Powers of the CAG
- Art. 150: The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the CAG, prescribe.
- Art. 151: Audit Reports:- The reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the president, who shall cause them to be laid before each House of Parliament.

The reports of the Comptroller and Auditor-General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

2.3 Independence of the Institution of CAG

For effective functioning of this important institution of the CAG it is paramount to ensure independence. There are several provisions enshrined in the Constitution to safeguard CAG's independence:

1. He is **appointed by the President** by a warrant under his hand and seal and his oath of office requires him to uphold the Constitution of India and the laws made there-under
2. He is provided with a **security of tenure** and can be removed by the President only in accordance with the procedure mentioned in the Constitution (same as a judge of SC)
3. He is **not eligible for further office**, either under the Government of India or of any state, after he ceases to hold his office

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4. His salary and other service conditions though determined by the **Parliament cannot be varied to his disadvantage after appointment**
5. His administrative powers and the conditions of service of persons serving in the Indian Audit and Accounts Department shall be prescribed by the **President only after consulting him.**
6. The administrative expenses of the office of CAG, including all salaries, allowances and pensions of persons serving in that office are charged upon the **Consolidated Fund of India and are not subject to the vote of Parliament.**

2.4 Duties and Powers of the CAG

2.4.1 Sources of the Audit Mandate of CAG

- Constitution- The existence and mandate of the Comptroller and Auditor General of India emanates from **Articles 148 to 151** of the Constitution. Article 149 stipulates the Duties and Powers of the Comptroller and Auditor General
- Statute- DPC Act, 1971 (Duties, Powers and Conditions of Service Act) lays down the general principles of Government accounting and the broad principles in regard to audit of receipts and expenditure
- Regulations- Regulations on Audit and accounts as framed and notified in the official Gazette .
- **Scope of audit:** Within the audit mandate, the Comptroller and Auditor General is the sole authority to decide the scope and extent of audit to be conducted by him or on his behalf

2.4.2 Duties

- He audits the accounts related to all expenditure from the **Consolidated Fund of India**, Consolidated Fund of **each state and UT** having a legislative assembly
- He audits all expenditure from the **Contingency Fund** of India and the **Public Account of India** as well as the **Contingency Fund and Public Account of each state**
- He audits all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts kept by any department of the Central Government and the state governments.
- He audits the receipts and expenditure of all bodies and authorities substantially financed from the Central or State revenues; government companies; other corporations and bodies, when so required by related laws

2.4.3 Functions

- He audits **all transactions of the Central and state governments** related to debt, sinking funds, deposits, advances, suspense accounts and remittance business
- He audits the accounts of any other authority when requested by the **President or Governor** e.g. Local bodies
- He advises the President with regard to prescription of the form in which the accounts of the Centre and states shall be kept
- He submits his audit reports relating to the accounts of the Centre to the President, who shall, in turn, place them before both the houses of Parliament
- He submits his audit reports relating to the accounts of a State to the Governor, who shall, in turn, place them before the state legislature
- He ascertains and certifies the net proceeds of any tax or duty and his certificate is final on the matter
- He acts as a guide, friend and philosopher of the Public Accounts Committee of the Parliament
- He compiles and maintains the accounts of state governments. In 1976, he was relieved of his responsibilities with regard to the compilation and maintenance of accounts of the Central government due to separation of accounts from audit

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- He submits 3 audit reports to the President- audit report on appropriation accounts, audit report on finance accounts and audit report on public undertakings

2.4.4 There are the following limitations on the powers of CAG:

- Its report is **post-facto i.e. after the expenditure** is incurred and has only prospective value in improving systems and procedures
- Secret service expenditure is outside the purview of the CAG and he cannot call for particulars of **expenditure incurred by the executive agencies,** but has to accept a certificate from the competent administrative authority that the expenditure has been so incurred
- Since the legislation, the government has increased its participation with the private sector through the PPT (public-private-transfer) and BOT (build-own-transfer) model. However the rules have not undergone a significant change and CAG does not have the power to audit PPP (Public Private Partnership) investments.
- There is no provision for auditing of funds that are given to an NGO and elected local bodies. Today when NGOs have become a conduit for a multitude of government schemes.
- CAG presently does not have the full authority to audit the PRIs and ULBs. In most states, the Examiners functioning under the Finance Department audit the accounts of local bodies.
- **DRDAs (District Rural Development Authority)** today are managing large sums of money for rural development yet they also are outside the purview of CAG audits

In light of the above limitations and changes in the Indian polity such as increasing role of civil society and NGOs, liberalisation of the economy, PPP mode of investments the DPC Act, 1971 must be reviewed to bring in greater accountability and transparency in every sphere that touches public life. CAG's work should go beyond the question of whether government funds are being spent appropriately to ask whether programs and policies are meeting their objectives and the needs of society

2.5 Types of Audit performed by CAG

i. Regulatory Audit: It is an audit to ascertain whether the moneys spent were authorised for the purpose for which they were spent and also that the expenditure incurred was in conformity with the laws, rules and regulations

ii. Supplementary Audit: CAG takes up supplementary audits in PSUs, even after the commercial audits are done by the auditors appointed by the CAG, for detection of leakages.

iii. Propriety Audit: It focuses on whether the **expenditure made is in public interest or not** i.e. it moves beyond mere scrutiny of expenditure to question its wisdom and economy in order to identify cases of improper expenditure and waste of public money

iv. Efficiency Audit: Efficiency audit as the name suggests answers the question whether the money invested yields optimum results. The main purpose of the efficiency audit is to ensure that the investment is prioritized and channelled into its most profitable utilization

v. Performance Audit: Performance audit answers whether the **government programmes** such as NREGA have achieved the desired objectives at the lowest cost and given the intended benefits. It generally does not get into the merits-demerits of a particular policy/scheme rather looks into the effectiveness with which the scheme is implemented and any deficiencies thereof

vi. Environmental Audit: This is a relatively new area of concern for the CAG keeping in mind the challenges facing India with respect to conservation and management of the environment. More than 100 audits on environmental issues like bio-diversity, pollution of rivers, waste management have been conducted by the CAG to identify critical issues and suggest possible solutions by involving all stakeholders

2.6 Recent Issues

i. Mode of Appointment

- The present selection process for the CAG is entirely internal to the **Government machinery;** no one outside has any knowledge of what criteria are applied, how names are shortlisted and how a final selection is made. Thus presently there is a lack of clarity on the criterion, the definition of field of choice, the procedures for the selection of this high constitutional functionary. In most of the other countries there is no scope for the head of the Supreme Audit Institution to be chosen at the discretion of the Government. It is desirable that India adopts the international practice of appointing head of Supreme Audit Institution to be independent of the discriminatory power of the Executive.
- Another related issue is that of the appointment of IAS officers as the CAG. In the last 48 years since 1966 only one IAAS officer has been chosen while all other postings went to senior civil servants. From the viewpoint of IAAS this looks like the systematic exclusion of that service and the virtual absorption of the post of CAG in the IAS cadre. **This perception has had a demoralising effect on the IAAS cadre.** Whether that feeling is right or wrong, it exists; and it is bound to have some effect on the commitment, zeal and courage with which the audit function is performed. The answer to it is not to exclude the IAS, nor to reserve the post exclusively for the IAAS, but to ensure that the appointment processes are such as to leave no room at all for a sense of unfairness or suspicions of impropriety; and that the selected person, from wherever he or she be drawn, is of such unquestionable suitability as to command respect both within and outside the audit department. The field of choice should certainly be wide, and should include the IAAS, other central accounts services (civil accounts, railway accounts and defence accounts), the IAS, and a limited number of accounts, finance and management experts from outside the government.
- ICAI (Institute of Chartered Accountants in India) Code of Ethics states that an auditor's independence has two aspects- independence in fact and independence in appearance. The appointment of former secretaries as CAG may compromise the **independence** of this institution because of apparent/perceived conflict of interest.

Recent Example:

There are **2 PILs have been filed in the SC** against the appointment of former defence secretary **Shashi Kant Sharma** as the new CAG. Before being appointed the CAG, Mr. Sharma had served in key positions in the defence ministry that involved decision making powers over purchases including the **Augusta Westland Chopper** deal and the

Tatra trucks deal. His appointment is thus being questioned in the context of conflict of interest and also that it goes against the code of ethics of auditors.

2.7 Recommended Mode of Appointment

There is a need to frame a transparent selection procedure based on definite criteria and constitute a broad-based non-partisan selection committee, which after calling for applications and nominations would recommend the most suitable person for appointment as CAG. There needs to be an institutionalised process of selection for the post of CAG, a selection committee as seen in the appointment of CVC (involving PM, Leader of Opposition and Home Minister) and the Chairman of the NHRC may be considered. The above steps could go a long way in ensuring that an outstandingly able person of great independence and integrity is selected to this high constitutional office.

2.8 Should the CAG go into policy decision?

- In the recent past CAG's reports on 2G, Coal blocks allocation, Delhi Airport PPP have made the Government very uncomfortable with the audit findings. In order to defend its position, some members of the ruling party have raised questions about CAG's jurisdiction and observed that he has exceeded his mandate. What is the veracity of such criticism? The CAG's role should be viewed in the context of our constitutional scheme under which the executive is accountable to Parliament. CAG is an essential instrument for enforcing the accountability mechanism as the CAG's reports on government's stewardship of public finance are required to be placed in Parliament and state legislatures under **Article 151** of the Constitution. To enable him to discharge this responsibility, without fear or favour, he has been given an independent status under Article 148 analogous to that of a Supreme Court judge.
- **The word 'audit' has not been defined in either the Constitution or in the CAG Act, 1971.** We have so far been going by 150 years of history, tradition, existing provisions and international practice. The CAG has not formulated his own policy in the above reports and has only gone by policy prescriptions recommended internally at various levels within the government. It is within the mandate of CAG to comment on a policy in cases wherein-

- The financial implications of a policy were not gone into at all before the decision was made
- The assessment of financial implications was quite clearly wrong
- The numbers were correct but the reasoning behind the decision was questionable

Further, the CAG is bound by the oath of office **to uphold the Constitution of India and thus is bound to comment on policy matters that seem unconstitutional.** If the government were to formulate a scheme or policy that selectively confers benefits from public funds on an individual or a group to the exclusion of others, it is the CAG's duty to point this out. Thus the CAG was well within his mandate to comment on the above policy decisions.

Another criticism has been of the Notional and Presumptive loss figures as claimed in the reports. There is a genuine dilemma here. If the reports were to make a bland statement that an alternative procedure would have yielded more revenue to the government or would have meant less discretionary patronage, it would give no indication of the financial dimensions of the decision or the importance of the matter. Putting a number on it brings this home. On the other hand, when a number is mentioned, the discussion tends to focus on it and not on the issues involved. There is no

easy way out of this dilemma. All that one can say is that the 'notional' number should e carefully estimated, making the assumptions and methodology clear. This is what the CAG has done. He has not claimed that his figures are definitive. The assumptions can be questioned, the methodology can be questioned, the resulting number can be debated; what cannot be questioned is the procedural or substantive lapse to which the figure points.

3. Union Public Service Commission

UPSC is an independent constitutional body and is the central recruiting agency in India authorized to conduct examinations for appointment to the various civil services of the Union. **Articles 315 to 323 in Part XIV of the Constitution** contains elaborate provisions regarding the composition, appointment and removal of members along with the independence, powers and functions of the UPSC.

3.1 A Brief History

Indianization of the superior Civil Services became one of the major demands of the political movement compelling the British Indian Government to consider setting up of a Public Service Commission for recruitment to its services in the territory. The first Public Service Commission was set up on **October 1st, 1926.** However, its limited advisory functions failed to satisfy the people's aspirations and the continued stress on this aspect by the leaders of our freedom movement resulted in the setting up of the Federal Public Service Commission under the Government of India Act 1935. Under this Act, for the first time, provision was also made for the formation of Public Service Commissions at the provincial level.

The Constituent Assembly, after independence, saw the need for giving a secure and autonomous status to Public Service Commissions both at Federal and Provincial levels for ensuring unbiased recruitment to Civil Services as also for protection of service interests.

With the promulgation of the new Constitution for independent India on 26th January, 1950, the Federal Public Service Commission was accorded a constitutional status as an autonomous entity and given the title – **Union Public Service Commission (UPSC)**.

3.2 Composition

UPSC has been established under **Article 315** of the Constitution of India. The Commission consists of a Chairman and ten Members appointed by the President of India. The Constitution, without specifying the strength of the commission has left the matter to the discretion of the President.

Further, **no qualifications** are prescribed for the Commission's membership except that one-half of the members should be such persons who have held office for **at least 10 years either under the Government of India or under the government of a state.**

The Constitution has authorized the President to determine the conditions of service of the Chairman and other Members of the Commission. Accordingly, the terms and conditions of service of Chairman and Members of the Commission are governed by the Union Public Service Commission (Members) Regulations, 1969.

The Commission is serviced by a Secretariat headed by a Secretary. The expenses of the Union or a State Public Service Commission, including any salaries, allowances and pensions payable to or in respect of the members or staff of the

Commission, shall be charged on the **Consolidated Fund of India** or, as the case may be, the **Consolidated Fund of the State.**

The Chairman and Members of the Commission hold office for a term of **6 years or until they attain the age of 65 years,** whichever is earlier. However, they can relinquish their offices at any time by addressing their resignations to the President. The President can appoint one of the members of the UPSC as an acting chairman in the following circumstances when the office of the chairman falls vacant or when the chairman is unable to perform his functions due to absence or some other reason

3.2.1 Removal of Chairman or a member

The President can remove the chairman or any other member of UPSC from the office under the following circumstances:

a) If he is adjudged an insolvent
b) If he engages, during the term of his office, in any paid employment outside the duties of his office
c) If he is, in the opinion of the President, unfit to continue in office by reason of infirmity of mind or body

The President can also remove the chairman or any other member of the commission for misbehaviour. However, in this case, the President has to refer the matter to the SC for an enquiry. If the SC after the enquiry upholds the cause of removal and advises so, the President can remove the chairman or the member. **The advice so tendered by the SC is binding on the President.** Here the term **'misbehaviour'** refers to- interest in any contract or agreement made by the Government of India or the government of a state or participation in any way in the profit of such contract or agreement or in any other benefit

3.3 Independence of UPSC

The Constitution has made the following provisions to safeguard and ensure the independent and impartial functioning of the UPSC:

1. The chairman or a member of the UPSC can be **removed from office by the President** only in the manner and on the grounds mentioned in the Constitution. Thus, they enjoy security of tenure.
2. The conditions of service of the chairman or a member, though determined by the President, **cannot be varied to his disadvantage after his appointment.**
3. The entire expenses including the salaries, allowances and pensions of the Chairman and members of the UPSC are charged on the Consolidated Fund of India and are not subject to the vote of Parliament.
4. The chairman of the UPSC on ceasing to hold office is **not eligible for further employment** in the Government of India or any state
5. A member of the UPSC is eligible for appointment as the Chairman of UPSC or a State Public Service Commission but not for any other employment in the Government of India or any state
6. The chairman or a member of UPSC is not eligible for reappointment to that office for a second term

3.4 Functions of UPSC

The Union Public Service Commission has been entrusted with the following duties and role under the Constitution:

1. Recruitment to services & posts under the Union through conduct of competitive examinations;
2. Recruitment to services & posts under the Central Government by selection through interviews;
3. Advising on the suitability of officers for appointment on promotion as well as transfer-on-deputation;
4. Advising the government on all matters relating to methods of recruitment to various services and posts;

5. Disciplinary cases relating to different civil services; and
6. Miscellaneous matters relating to grant of extra ordinary pensions, reimbursement of legal expenses etc.

3.5 Recruitment Rules and Disciplinary Matters

In accordance with **Article 320** of the Constitution, Recruitment Rules of all Group 'A' and Group 'B" posts in various Ministries/Departments of Government of India are required to be framed in Consultation with the Commission. Consultation with the Commission is also necessary for framing/amending Recruitment Rules for certain categories of posts under the Employees State Insurance Corporation, The Delhi Municipal Corporation, The New Delhi Municipal Council, Employees Provident Fund Organisation etc. under the relevant Acts made by Parliament in pursuance of the provisions of **Article 321.**

Under Article 320(3) of the Constitution the Commission are required to be consulted on the quantum of penalties in disciplinary cases affecting a person serving under the Government of India in a civil capacity.

3.6 UPSC and CVC

Since the emergence of CVC, the role of UPSC in disciplinary matters has been affected. Both are consulted by the government while taking disciplinary action against a civil servant. Here, UPSC being an independent body has an edge over CVC which got statutory status in 2003. Recently, in order to ensure speedy finalisation of disciplinary matters and to avoid possibilities of difference of opinion between UPSC and CVC, it has been decided as a policy to prescribe only one consultation- either with CVC or UPSC. However, in disciplinary cases wherein UPSC is not required to be consulted, the consultation with CVC would continue to be made.

3.7 Extension of Functions to Local Bodies

Article 321 also empowers the Parliament to extend the functions of the Public Service Commission to any local authority or other body corporate constituted by Law or by any public institutions.

3.8 Binding nature of the advice of the Commission

A convention (not mandated by the Constitution) has been established by the Government of India, that in the following classes of the cases referred to the Commission, the recommendations made by them shall be accepted, save in exceptional circumstances.

a. Quasi-judicial cases.
b. Selection for appointments of candidates.
c. Appointment of a candidate on a higher initial pay than that of a minimum pay of the posts.
d. Claims of expenditure incurred by the Government servants in defending legal proceedings instituted against him in respect of acts done or purporting to be done in the execution of his duty.

3.9 Exemptions:

In order to exempt some posts which for reasons of **National Security** or some other reasons may not be required to be referred to the Commission for their advice, the Union Public Service Commission (Exemption from Consultations) Regulations were issued on September 1, 1958, under Article 320(3)(a) and (b) of the Constitution. These Regulations are amended or revised as and when the need arises. The following matters are kept outside the purview of UPSC:

a) While making reservations of appointments or posts in favour of any backward class of citizens
b) While taking into consideration the claims of scheduled castes and scheduled tribes in making appointments to services and posts

c) With regard to the selections for chairmanship or membership of commissions or tribunals, posts of the highest diplomatic nature and a bulk of group C and group D services

d) With regard to the selection for temporary appointments for not more than a year

The President can exclude posts, services and matters from the purview of the UPSC. The President can also, in respect to the all-India services and Central services and posts may make regulations specifying the matters in which it shall not be necessary for UPSC to be consulted. All such regulations shall be laid before the Parliament which can amend or repeal them.

3.10 Mechanisation - Project Sampera

The Commission have recently undertaken a project called "SAMPERA" (Screening and Mechanised Processing of Examination and Recruitment Applications). A simplified single sheet common application form for all the examinations has been devised which will be scanned by using OMR/ICR technology. The implementation of this project will mainly help in high speed scanning of data from forms eliminating manual entry. Other benefits will be accurate and faster generation of Admit Cards, Attendance lists with photo replica and signature facsimile of each candidate, and Error-free list of doubtful cases. The main aim of this project is to cope with the increasing volume of applications through innovations and mechanised handling so as to reduce the processing time and send communications faster to minimised errors. The cases of impersonation/malpractices will also be eliminated and wasteful expenditure will be reduced.

3.11 Suggestions for rejuvenating UPSC

1. To serve as a **Think-tank** on personnel issues: It should go beyond the recruitment role to answer evolving issues relating to civil services and their role in a rapidly changing society.
2. **Association** of Research Institutes and Universities in the functioning of UPSC: Services are often out of touch with new developments in technology and knowledge. UPSC should liaison with such institutions to conduct regular specially designed courses for administration
3. Need of **Decentralisation** on the pattern of US: The increase in work of the commission has been manifold, it currently handles more than 14 lakh applications and scrutinises and advises in regard to 650 Recruitment Rules of different services/posts. There is a need of decentralization to effectively align with this increase in workload
4. Keep in sync with **changing times**: UPSC so far has worked with remarkable competence, impartiality and integrity. However a new world based on openness, accountability and delivery has emerged. UPSC needs to be in sync with these changes

4. National Commission for Scheduled Castes and Scheduled Tribes

The National Commission for SCs is a constitutional body in the sense that it is directly established by **Article 338.** Originally, Article 338 of the Constitution provided for the appointment of a Special Officer for SCs and STs to investigate all matters relating to the constitutional safeguards for the SCs and STs and to report to the President on their working. He was designated as the Commissioner for SCs and STs and assigned the said duty.

4.1 Chronology of major changes

- 1978: Govt. set up a non-statutory, multi-member commission for SCs and STs through an executive resolution, the Office of the Commissioner for SCs and STs also continued to exist.
- 1987: Govt. modified the functions of the commission and renamed it as National Commission for SCs and STs.

- 1990: 65th Constitutional Amendment provides for the establishment of a high-level multi-member National Commission for SCs and STs in place of the single Special Officer for SCs and STs.
- 2003: **89th Constitutional Amendment** bifurcated the combined National Commission for SCs and STs into 2 separate bodies, namely the National Commission for SCs (under Article 338) and the National Commission for STs (under Article 338A)

4.2 National Commission for SCs:

It came into existence in 2004 and consists of a chairperson, a vice-chairperson and three other members. They are appointed by the **President by a warrant** under his hand seal and their conditions of service and tenure of office are also determined by the President

4.2.1 Functions and Duties of the Commission:

1. To **investigate and monitor all matters** relating to the safeguards provided for the Scheduled Castes under this Constitution or under any other law and to evaluate the working of such safeguards.
2. To inquire into **specific complaints** with respect to the deprivation of rights and safeguards of the Scheduled Castes.
3. **To participate and advise** on the planning process of socio-economic development of the Scheduled Castes and to evaluate the progress of their development under the Union and any State;
4. To present to the President, annually and at such other times as the commission may deem fit, reports upon the working of those safeguards;
5. To make in such reports recommendations as to the measures that should be taken by the Union or any State for the effective implementation of those safeguards and other measures for the protection, welfare and socio-economic development of the Scheduled Castes; and
6. To discharge such other functions in relation **to the protection**, welfare and development and advancement of the Scheduled Castes as the President may specify.
7. The Commission, while investigating any matter, has all the powers of a civil court trying a suit and in particular in respect of the following matters.
   - Summoning and enforcing the attendance of any person from any part of India and examining him on oath;
   - Requiring the discovery and production of any documents;
   - Receiving evidence on affidavits;
   - Requisitioning any public record or copy thereof from any court or office;
   - Issuing commissions for the examination of witnesses and documents;
   - Any other matter which the President may by rule, determine;
   -
8. The Union and every State Government shall consult the Commission on all major policy matters affecting Scheduled Castes

4.2.2 Report of the Commission

The commission presents an annual report to the president. It can also submit a report as and when it thinks necessary. The President places all such reports before the Parliament, along with a memorandum explaining the action taken on the recommendations made by the Commission. The memorandum should also contain the reasons for the non-acceptance of any such recommendations. The President also forwards any report of the Commission pertaining to a state government to the state governor. The governor then places it before the state legislature.

4.3 National Commission for STs

The National Commission for Scheduled Tribes (NCST) was established by amending **Article 338** and inserting a new **Article 338A** in the Constitution through the Constitution **(89th Amendment)** Act, 2003. It consists of a chairperson, a vice-chairperson and three other members. They are appointed by the President by a warrant under his hand seal and their conditions of service and tenure of office are also determined by the President

4.3.1 Functions and Duties of the Commission

1. To **investigate & monitor** matters relating to safeguards provided for STs under the Constitution or under other laws or under Govt. Order, to evaluate the working of such Safeguards.
2. To **inquire** into specific complaints relating to Rights & Safeguards of STs;
3. To **participate and advise** in the Planning Process relating to Socio-economic development of STs, and to Evaluate the progress of their development under the Union and any State;
4. To submit report to the President annually and at such other times as the Commission may deem fit, upon/ working of **safeguards, measures required for effective implementation of Programmers**/ Schemes relating to Welfare and Socio-economic development of STs;
5. To discharge such other functions in relation to STs as the President may specify;
6. The Commission would also discharge the following other functions in relation to the protection, welfare and development & advancement of the Scheduled Tribes
7. Union and every State Govt. to consult the Commission on all major Policy matters affecting Scheduled Tribes
8. For Investigation and Inquiry, the Commission is vested with powers of a civil court having authority to:

- Summon and enforce attendance of any person and examine on oath;
- Discovery & production of any documents;
- Receive evidence on affidavits;
- Requisition any public record or copy thereof from any court or office;
- Issue Commissions for examination of witnesses and documents; and
- Any matter which President, by rule, may determine.

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4.4 Constitutional Safeguards for SCs & STs

4.4.1 Educational & Cultural Safeguards

- Art. 15(4):- **Special provisions** for advancement of other backward classes *(which includes SCs and STs);*
- Art. 29:- **Protection of Interests** of Minorities *(which includes SCs and STs);*
- Art. 46:- The State shall promote, **with special care, the educational and economic interests** of the weaker sections of the people, and in particular, of the Scheduled Castes, and the Scheduled Tribes, and shall protect them from social injustice and all forms of exploitation

- Art. 350:- Right to conserve distinct **Language, Script or Culture** & instruction in Mother Tongue.

4.4.2 Social Safeguards

- Art. 23:- Prohibition of traffic in human beings and beggar and other similar form of forced labour;
- Art. 24:- Forbidding Child Labour.

4.4.3 Economic Safeguards

- Art.244:- Provisions of Fifth Schedule shall apply to the administration & control of the **Scheduled Areas and Scheduled Tribes** in any State other than the states of Assam, Meghalaya, Mizoram and Tripura which are covered under Sixth Schedule.
- Art. 275:- **Grants in-Aid** to specified States (STs&SAs) covered under Fifth and Sixth Schedules of the Constitution.

4.4.4 Political Safeguards

- Art.164(1):- Provides for **Tribal Affairs Ministers** in **Bihar, MP and Orissa;**
- Art. 330:- Reservation of seats for SCs and STs in Lok Sabha;
- Art. 337- Reservation of seats for SCs and STs in State Legislatures;
- Art. 334:- 10 years period for reservation *(Amended several times to extend the period.);*
- Art. 243:- Reservation of seats in Panchayats.
- Art. 371:- Special provisions in respect of NE States and Sikkim

4.4.5 Service Safeguards

Under Art.16(4),16(4A),164(B) Art.335, and Art. 320(40)

5. Special Officer for Linguistic Minorities:

Originally, the Constitution of India did not make any provision with respect to the Special Officer for Linguistic Minorities. Later, the States Reorganization Commission, 1953 made a recommendation in this regard. Accordingly, the 7th Constitutional Amendment Act of 1956 inserted a new article 350-B in Part XVII of the Constitution. The article contains the following provisions:

- There should be a Special Officer for Linguistic Minorities. He is to be appointed by the President of India
- It would be the duty of the Special Officer **to investigate all matters** relating to the safeguards provided for linguistic minorities provided under the Constitution. He would report to the President upon those matters at such intervals as the President may direct. The President should place all such reports before each House of Parliament and send to the governments of the states concerned

The Constitution **does not specify the qualifications**, tenure, salaries and allowances, service conditions and procedure for removal of the Special Officer for linguistic minorities. In pursuance of the provision of Article 350-B, the office of the Special Officer for Linguistic Minorities was created in 1957. He is designated as the Commissioner for Linguistic Minorities.

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The Commissioner has his headquarters at **Allahabad** and there are three regional offices at **Belgaum, Chennai and Kolkata** which are each headed by an Assistant Commissioner. At the centre, the commissioner falls under the Ministry of Minority Affairs. Hence he submits the annual reports or other reports to the President through the Union Minority Affairs Minister.

6. Attorney General of India

The Constitution (Article 76) has provided for the office of the Attorney General for India. He is the highest law officer in the country and is responsible for giving advice to the Government of India upon such legal matters and to perform such other duties of legal character as may be referred or assigned to him by the President.

6.1 Appointment and Term

- The Attorney General is appointed by the President. He must be person who is **qualified to be appointed a judge** of the Supreme Court i.e. he must be a citizen of India and he must have been a judge of a high court for five years or an advocate of a **high court for ten years** or an eminent jurist in the opinion of the President.
- The **term of Office of the AG is not fixed** by the Constitution and it is also silent on the procedure and grounds for his removal. He holds office during the pleasure of the President and may be removed by him at any time. He may also quit his office by submitting his resignation to the president. Conventionally, he resigns when the government resigns or is replaced, as he is appointed on its advice.
- The remuneration of the AG **is not fixed by the Constitution** and is determined by the President. It must be noted that the AG is not a full-time counsel for the Government. He does not fall in the category of government servants and is not debarred from private legal practice.

6.2 Duties and Functions:

As the Chief Law Officer of the Government of India, the duties of the AG include the following:

1. To give **advice to the Government** of India upon such legal matters which are referred to him by the president
2. To **perform such other duties of a legal character** that are assigned to him by the president
3. To discharge the functions conferred on him by the Constitution or any other law

6.2.1 The president has assigned the following duties to the AG:

1. To appear on behalf of the GoI in all cases in the Supreme Court in which the GoI is concerned
2. To represent the GoI in any reference made by the president to the Supreme Court under **Article 143** of the Constitution
3. To appear in any high court in any case in which the GoI is concerned

6.3 Rights and Limitations:

The AG has the right of audience in all courts in the territory of India. Further, he has the right to speak and participate in the proceedings of **both the Houses of Parliament** or their joint sitting or any committee of the Parliament of which he may be named a member, but **without the right to vote.** He enjoys all the privileges and immunities that are available to a member of Parliament.

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6.4 Limitations

The AG does not have **any executive authority** as these functions are performed by the Law Minister of India; further, following limitations are placed on the AG in order to avoid any complication and conflict of duty:

1. He should not advise or hold a brief **against the Government of India**
2. He should not advise or hold a brief in cases in which he is called upon to advise or appear for the GoI
3. He should not defend accused persons in criminal prosecutions **without the permission of the GoI**
4. He should **not accept appointment as a director** in any company or corporation without the permission of GoI

7. Solicitor General of India:

In addition to the AG, there are other law officers of the GoI- the solicitor general of India and additional solicitors general of India. These law officers are subordinate to the AG and assist him in the fulfilment of his official responsibilities. Unlike the AG, SG does not tender legal advice to the GoI and his functions are confined to appearing in courts on behalf of the GoI. It is not a constitutional post as Article 76 has no mention of the solicitor general or the additional solicitors general.

8. Finance Commission

The Finance Commission is constituted by the President as a **quasi-judicial** body **under article 280** of the Constitution, mainly to give its recommendations on distribution of tax revenues between the Union and the States and amongst the States themselves. Two distinctive features of the Commission's work involve redressing the vertical imbalances between the taxation powers and expenditure responsibilities of the centre and the States respectively and equalization of all public services across the States.

8.1 Composition

- The Finance Commission is constituted by the President every fifth year or at such earlier time as he considers necessary. It consists of a chairman and four other members. They hold office for such period as specified by the president in his order and are eligible for reappointment.
- The Constitution authorises the Parliament to determine the qualifications of members of the commission and the manner in which they should be selected. Accordingly, the Parliament has specified the qualifications of the chairman and other members of the commission. The Chairman should be a person having experience in **public affairs;** and the four other members should be selected from amongst the following:

1. **A judge of high court** or one qualified to be appointed as one
2. A person who has specialised knowledge of **finance and accounts** of the government
3. A person who has **wide experience in financial matters** and in administration
4. A person who has **special knowledge of economics.**

8.2 Functions

It is the duty of the Commission to make recommendations to the President as to:

- **The distribution between the Union and the States of the net proceeds of taxes** which are to be, or may be, divided between them and the allocation between the States of the respective shares of such proceeds;
- The principles which should govern the grants-in-aid of the revenues of the States out of **the Consolidated Fund of India;**

- The measures needed to augment the Consolidated Fund of a State **to supplement the resources of the Panchayats** in the State on the basis of the recommendations made by the Finance Commission of the State;
- The measures needed to augment the Consolidated Fund of a State **to supplement the resources of the Municipalities** in the State on the basis of the recommendations made by the Finance Commission of the State;
- Any other matter referred to the Commission by the President **in the interests of sound finance.**
- The Commission determines its procedure and has such powers in the performance of its functions as Parliament may by law confer on them.

8.3 Recommendations of FC

The recommendations are presented to the President in the FC report and the President causes the same to be tabled in the Parliament. They are not binding on the Government but are conventionally accepted by the Government.

8.3.1 The recommendations of the Finance Commission are implemented as under:-

- Those to be implemented by an order of the President: The recommendations relating **to distribution of Union Taxes and Duties and Grants-in-aid fall in this category.**
- Those to be implemented by executive orders: The recommendations in respect of sharing of **Profit, Debt Relief, Mode of Central Assistance**, etc. are implemented by executive orders.

8.4 Finance Commission and Fiscal Federalism

Finance Commission has a crucial role in the following areas:

- **Cooperative financial relations** between the centre and states
- **Level the inequality** among the states- bridge horizontal imbalances by giving more to the backward states as a part of the mandate to create equity
- Bridge the vertical imbalances between the centre and the states by recommending adequate devolution to the states
- Promote **state fiscal autonomy** and efficiency
- Various **reforms,** on being referred by the President, for infrastructure and good governance

8.5 Article 275: Statutory Grants

After the devolution of the taxes and duties from the divisible pool, if some states still face revenue deficits, Article 275 empowers the Parliament to make grants to the states which are in need of financial assistance. These are not given to every state and also, different sums may be fixed for different states. **These sums are charged on the Consolidated Fund of India every year.** These statutory grants under Article 275 are given to the states **on the recommendation of the Finance Commission**

8. 6 Tenth FC and Alternative Scheme of Devolution:

The Constitution (Eightieth Amendment) Act, 2000, which seeks to provide an alternative scheme for sharing taxes between the Union and States, is based on the recommendations of the Tenth FC. Constitution was amended to give the recommendations a legal effect. Under this, amendments have been made in Article 270 to essentially make all Union taxes and duties shareable with States unlike earlier when the Union had some taxes and duties exclusively to it. Now, only surcharges go to the Union exclusively.

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8.6.1 The advantages of this system are:

- States will be able to share the buoyancy of Central taxes
- The Central Government can pursue tax reforms and expect states to cooperate
- Economic Reforms in general will have wider consensus as the country takes steps towards a common market
- Creates conditions for Cooperative federalism in other spheres

8.7 Thirteenth FC (under Vijay Kelkar) Recommendations:

8.7.1 Sharing of Union tax revenues:

- The share of states in net proceeds of shareable central taxes shall be **32 per cent** in each of the financial years from 2010-11 to 2014-15
- The share of each state in the proceeds of all shareable central taxes in each of the financial years from 2010-11 to 2014-15 shall be as specified:

i. Finances of Union and States:

a. Actual share in the tax revenue of the Centre which is devolved to states: The Eleventh and Twelfth Commissions had recommended that the share of states be fixed at 29.5% and 30.5% respectively, of central taxes. However, the actual shares devolved to states have been lower than recommended by previous finance commissions.
Recommendation: The Ministry of Finance should ensure that the accounts reflect all collections so that there are no inconsistencies in the amounts released to states

b. Losses in the power sector: Subsidy for the power sector is the largest component of state government subsidies. The power sector in most states is beset with high losses, and inefficient infrastructure, resulting in huge losses.
Recommendation: Losses in the power sector are expected to be a major drag on the finances of State Governments, and therefore, the problems confronting this sector need to be addressed in a time-bound manner

c. Reduction of centrally sponsored schemes: Initiatives should be taken **to reduce the number of Centrally Sponsored Schemes** and to restore the predominance of fund-transfers based on Planning Commission recommendations

8.7.2 Goods and Services Tax (GST):

The Commission has recommended the adoption of the GST and formulated a model GST. The main features of the model GST are:

- The **central** portion of the GST would include (a) central **excise** duties, (b) **service** tax, (c) additional customs duties, (d) all surcharges and cesses.
- The **state GS**T would include (a) **VAT,** (b) **central sales** tax, (c) cesses and surcharges, and others such as luxury tax, lottery tax, stamp duties, etc.
- There would be special provisions for certain goods such as petroleum, and exemptions would be allowed only on the basis of a common list applicable to all states and the centre.
- GST should be implemented by all states and the centre at the same time.
- To provide incentives to states to agree to the model GST, the Commission has recommended the implementation of a Grand Bargain. The Grand Bargain envisages a grant of a total of **Rs. 50,000 crore** to be provided to all states. This amount would be distributed among states subject to the model GST framework being adopted by all states. This grant would be used to compensate states for revenue losses on account of implementing GST. This amount should not be distributed if states cannot reach a consensus on implementing GST.

- The Empowered Committee of State Finance Ministers (EC) should be given statutory status. The compensation should be disbursed in quarterly instalments on the basis of recommendations by a three-member Compensation Committee. The Compensation Committee should comprise of the Secretary, Department of Revenue of the central government, Secretary to the EC, and an eminent person with experience in public finance

8.7.3 Union Finances

The central government has recently decided that proceeds from disinvestment shall be used fully **as capital expenditure for social sector programmes.** This policy needs to be liberalised and proceeds should also be used for augmenting critical infrastructure and environment related projects.

8.7.4 State Finances

- The practice of diverting plan assistance **to meet non-plan needs** of special category states should be discontinued.
- For PSUs:
  - All accounts and backlogs of PSU accounts should be cleared by states.
  - States need to draw a roadmap for closure of nonworking PSUs by March 2011. Divestment and privatisation of PSUs should be considered and actively pursued.
- Power Sector:
  - Reduction of Transmission and Distribution (T&D) losses should be attempted.
  - Unbundling needs to be carried out on priority basis and open access to transmission strengthened.
  - Proper systems should be put in place to avoid delays in completion of hydro projects.
  - Regulatory institutions should be strengthened through capacity building, consumer education and tariff reforms.
- Regarding reforms in the area of pensions, a switch to the New Pension Scheme needs to be completed at the earliest.

8.7.5 Revised roadmap for fiscal consolidation:

i. Central government

- The revenue deficit of the Centre needs to be progressively reduced and eliminated, followed by emergence of a revenue surplus by 2014-15.
- A target of 68 percent of GDP for the combined debt of the centre and states should be achieved by 2014-15.
- The Medium Term Fiscal Plan should be reformed and made a statement of commitment rather than a statement of intent.
- The government should list all public sector enterprises that yield a lower rate of return on assets than a norm which should be decided by an expert committee.
- An independent review mechanism should be setup by the Centre to evaluate its fiscal reform process.

ii. State governments:

- States should be able to get back to the path of fiscal consolidation after the disruption caused in 2008-09 and 2009-10. States with zero revenue deficit or revenue surplus in 2007-08 should eliminate revenue deficit by 2011-12. Other states should do so by 2014-15.
- General category states with zero revenue deficit in 2007-08 should achieve a fiscal deficit of 3 percent of GDP by 2011-12. Other states should do so by 2013-14.
- States should amend/enact Fiscal Responsibility and Budget Management Acts to build on the fiscal reform path worked out.

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- State-specific grants recommended for a state should be released upon compliance. Borrowing limits for states to be worked out by Finance Ministry using the fiscal reform path, thus acting as an enforcement mechanism for fiscal correction by states.

8.8 Fourteenth FC:

The Fourteenth Finance Commission has been set up under the Chairmanship of **Dr. Y.V.Reddy** [Former Governor, Reserve Bank of India]. The Finance Commission is required to give its report by 31st October, 2014. Its recommendations will cover the five year period commencing from 1st April, 2015. Its terms of reference include:

- review the state of the finances, deficit and debt levels of the Union and the States, keeping in view, the fiscal consolidation roadmap recommended by the Thirteenth Finance Commission, and suggest measures for maintaining a stable and sustainable fiscal environment consistent with equitable growth
- the level of subsidies that are required, having regard to the need for sustainable and inclusive growth, and equitable sharing of subsidies between the Central Government and State Governments
- the need for making the public sector enterprises competitive and market oriented; listing and disinvestment; and relinquishing of non-priority enterprises
- the need for insulating the pricing of public utility services like drinking water, irrigation, power and public transport from policy fluctuations through statutory provisions;
- the need to balance management of ecology, environment and climate change consistent with sustainable economic development; and
- the impact of the proposed Goods and Services Tax on the finances of Centre and States and the mechanism for compensation **in case of any revenue loss**

8.9 Planning Commission vs. Finance Commission

In India, resources can be transferred from the centre to states in many ways. The Finance Commission and the Planning Commission are the two institutions responsible for centre-state financial relations. There has been serious debate in the country regarding the role of the Finance Commission vis-a-vis the Planning Commission. Finance Commission is a Constitutional body whereas the Planning Commission is a non-statutory institution. Over a period of time, the working of both the institutions led to friction among them due to lack of clear-cut guidelines demarcating their areas of work. The relative roles of the Planning Commission and Finance Commission have come to be demarcated in the terms of reference of the Finance Commission. Scrutiny of plan expenditure and transfer of capital to the states have been left to the Planning Commission.

- The Finance Commission assesses the non-plan requirements of the State Governments and recommends a share in the net yield from the Central and Grants-in-aid (presently 32.5%). The divisible sum of Central taxes is distributed inter se among the states based on independent criteria. In addition, the Finance Commission recommends the principles governing non-plan grants and loans to states. Examples of grants would include funds for disaster relief, maintenance of roads and other state-specific requests.
- Among states, the distribution of tax revenue and grants is determined through a formula accounting for population (25%), area (10%), fiscal capacity (47.5%) and fiscal discipline (17.5%). Unlike the Planning Commission, the Finance Commission does not distinguish between special and non-special category states in its allocation.

- The most significant centre-state transfer is the distribution of central tax revenues among states. The Finance Commission decides the actual distribution and the current Finance Commission have set aside 32.5% of central tax revenue for states. In 2011-12, this amounted to Rs 2.5 lakh crore (57% of total transfers), making it the largest transfer from the centre to states.
- The Planning Commission allocates funds to states through central assistance for state plans. Central assistance can be broadly split into three components: **Normal Central Assistance (NCA), Additional Central Assistance (ACA) and Special Central Assistance.**
- NCA, the main assistance for state plans, is split to favour special category states: the 11 states get 30% of the total assistance while the other states share the remaining 70%. The nature of the assistance also varies for special category states; NCA is split into 90% grants and 10% loans for special category states, while the ratio between grants and loans is 30:70 for other states.
- The Planning Commission also allocates funds for ACA (assistance for externally aided projects and other specific project) and funds for Centrally Sponsored Schemes (CSS). State-wise allocation of both ACA and CSS funds are prescribed by the centre.
- For allocation among **special category states,** there are no explicit criteria for distribution and funds are allocated on the basis of the state's plan size and previous plan expenditures. Allocation between non special category states is determined by the **Gadgil Mukherjee formula** which gives weight to population (60%), per capita income (25%), fiscal performance (7.5%) and special problems (7.5%).
- As a proportion of total centre-state transfers NCA typically accounts for a relatively small portion (around 5% of total transfers in 2011-12). However, Planning Commission allocations can be important for states, especially for the functioning of certain schemes.

8.10 Finance Commission and Local Bodies:

- Local governments, notably panchayati raj institutions (PRIs), once a neglected appendage of rural development departments, acquired **"a habitation and a name"** in the Indian federal polity after the 73rd and 74th Constitutional Amendments in 1993. It is significant that Article 280 of the Constitution that established the union finance commission (UFC) was altered as part of the two amendments, mandating the UFC to recommend measures needed to augment the consolidated fund of a state to supplement the resources of panchayats and municipalities in the state "on the basis of the recommendations made by the finance commission of the State", thereby affirming the organic link in Indian fiscal federalism.
- The principle of subsidiarity implies that matters are best handled by the least centralized competent authority. Following this, these institutions need to be adequately empowered–both functionally and financially—to enable them to fulfill the role envisaged for them in the Constitution. The State Finance Commissions (SFCs), which buttress the functioning of local bodies, also need to be strengthened so as to make their functioning more predictable and the process of implementing their recommendations more transparent.
- All the UFCs since the two amendments have been required through their terms of reference to make recommendations on the above. The 10th Finance Commission, although appointed before these amendments, became a fait accompli, and on its own recommended some ad hoc grants to local govern¬ments. The 13th FC has made some significant departures from the past and made recommendations that could help to strengthen the process of democratic decentralization in the country if they are fully implemented.

Special Category States

- The concept of a special category state was first introduced in **1969 when the 5th Finance Commission** sought to provide certain disadvantaged states with preferential treatment in the **form of central assistance and tax breaks.**
- Initially three states **Assam, Nagaland and Jammu & Kashmir** were granted special status but since then eight more have been included (Arunachal Pradesh, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim, Tripura and Uttarakhand).
- The rationale for special status is that certain states, because of inherent features, have a low resource base and cannot mobilize resources for development. Some of the features required for special status are: (i) hilly and difficult terrain; (ii) low population density or sizeable share of tribal population; (iii) strategic location along borders with neighbouring countries; (iv) economic and infrastructural backwardness; and (v) non-viable nature of state finances. **The decision to grant special category status lies with the National Development Council.**
- Special category states also receive specific assistance addressing features like hill areas, tribal sub-plans and border areas. Beyond additional plan resources, special category states can enjoy concessions in excise and customs duties, income tax rates and corporate tax rates as determined by the government.

13th FC on Local Bodies

- **Performance Grant:** The local grant recommended by the 13th FC has two components, a basic component and a performance-based component. The basic grant is equivalent to 1.5% of the previous year's divisible tax revenue. All states will have access to this grant for all the five years (2010-15). The performance grant allocated to each state is subject to them fulfilling a nine-point conditionality package. This should help promote results-based accountability.

a. **Role of SFC :** One major contribution is the template prepared by 13th FC with the help of an expert committee to help future SFCs in preparing their reports. Although no SFC with a mind of its own will mechanically follow the template, this is a big step towards streamlining SFC reports in the future.

b. **Amend Article 280:** The 13th FC has recommended to amend Article 280(3)(bb) and (c) of the Constitution so that the words "on the basis of the recommendations of the finance commission of the State" are changed to "after taking into consideration the recommendations of the finance commission of the State". This recommendation, already approved by several expert bodies fully appreciates the spirit of the clause that envisages an organic link in Indian fiscal federalism.

c. **Parallel Agencies and bodies:** The 13th FC rightly points out that parallel agencies and bodies are "emasculating local governments both financially and operationally". Having constitutionally assigned a certain functional domain to local governments, which include "planning for economic development and social justice" and preparing a draft district development plan, it is for the union and state governments to help this process of decentralised planning and governance with funds, functionaries and technical support.

8.11 Summary of Recommendations:

- Local bodies should be transferred 2.28% of the divisible pool of taxes after converting this share to grant-in-aid under Article 275.

- Article 280 (3) (bb) & (c) of the Constitution should be amended to make the recommendations of the State Finance Commissions less binding on state governments.
- Article 243(I) of the Constitution should be amended to empower states governments to constitute and direct state Finance Commissions to give their report before the National Finance Commission finalises its report.
- State governments should strengthen their local audit departments through capacity building.
- Bodies similar to the SFC should be set up in states which are not covered by Part IX of the Constitution (Panchayats).
- Local Bodies should be associated with city planning functions wherever other development authorities are mandated for this function.
- State governments will be eligible for the general performance grant and the special areas performance grant only if they comply with the prescribed stipulations.

8.12 Some Shortcomings

- A large chunk of the performance grant, estimated to be Rs 29,826 crore, remaining unutilised by 2015 is a distinct possibility. If state governments do not take necessary legal and administrative action, everything will remain in cold storage.
- The 13th FC has given only a low weightage of 25% to population against a weightage of 47.5% to fiscal capacity distance and 17.5% to fiscal discipline, making a total weight of 65% for fiscally relevant criteria.
- The 13th FC has dispensed with the tax or revenue effort criterion with regard to local grants on the plea that credible data are not available. It had data for six years and it could have obtained better outcomes by using the tax or revenue effort criterion. The 13th FC criteria may be unfair as it is biased towards highly populated states.
- The 13th FC Report says "the quality of SFC reports continues to be patchy", but it is silent on where and how they continue to be so. Actually the 13th FC is only reiterating the sweeping, general comments against SFCs made by the 11th and 12th FC.
- The criteria chosen for inter se distribution of local grants leave many things to be desired and so is its silence on SFCs. The third tier has to be made an integral component of India's federal public finance and UFCs of the future cannot afford to shirk that responsibility any more.

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G.S. PAPER II – CONSTITUTION & POLITY

QUASI – JUDICIAL BODIES IN INDIA

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Quasi – Judicial Bodies in India

1. Meaning

A **quasi judicial body** is an organization or individual on which powers resembling to that of court of law of judge have been conferred in order to adjudicate and decided upon a situation and impose penalty upon the guilty or regulate the conduct of individual or entity. A quasi-judicial agency has also been defined as "an organ of government, other than a court or legislature, which affects the rights of private parties through either adjudication or rule-making.

Essentially, a quasi-judicial agency is one which exercises a discretion that is essentially judicial in character but is not a tribunal within the judicial branch of government and is not a court exercising judicial power in the constitutional sense.

2. Emergence of Quasi-Judicial Bodies

- As the welfare state has grown up in the size and functions, the more and litigations are pending in the judiciary making it over-burdened. It requires to have **alternative justice system.**
- Ordinary judiciary is has become **very costly.**
- With the scientific and economic development the laws have become more **complex,** which demand more technical knowledge of the specific sectors.
- The conventional judiciary is suffering with **procedural rigidity,** which delays the justice.

3. Categories of Tribunals in India

There are **four categories** of tribunals in India:

1. Administrative bodies exercising quasi-judicial functions, whether as part and parcel **of the Department** or otherwise.
2. Administrative adjudicatory bodies which are outside the control of the Department involved in the dispute and hence decide disputes like a judge free from judicial bias Example: **The Income Tax Appellate Tribunal** is under the Ministry of Law and not under Ministry of Finance.

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3. **Tribunals under Article 136** in which the authority exercises inherent judicial powers of the State. Because the functions of the body are considered important over the control, composition and procedure, even Departmental bodies also can be classified as Tribunals
4. Tribunals constituted under Article **323A and 323B** and having constitutional origin and enjoy the powers and status of a High Court

4. Advantages of Tribunals

1. Low Cost
2. Accessibility
3. Simplicity
4. Expert knowledge and qualified staff
5. Reasoned judgments
6. Reduce the workload of the judiciary and government departments
7. Responsibility for sensitive decisions
8. Flexibility, since there is little use made of precedent.

5. Disadvantages of Tribunals

1. There is an **unfair imbalance** between represented and unrepresented parties. It is unfair to people who are not represented and cannot get legal aid to come up against a rich corporation. Since richer parties are allowed to employ skilled representation they are consequently more likely to win.

2. The **no-costs rule and lack of legal aid penalize** poor litigants, although they do keep costs down.

3. The lack of fees encourages poor applicants, although it may also result in **ill-founded claims.**

4. Tribunals can become **complex** over time - as did the courts - rules of procedure grow up caused by the use of representatives who as a result make representation desirable in future.

5. They may lack some of the **perceived independence of the judiciary**

6. It can still be difficult for the people who go to tribunals to represent themselves because of the inherent difficulty in presenting a case in any environment.

7. It undermines the celebrated **principle of separation of powers** and natural justice.

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6. Criticism of quasi - judicial bodies

Ordinary judiciary is still overburden. It is because that the party who lost the case in the tribunal, more often than not, approach the higher judiciary. It not cheap as more technical issues always pave the way for lawyer. Many members of these bodies are ex-bureaucrates with out any training of the law. Its independence is compromised.

7. Suggestions to improve tribunals

- It should be manned by **plural members** rather than single individual
- They should be appointed by **judicious process.**
- Members should be from both the **technical background and legal one**.

8. Specific recommendations by SC to improve Administrative Tribunals

- The chairman should be appointed by President from sitting or retired judge of a High Court in consultation with CJI or committee headed by CJI.
- Vice-chairman should be a judge of district court or an advocate who is eligible to become a judge of HC.
- Removal should be more stringent.

9. Evolutionary aspects of Administrative Tribunals

The Constitution (**Forty-second Amendment**) Act, 1976 inserted new Part XIVA on 'Tribunals' in the Constitution. Article 323A empowers Parliament to provide, by law, for the adjudication or trial by administrative tribunals of disputes and complaints with respect to recruitment and conditions of service of persons appointed to public services and posts in connection with the affairs of the Union or of any State. The law may provide for the establishment of an administrative tribunal for the Union and a separate administrative tribunal for each State or for two or more States. The law may take out adjudication of disputes relating to service matters from the hands of the civil courts and the High Courts. Pursuant to the provisions of article 323A, Parliament enacted the Administrative Tribunals Act, 1985 (Act) to establish an Administrative Tribunal for the Union, viz., the Central Administrative Tribunal and a separate Administrative Tribunal for a State or a Joint Administrative Tribunal for two or more States. The establishment of Administrative Tribunals became necessary since a large number of cases relating to service matters were pending before various courts. It was expected that the setting up of the

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Administrative Tribunals would not only reduce the burden of courts, but would also provide speedy relief to the aggrieved public servants.

In S. P. Sampath Kumar case, the Supreme Court directed the carrying out of certain measures with a view to ensuring the functioning of the Administrative Tribunals along constitutionally sound principles. The changes were brought about in the Act by an amending Act. Jurisdiction of the Supreme Court under article 32 was restored. Constitutional validity of the Act was finally upheld in *S. P. Sampath Kuma case* subject to certain amendments relating to the form and content of the Administrative Tribunals. The suggested amendments were carried out by another amending Act. Thus became the Administrative Tribunals an effective and real substitute for the High Courts. In 1997, a seven-Judge Bench of the Supreme Court in *L. Chandra Kumar* held that clause 2 (d) of article 323A and clause 3(d) of article 323B, to the extent they empower Parliament to exclude the jurisdiction of the High Courts and the Supreme Court under articles 226/227 and 32 of the Constitution, are unconstitutional. Section 28 of the Act and the "exclusion of jurisdiction" clauses in all other legislations enacted under the aegis of articles 323A and 323B would, to the same extent, be unconstitutional. The Court held that the jurisdiction conferred upon the High Courts under articles 226/227 and upon the Supreme Court under article 32 of the Constitution is part of the inviolable basic structure of our Constitution. All decisions of the Administrative Tribunals are subject to scrutiny before a Division Bench of the High Court within whose jurisdiction the Tribunal concerned falls. As a result, orders of the Administrative Tribunals are being routinely appealed against in High Courts, whereas this was not the position prior to the *L. Chandra Kumar*'s case. On 18th March 2006, the Administrative Tribunals (Amendment) Bill, 2006 was introduced in Rajya Sabha to amend the Act by incorporating therein, *inter alia*,provisions empowering the Central Government to abolish Administrative Tribunals, and for appeal to High Court to bring the Act in line with *L. Chandra Kumar*. The Department-related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice in its 17th Report on the said Bill did not subscribe to the same and as for the provision for appeal to High Court expressed the view that the original conception of the Administrative Tribunals be restored and appeal to High Court is unnecessary, and that if a statutory appeal is to be provided it should lie to the Supreme Court only.

In the above backdrop, the Law Commission took up the study on the subject *suo motu.* The Administrative Tribunals were conceived as and constitute an effective and real substitute for the High Courts as regards service matters. Moreover, the power of judicial review of the High Courts cannot be called as inviolable as that of the Supreme Court. The very objective behind the establishment of the Administrative Tribunals is defeated if all the

cases adjudicated by them have to go before the concerned High Courts. If one appeal is considered to be a must, an intra-tribunal appeal would be the best option, and then the matter can be taken to the Supreme Court by way of special leave petition under article 136. The Law Commission is of the view that *L. Chandra Kumar*'s case needs to be revisited by a Larger Bench of the Supreme Court or necessary and appropriate amendments may be effected in the Act in accordance with law and we have recommended accordingly.

10. Lok Adalat

ADR (Alternate Dispute Resolution) system has been an integral part of our historical past. India has a long tradition and history of such methods being practiced in the society at grass roots level. In ancient times the disputes were used to be referred to "panchayat" which were established at village level.

(i) Evolution

The advent of Legal Services Authorities Act, 1987 gave a statutory status to Lok Adalats, pursuant to the constitutional mandate in Article 39-A of the Constitution of India. It contains various provisions for settlement of disputes through Lok Adalat. It is an Act to constitute legal services authorities to provide free and competent legal services to the weaker sections of the society to ensure that opportunities for **securing justice are not denied to any citizen by reason of economic or other disabilities**, and to organize Lok Adalats to secure that the operation of the legal system promotes justice on a basis of equal opportunity.

(ii) Jurisdiction

A Lok Adalat shall have jurisdiction to determine and to arrive at a compromise or settlement between the parties to a dispute in respect of:

(i) any case pending before; or

(ii) any matter which is falling within the jurisdiction of, and is not brought before, any court for which the Lok Adalat is organised.

The Lok Adalat can compromise and settle even criminal cases, which are compoundable under the relevant laws.

(iii) Powers

The Lok Adalat shall have the powers of a civil court under the **Code of Civil Procedure, 1908,** while trying a suit, in respect of the following matters:

- Power to summon and enforce the attendance of any witness and to examine him/her on oath.
- Power to enforce the discovery and production of any document.
- Power to receive evidence on affidavits,
- Power for requisitioning of any public record or document or copy thereof or from any court.
- Such other matters as may be prescribed.
- Every Lok Adalat shall have the power to specify its own procedure for the determination of any dispute coming before it.
- All proceedings before a Lok Adalat shall be deemed to be judicial proceedings under IPC
- Every Lok Adalat shall be deemed to be a Civil Court for the purpose under Cr.P.C.

11. National Green Tribunal (NGT)

The National Green Tribunal has been established in 2010 under the **National Green Tribunal Act 2010** for effective and expeditious disposal of cases relating to environmental protection and conservation of forests and other natural resources including enforcement of any legal right relating to environment and giving relief and compensation for damages to persons and property and for matters connected therewith or incidental thereto. It is a specialized body equipped with the necessary expertise to handle environmental disputes involving multi-disciplinary issues. The Tribunal shall not be bound by the procedure laid down under the Code of Civil Procedure, 1908, but shall be guided by principles of natural justice.

The Tribunal's dedicated jurisdiction in environmental matters shall provide **speedy environmental justice** and help reduce the burden of litigation in the higher courts. The Tribunal is mandated to make and endeavour for disposal of applications or appeals finally within 6 months of filing of the same. Initially, the NGT is proposed to be set up at five places of sittings and will follow circuit procedure for making itself more accessible. New Delhi is the Principal Place of Sitting of the Tribunal and Bhopal, Pune, Kolkata and Chennai shall be the other four place of sitting of the Tribunal.

During the Rio De Janeiro summit of United Nations Conference on Environment and Development in June 1992, India vowed the participating states to provide judicial and administrative remedies for the victims of the pollutants and other environmental damage. There lies many reasons behind the setting up of this tribunal. After India's move with Carbon credits, such tribunal may play a vital role in ensuring the control of emissions and maintaining the desired levels. This is the first body of its kind that is required by its parent statute to apply the

"polluter pays" principle and the principle of sustainable development. This court can rightly be called **'special'** because India is the third country following **Australia and New Zealand** to have such a system

12. CONSUMER PROTECTION AND NATIONAL CONSUMER DISPUTES REDRESSAL COMMISSION

The Consumer Protection Act, 1986 (in short, 'the Act'), is a benevolent social legislation that lays down the rights of the consumers and provides their for promotion and protection of the rights of the consumers. The first and the only Act of its kind in India, it has enabled ordinary consumers to secure less expensive and often speedy redressal of their grievances. By spelling out the rights and remedies of the consumers in a market so far dominated by organized manufacturers and traders of goods and providers of various types of services, the Act makes the dictum, ***caveat emptor*** **('buyer beware')** a thing of the past. The Act mandates establishment of Consumer Protection Councils at the Centre as well as in each State and District, with a view to promoting consumer awareness.

To provide inexpensive, speedy and summary redressal of consumer disputes, quasi-judicial bodies have been set up in each District and State and at the National level, called the District Forums, the State Consumer Disputes Redressal Commissions and the National Consumer Disputes Redressal Commission respectively.

Each District Forum is headed by a person who is or has been or is eligible to be appointed as a District Judge and each State Commission is headed by a person who is or has been a Judge of High Court.

The provisions of this Act cover **'goods' as well as 'services'.** The goods are those which are manufactured or produced and sold to consumers through wholesalers and retailers. The services are in the nature of transport, telephone, electricity, housing, banking, insurance, medical treatment, etc.

A written complaint, can be filed before the **District Consumer Forum** for pecuniary value of upto Rupees twenty lakh, State Commission for value upto Rupees one crore and the National Commission for value above Rupees one crore, in respect of defects in goods and or deficiency in service. The service can be of any description and the illustrations given above are only indicative. However, no complaint can be filed for alleged deficiency in any service that is rendered free of charge or under a contract of personal service.

The remedy under the Consumer Protection Act is an alternative in addition to that already available to the aggrieved persons/consumers by way of civil suit. In the complaint/appeal/petition submitted under the Act, a consumer is not required to pay any court fees but only a nominal fee.

Consumer Fora proceedings are summary in nature. The endeavor is made to grant relief to the aggrieved consumer as quickly as in the quickest possible, keeping in mind the provisions of the Act which lay down time schedule for disposal of cases.

If a consumer is not satisfied by the decision of a District Forum, he can appeal to the State Commission. Against the order of the **State Commission** a consumer can come to the National Commission.

In order to help achieve the objects of the Consumer Protection Act, the National Commission has also been conferred with the powers of administrative control over all the State Commissions by calling for periodical returns regarding the institution, disposal and pendency of cases.

The National Commission is empowered to issue instructions regarding:

(1) Adoption of uniform procedure in the hearing of the matters,

(2) Prior service of copies of documents produced by one party to the opposite parties,

(3) Speedy grant of copies of documents, and

(4) generally over-seeing the functioning of the State Commissions and the District Forums to ensure that the objects and purposes of the Act are best served, **without interfering with their quasi-judicial freedom.**

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G.S. PAPER II – GOVERNANCE, SOCIAL JUSTICE

ROLE OF CIVIL SERVICES IN A DEMOCRACY

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1. Introduction

In the process of governance, which involves several set of activities to deliver effective services to people, civil service plays a pivotal role in providing shape to policies that reflect people's needs and put their suggestive, analytical and informative roles to implement the policies. It is recognized that civil service plays a crucial role in all societies whether developed or developing. In the modern administrative state, public administration has become so significant that our development, upliftment and progress depend mainly upon the efficient functioning of public administration. Civil Services are the bedrock of public administration. Civil services have assumed more important role in democracy to ensure good governance, both in developing and developed countries.

Bureaucracy or civil services is an administrative body of officials whose roles are determined by written rules. It's an impersonal system operating on the basis of calculable rules and staffed by full time appointed officials. Weber identified the following characteristics of bureaucracy:

- Officers are organised in a clearly defined hierarchy of offices.
- Candidates are selected on the basis of technical qualifications.
- They are remunerated by fixed salaries in money.
- It constitutes a career. There is a system of 'promotion' according to seniority or to achievement or both.
- The official works entirely separated from ownership of the means of administration and without appropriation of his positions.
- Each office has a defined sphere of competence.
- The officials are personally free and subject to authority only with respect to their impersonal official obligations.

2. Importance of Civil Services in modern day democracy

A number of factors have contributed the increasing importance of civil service in modern day society:

- **The scientific and technological development**: They have led to revolutionary changes in transportation and communication system. The invention of telephone, telegraph, railways and airways has made big government and large scale administration possible.
- **Industrial revolution:** It brought about certain changes in society. It led to the growth of large scale industries and factory production, over-crowded industrial towns and urban slums. The factory system also resulted in certain evils such as growth of capitalism, large-scale unemployment, exploitation of labour etc. In the interest of socio-economic justice, governments in the developed and developing countries have to assume new responsibilities to set right the bad effects of the above evils. The tasks and responsibilities as well as the importance of civil service have thus vastly increased.
- **Economic Planning:** Modern governments have resorted to planning as a method of achieving economic development and goals of welfare state. The new responsibilities relating to planning activities, i.e., plan formulation and implementation and creation of elaborate necessary administrative machinery have naturally widened the scope of public administration. However, in the new liberalized economic reforms, planning as a method of economic development and the administrative functions relating to it are gradually getting diminished.
- **Calamities and crisis:** Natural calamities such as earthquakes, floods, droughts and cyclones have also enhanced the importance of civil services. In the event of occurrence of such natural calamities, the public administrators have to act quickly and undertake rescue operations in order to prevent loss of life and property of the affected people. Thus crisis management is an important function of public administration.
- **Population and the problems of metropolitan cities:** The rapid growth of population in almost all the countries of the world, especially in developing countries, has complicated the problems of providing food, shelter, education, health and sanitation etc. to the people. Also, the growth of metropolitan cities has

created certain problems peculiar to them. Some of the problems include congestion, growth of slums, housing scarcity, insufficient water supply, increasing urban crime rate etc. The responsibility for tackling these acute social and economic problems has resulted in the increase in the sphere of activity of civil service.

- **Emergence of welfare state:** As a welfare state, governments have to perform major functions such as dispenser of social services, a provider of essential commodities, a manager of key industries and banking services and a controller and regulator of private economic enterprises and activities. This has naturally increased the importance of civil service.

3. Role of civil services in governance

Civil services perform following important functions:

Basis of government: No government can exist without administrative machinery. All nations, irrespective of their system of government, require some sort of administrative machinery for implementing policies.

An instrument for implementing Laws and Policies: Civil services are responsible for implementing the laws and policies of government. By carrying out laws, it regulates the behaviour of the people in society. By implementing public policies and programmes, it delivers the promised goods and services to the intended beneficiaries. The ideals and objectives of government may be very popular, the plans for national development may be extremely progressive and the resources of the country may be abundant, but without civil services nothing can be achieved. An efficient civil service can avoid waste, correct errors; limit the consequences of incompetence or irresponsibility while implementing laws and public policies.

Participation in policy formulation: In modern world, civil service is the chief policy maker in government. It is a source of facts; experience; ideas and solution. Public administration participates in policy making by giving advice to ministers and providing them the necessary information. The administrative tasks of public bureaucracy include formulation of policies and plans, executing and monitoring programmes, laying down laws, rules and regulations, which affect human actions in almost all walks of life.

A great stabilizing force: Civil services acts as a stabilizing force in society. It settles social tensions and conflicts and thus creates social unity and harmony.

Provides continuity: Civil services carry on the governance when governments change due to elections etc. Ramsay Muir has remarked that while governments may come and go, ministers may rise and fall, the administration of a country goes on forever. It is needless to say that civil services form the backbone of administration.

An instrument of social change and economic development: The developing nations are mostly traditional and poor agricultural societies without adequate basic amenities of good life. These nations are struggling to achieve modernisation of society and economic development and realize welfare goals. The state is called upon to achieve these goals. These objectives have placed challenging tasks on public administration such as formulation of economic plans and their successful implementation to economic growth and social change. The accomplishment of these goals requires honest and competent civil servants.

Provides a wide variety of services in the public interest: Public administration run by civil servants provides a large number of services to the people such as:

- **Protective Functions:**
    - They protect the life and property of the people by **maintaining law and order**. The survival and progress of human beings depend on the proper enforcement of laws against lawbreakers.
    - In recent times, **protection of the environment** is added to the protective functions of the government. As a result of rapid industrialisation, there is the problem of environmental pollution

which threatens our lives and environmental pollution. Now almost all the governments are making efforts at the enhancement of environmental quality.

- **Facilitative services:** They provide facilitative services such as transportation, communications, and supply of power and so on.
- **Management of public enterprises:** Civil servants are managing public enterprises and public utilities in the interest of socio-economic justice. Public utilities are either publicly owned or strictly regulated in most countries. Government also imposes controls over private economic and business activities in the public interest.
- **Welfare services:** The welfare services provided for the people include social security, old age pensions, welfare of the weaker sections, poverty alleviation etc.
- **Developmental functions:** They perform a vital function of promoting agriculture, industry, internal and international trade, banking, insurance etc.

In addition to above, some other functions performed by civil service are as under:

- Assisting ministers in fulfilling their responsibilities towards the parliament and its committees.
- Handling financial operations of the state.
- Reforming and improving administration through O and M (i.e. organization and methods)
- Administrative adjudication: This is a quasi- judicial function performed by the civil service. The civil servants settle disputes between the citizens and the state. For this purpose, the Administrative Tribunals, with civil servants as judges are established. For example: The Income Tax Appellate Tribunal

4. Role of civil services in developing countries

Civil services in a developing society like India play a very important role. It performs the following functions:

Role in socio- economic development

The governments of developing countries have the huge responsibility to bring about all-round development of their societies. Several programmes have been launched to this end by the respective governments. Major functions of the civil services are:

- To develop agriculture, civil servants have to properly manage community resources such as land, water resources, forests, wetlands and wasteland development.
- To facilitate industrial development, infrastructural facilities such as roads, electricity, communications, market centres etc have to be provided. In these countries, the civil service manages government owned business, industrial enterprises and public utility services.

Besides, civil service has to perform following functions in relation to developmental activities:

- Setting right developmental goals and priorities for agriculture, industry, education, health, communications etc.
- Formulation and implementation of strategies and programmes for the development and modernisation of the nation.
- Mobilisation of natural, human and financial resources and their proper utilization for accomplishing developmental objectives.
- Development of human resources to secure the necessary managerial skills and technical competence to carry out the developmental tasks.
- Creation of new administrative organisations and improving the capacity of the existing ones for the developmental purposes.

- Securing the support of the people for developmental activities by involving them in the process of development by creating appropriate attitude towards the socio-economic changes that are taking place in society.
- Promotion of clean and green environment and protection of human rights.

Developing a sense of nationhood

Several divisive forces such as communal and ethnic conflicts, caste feuds and regional rivalries often threaten the national unity. In order to develop a sense of nationhood among the people of these countries, the civil servants have to resolve the sub-national and sub- cultural differences among the people.

Facilitating democracy

The civil servants play a vital role in maintaining the democratic ideals by assisting their political heads (Ministers) in policy-making function and in implementing the policies made. Since developing countries are new to the democratic institutions, it is only the stable and efficient civil service that can strengthen the democracy.

5. Civil Services in India

In parliamentary system, it is the political executive (responsible to the legislature) who determines policies and programmes of government. The implementation and administration of these policies and programmes is the responsibility of the civil servants who, by virtue of their training and professional experience, are well-versed in the actual functioning of government.

An important characteristic of the civil service system in India is classification based on the concept of the 'Service'. Under this concept, civil service posts are grouped into distinct homogenous cadres under a common Service named on the basis of specific functions attached to the posts in question.

The various Civil Services at the Union and State levels can be classified in different ways. **Firstly**, the Civil Services can be categorized into three broad groups –Central Civil Services, All India Services and the State Civil Services. The Central Services function under the Union Government and are generally engaged in administering subjects which are assigned to the Union under the Constitution. All India Services are common to the Union and the States and the State Services function only under the State Governments. **Secondly**, the Union and State Services can be classified into Group A, B and C categories based on their role and responsibilities. **Thirdly**, these services can also be classified into technical and non-technical services.

6. Some of the observations of 2nd ARC regarding civil services in India:

It is widely recognised that the civil services have contributed to stability in terms of maintenance of peace, the conduct of fair elections, managing disasters and the preservation of the unity of the nation, providing stability and maintaining order in a vast country prone to various conflicts – ethnic, communal, regional etc. Nonetheless there are certain concerns about the performance of the civil service in the context of realizing a results-oriented government. Some of them are:

- It has been pointed out that the Civil Service in India is more concerned with the internal processes than with results.
- The systemic rigidities, needless complexities and over-centralization in the policy and management structures within which the civil service functions are too complex and often too constraining.
- The structures are based on hierarchies and there are a large number of veto points to be negotiated for a decision to eventually emerge.

- To compound it, the size and the number of ministries and departments have both overloaded the decision-making system and diminished the capacities of the individual civil servants to fulfill their operational responsibilities.
- Rapid and fundamental changes are taking place in the country in terms of rapid economic growth, urbanization, environmental degradation, technological change and increased local awareness and identity. The response time to adapt to these changes is much shorter than it used to be. As instruments of public service, civil servants have to be ready to manage such change.
- On the other hand, the perception is that they resist change as they are wedded to their privileges and prospects and thereby have become ends in themselves.
- The 73rd and 74th Amendments to the Constitution have brought about a major change. Rural and urban local governments have to be enabled to become institutions of self government. To bring this about, the existing system of administration at the district level has to undergo fundamental changes. Though sixteen years have passed, the progress remains very slow and local governments are 'local' only in 'form' but are 'central and state in content'.
- With the passage of time, the role of civil society organisations, in governance, has increased with demands for better governance. The same can be said of the private sector, which is increasingly providing services in several areas, which hitherto were the exclusive preserve of the public sector. Consequently, civil servants should view civil society organisations and the private sector as partners in the process of the country's governance.
- There is need to shift from pre-eminence of governance to effective governance with a focus on decentralization and citizen-centricity.

7. Conflicts between civil services and democracy

- Rigid organization structures and cumbersome procedures
- Elitist, authoritarian, conservative outlook
- Men in bureaucracy fulfill segmental roles over which they have no control. Consequently, they have little or no opportunity to exercise individual judgment.
- The requirement that a bureaucrat should follow the principles of consistency and regularity automatically limits his capacity to adapt to changing circumstances.
- The general rules which may take for overall efficiency produce inefficiency and injustice in individual cases.
- Civil services' difficulty to cope with uncertainty and change is a key limit on its efficiency.

8. Reforms needed in civil services

Broad Reforms:

- The development work needs some flexibility from a strict observance of rigid rules and regulations. Rigid rule bound bureaucracies should be changed into flexible and action-oriented.
- Reforms are required in the field of recruitment of civil servants so that right people could be recruited who can ensure smooth functioning of democracy.
- Training of civil servants should be able to bring about behavioural and attitudinal changes.
- Administrative procedures, rules and regulations need to be simplified so that red tapism could be minimized; decentralization of authority and collegiate decision making; de-emphasis of hierarchy in the administrative structure
- Adoption of modern management techniques such as management by objectives; elimination of corruption so as to secure clean, honest, impartial and efficient administration; creation of new work culture and encouraging creativity.

Summary of Recommendations: 2nd ARC's 10th Report

- A National Institutes of Public Administration should be established to run Bachelor's Degree courses in public administration/ governance/management. Selected Central and other Universities should also be assisted to offer graduate level programmes in these courses which will produce graduates to further expand the pool of eligible applicants to the civil services. These graduates would be eligible for appearing in the Civil Services Examinations. Further, graduates in other disciplines would also be eligible to appear in the Civil Services Examination provided they complete a 'Bridge Course' in the core subjects mentioned above.
- **Structure of Examination**: Either of the following two models may be adopted for compressing the examination cycle.
    - The Preliminary and Main Examinations for the Civil Services Examination would be conducted together on two to three consecutive days. Evaluation of papers for the Main Examination should be done in case of only those candidates who have secured a threshold level of marks in the Preliminary Examination. The personality test would follow thereafter.

      OR
    - Based on the results of the Preliminary Examination, candidates eligible for taking the main examination and the personality test would be short listed in accordance with their rankings. Only these short-listed candidates would be eligible for appearing in the Main Examination, which would be conducted within two months of the Preliminary Examination. The short list would be limited to about two to three times of the number of vacancies available. Thus it would be possible to start the Personality Test and the Main Examination almost simultaneously.
- The induction of officers of the State Civil Services into the IAS should be done by the UPSC on the basis of a common examination.
- In the case of disciplinary proceedings, consultation with the UPSC should be mandatory only in cases involving likely dismissal or removal of a government servant.
- **Capacity Building**
    - Every government servant should undergo a mandatory training at the induction stage and also periodically during his/her career. Successful completion of these trainings should be a minimum necessary condition for confirmation in service and subsequent promotions.
    - A monitoring mechanism should be set up for overseeing the implementation of the National Training Policy (1996).
    - The objective of mid-career training should be to develop domain knowledge and competence required
    - Public servants should be encouraged to obtain higher academic qualifications and to write papers for reputed and authoritative journals.
    - The composition of governing bodies of the national training institutions such as the LBSNAA, SVPNPA, IGNFA and also the State Administrative Training Institutes should be broadened by inducting eminent experts.
    - A National Institute of good governance may be set up by upgrading one of the existing national/state institutes. This institute would identify, document, and disseminate best practices and also conduct training programmes

Recommendations of some other committees:

A number of Committees and Commissions were set up to make recommendations on various aspects of civil services. These recommendations are included in the Report on Public Administration by **A.D. Gorwala,** 1951; Report on the Public Services (Qualifications for Recruitment)Committee, 1956 – also known as **Dr. A. Ramaswami Mudaliar** Committee Report; Report on Indian and State Administrative Services and Problems of District Administration by **V.T. Krishnamachari**, 1962; ARC's Report on Personnel Administration,1969; Report of the

Committee on Recruitment Policy and Selection Methods, 1976 – also known as the **D.S. Kothari Committee Report**; Report of the Committee to Review the Scheme of the Civil Services Examination, 1989 – also known as the **Satish Chandra Committee Report**; Report of the Civil Services Examination Review Committee, 2001, also known as **Professor Yoginder K. Alagh Committee Report**; Report of the Committee on Civil Service Reforms also known as the **Hota Committee Report,** 2004.

Few of the relevant recommendations of recent committees are given below.

Recruitment

- The Civil Services Examination Review Committee, 2001 (chaired by Professor **Yoginder K. Alagh**) favored testing the candidates in a common subject rather than on optional subjects.
- The Committee on Civil Service Reforms (**Hota Committee Report**, 2004) recommended that aptitude and leadership tests may be introduced for selection, and that probationers may be allowed one month's time after commencement of training to exercise their option for Services.

Training

- The Committee to Review In-Service Training of IAS officers, (**Yugandhar Committee,** 2003) recommended the need for three mid-career training programmes in the 12th, 20th and 28th years of service. Trainings at these 3 stages was suggested as there is a "major shift" in the nature of work of the officer, at these stages of their career.

Domain Expertise

- The **first ARC** classified higher civil service posts into two categories: posts in the field, and (b) posts at headquarters.
- The field posts were held by the members of the 'functional' services which included not only the various engineering services but also services such as accounts and income tax. The first ARC noted that the only service that was not functional but occupied most of the higher posts in the civil services was the IAS. The first ARC recommended that the IAS should be converted into a functional service.
- Consistent with its philosophy of organizing the administrative machinery along functional lines and inducting talent from all sources, the ARC recommended eight broad areas of specialization: Economic Administration; Industrial Administration; Agricultural and Rural Development Administration; Social and Educational Administration; Personnel Administration; Financial Administration; Defence Administration and Internal Security Planning.
- The Report of the Group constituted to Review the System of Performance Appraisal, Promotion, Empanelment and Placement for the All India Services and other Group 'A' Services (**Surinder Nath Committee Report**, 2003) suggested the following 11 domains - Agriculture and Rural Development; Social Sectors (Education, Health, Tribal Welfare, etc.); Culture and Information; Natural Resources Management including Environment (green side); Energy and Environment (brown side); Communication Systems and Connectivity Infrastructure; Public Finance and Finance Management; Industry and Trade; Domestic Affairs and Defence; Housing and Urban Affairs; Personnel and General Administration. The Committee suggested that officers may be assigned to a maximum of three domains out of the eleven listed.
- **The Hota Committee** on Civil Services Reforms, 2004, had recommended that domain assignment should be introduced for civil servants to encourage acquisition of skills, professional excellence and career planning.

Efficiency

There has been a succession of Committees that were asked to recommend measures for increasing the efficiency of the civil services.

- **The Appleby Report** (1953) contained recommendations relating to the establishment of O&M machinery and an Institute of Public Administration. These two recommendations were implemented by Government.
- The **Fifth Central Pay Commission** (2000) stressed upon the need to optimise the size of the government machinery.
- **The Expenditure Reforms Commission** (2001) emphasised on a drastic downsizing of the government staff strength for securing modern and professional governance and also reducing the increasing salary bill of the Government of India.
- The Committee on Civil Services Reforms (**Hota Committee**, 2004) emphasised the use of information and communication technologies (ICT) to transform Government by making it more accessible, effective and accountable. It stressed on the need to recognise that e-governance is about discarding old procedures and transforming the process of decision making and that technology is merely a tool and a catalyst for such transformations.

Accountability

- The Committee on Prevention of Corruption (**Santhanam Committee**) made a range of recommendations to fight the menace of corruption. It recommended the constitution of the Central Vigilance Commission, and administrative vigilance divisions in all Departments and major organizations of the Government. Changes were also suggested in Article 311 of the Constitution of India for conducting disciplinary proceedings against government servants. It was also recommended that offering of bribes should be made a substantive offence.
- The **first ARC** recommended that the departments and organizations which were in direct charge of development programmes should introduce performance budgeting. The ARC also recommended the establishment of two special institutions, the Lok Pal to deal with complaints against the administrative acts of Ministers and Secretaries to the government at the Centre and the Lok Ayuktas to deal with such complaints in States.
- **The Hota Committee** recommended that Sections 13 (1) (d) and 19 of the Prevention of Corruption Act and Section 197 of the Code of Criminal Procedure may be amended to protect honest civil servants from malicious prosecution and harassment. It also recommended that a Code of Ethics should be drawn up for civil servants incorporating the core values of integrity, merit and excellence in public service. Another recommendation of the Hota Committee was that each department should lay down and benchmark services to be delivered, methods of grievance redressal and public evaluation of performance. It also recommended that a Model Code of Governance should be drawn up benchmarking the standards of governance to be made available to the citizens.

Performance Appraisal

- The Report of the Group constituted to review the system of Performance Appraisal, Promotion, Empanelment and Placement of the AIS and Other Services (**Surinder Nath Committee,** 2003) recommended that - performance appraisal should be primarily used for the overall development of an officer and for his/her placement in an area where his/her abilities and potential can be best used.
- Only those who can demonstrate a credible record of actual performance and possess the necessary knowledge and skills required for higher responsibilities should be promoted. There is no benefit in retaining officers who lack demonstrated competence, or who are unqualified, or of doubtful moral or financial integrity or who are in unacceptably poor health.
- **The Hota Committee** on Civil Services Reforms, 2004, recommended replacing the ACR with a system of performance assessment in which greater emphasis is placed on objective assessment against agreed work plans.

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G.S. PAPER II – CONSTITUTION & POLITY

SEPARATION OF POWERS BETWEEN VARIOUS ORGANS DISPUTE REDRESSAL MECHANISMS AND INSTITUTIONS

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1 INTRODUCTION

"Power corrupts and absolute Power tends to corrupt absolutely"

We know that it the government's role to protect individual rights, but governments have historically been the major violators of these rights. Thus, a number of measures have been derived to reduce this likelihood. The concept of Separation of Powers is one such concept. The basic assumption behind this is that when a single person or group has a large amount of power, they can become dangerous to citizens. The Separation of power is a way of removing the amount of power in any group's hands, making it more difficult to abuse.

The doctrine of separation of power claims that state power is not a single entity but rather a composite of different governmental functions (i.e. legislative, executive, and judicial) carried out by state bodies independently of each other. The legislature enacts laws; the executive enforces laws; and the judiciary interprets laws.

This idea of separation of functions stems from the logical conclusion that if the law-makers should also be the administrators and dispensers of law and justice, then the people at large will be left without a remedy in case any injustice is done as there will be no superior authority.

The value of this doctrine lies in that it attempts to preserve human liberty by avoiding the concentration of powers in any one person or body of person. As stated by Madison- "The accumulation of all powers, legislative, executive and judicial, in the same hands whether of one, a few, or many and whether hereditary, self-appointed or elective, may justly be pronounced the very definition of tyranny." And for the prevention of this tyranny, the doctrine of separation of power holds its greatest importance.

2 ORIGIN

The theory of separation of powers may be traced back in the writings of classical and medieval thinkers such as Aristotle (384–322 BC). For instance, Aristotle in his book ("The Politics") proclaimed that:

There are three elements in each constitution in respect of which every serious lawgiver must look for what is advantageous to it; if these are well arranged, the constitution is bound to be well arranged, and the differences in constitutions are bound to correspond to the differences between each of these elements. The three are, first, the deliberative, which discusses everything of common importance; second, the officials; and third, the judicial element.

Further, Aristotle believed that any single form of government was unstable leading to a permanent cycle of disasters. In the same vein, Cicero preferred powers to be vested in the people and authority in the state. Apart from Aristotle and Cicero, other thinkers who rebelled against concentrating powers in one absolute leader were John Locke and Jean Bodin. For instance, Locke stressed that the executive and legislative powers should be separate for the sake of liberty. As liberty is likely to suffer when the same human being makes the law and execute them.

Such thinking during the Age of Enlightenment (reasons) in Europe were refined and reformulated as a doctrine in the mid-18th Century by the celebrated French philosopher, **Charles de Secondat, Baron de Montesquieu** (1689-1755) in his book, "**De l'Esprit des Lois**" (*i.e.* **the Spirit of Laws**), 1748.

Between 16-18th Centuries, the doctrine of separation of powers occupied an upper hand in the struggle of the bourgeoisie against absolutism and the arbitrary rule of kings (i.e. feudal monarchy). Again, the doctrine was used in a number of countries to justify a compromise between the bourgeoisie, which had won control over the legislature and judiciary, and the feudal-monarchical circles that had retained executive power. With the establishment of the capitalist system the principle of separation of powers was proclaimed as one of the fundamental principles of bourgeois constitutionalism.

3 DEFINITIONS

The phrase '*separation of powers*' is 'one of the most confusing in the vocabulary of political and constitutional thought'. According to **Geoffrey Marshall (1971:97)**, the phrase has been used '*with varying implication'* by historians and political scientists, this is because the concept manifests itself in so many ways. In understanding the concept of 'separation of powers' one has to take on board the three approaches *i.e.* **traditional** (classical), **modern** (contemporary) and **Marxist-Leninist** approaches.

3.1 TRADITIONAL (CLASSICAL) APPROACH

The traditional views are presented by **Montesquieu** who vigorously advocated for a *"strict or pure or total or complete or absolute"* separation of powers and personnel between three organs of the state *i.e.* the Executive, Legislature and Judiciary.Power being diffused between three separate bodies exercising separate functions with no overlaps in function or personnel.

3.1.1 MONTESQUIEU'S STRICT DOCTRINE (TRIPARTITE SYSTEM)

- In every government there are three sorts of power *i.e.* legislature, executive and judiciary. The **executive**, makes peace or war, send or receives embassies, establishes the public security and provides against invasions. The **legislature**, prince and magistrate enact temporary or perpetual laws and amend or abrogate those that have been already enacted. The **judiciary**, punishes criminals, or determines the disputes that arise between individuals.
- **Montesquieu** warned his countrymen about the danger of vesting all state powers in one person or body of people as follows;

  When the legislative and executive powers are united in the same person, or in the same body of magistrates, there can be no liberty…….Again, there is no liberty if the power of judging is not separated from the legislative and executive. If it were joined with the legislative, the life and liberty of the subject would be exposed to arbitrary control; for the judge would then be the legislator. If it were joined to the executive power, the judge might behave with violence and oppression. There would be an end to everything, if the same man, or the same body, whether of the nobles or the people, were to exercise those three powers, that of enacting laws, that of executing public affairs, and that of trying crimes or individual causes.

  - That concentrated power is dangerous and leads to despotism of government (tyranny);
  - Legislature should not appoint members of the Executive [i.e. Parliament should not elect the President or the Prime Minister]; and for the same reason the Executive should not have a role in electing members of the Legislature. Neither the Executive nor the Legislature should appoint members of the Judiciary, for if they do the Judiciary will lose its independence. Again, judges should not appoint members of the Executive.
  - That it is the people who should elect members of executive, legislature and judicial officers.
  - State officials should not form part of or belong to two or more organs.
  - He argued, if separate powers of government are placed in different hands, no individual or group of people can monopolize political powers (*i.e.* differentiation of functions). Thus, he was against absolute power residing in one person or body exercising executive, legislative and judicial powers.
  - To him, the state will perish when the legislature power become more corrupted than the executive.
  - He based this model on the Constitution of the Roman Republic and the British constitutional system. **Montesquieu** took the view that the Roman Republic had powers separated so that no one could usurp complete power.
  - He (mistakenly) believed that the English constitution establishes functional separation between the legislature, executive and judicial powers. In England, the monarch exercises executive powers, legislative power are shared by hereditary nobility and the peoples' elected representatives, judging powers vested in persons drawn from the body of the people.

3.1.2 SUMMARY OF DOCTRINE

The Doctrine of Separation of powers includes the following distinct but overlapping aspects;

- **Institutional separation of powers:** (*a tripartite separation of powers)* – the need to have three major institutions or organs in a state *i.e.* Legislature, Executive and Judiciary.
- **Functional separation of powers:** state power/functions must be vested and exercised by three separate institutions or organs *i.e.* law making, enforcement and interpretation.
- **Separation of personnel:** (*each organ with own personnel)* – no person should be a member of more than one organ.
- **Limitation of appointing powers:** state organs should not appoint or elect members for each other.

3.2 MODERN (CONTEMPORARY) APPROACH

The doctrine of separation of powers has become an integral part of the governmental structure. But, the practical application of the doctrine differs to a great extent. In theory, the doctrine of separation of powers is supposed to have a threefold classification of functions and corresponding organs. But because of the diverse and complex nature of a modern state, where the process of law making, administration and adjudication cannot be clearly demarcated or assigned to separate institutions, the application of this doctrine in strict sense is very difficult.

This approach somehow departs or otherwise tries to refine Montesquieu's strict doctrine of separation of powers. Essentially, this approach point out practical difficulties in the application of Montesquieu's strict doctrine and thus advocates for a '***mixed government***' or **'*weak separation of powers*' with '*checks and balances*'** to prevent abuses. Therefore, this concept insists that the primary functions of the state should be allocated clearly and that there should be checks to ensure that no institution encroaches significantly upon the function of the other.

To them, Montesquieu's strict doctrine presents the following problems:-

- A complete separation of the three organs may lead to constitutional deadlock (disunity of powers). Thus, a complete separation of powers is neither possible nor desirable.
- Partial separation of powers is required to achieve a mixed and balanced constitutional structure.
- It would be impractical to expect each branch of government to raise its own finances.
- The theory is based on the assumption that all the three organs of the government are equality important, but in reality it is not so. In most cases, the executive is more powerful of the three branches of government.

3.3 MARXIST-LENINIST APPROACH

Unlike, the other two approaches, the Marxist-Leninist approachrefute the application of the doctrine by arguing that the theory of the separation of powers is "*nothing but the profane industrial division of labour applied for purposes of simplification and control to the mechanism of the state*". In essence, Marxist-Leninist theory rejects the theory of the separation of powers because it ignores the class nature of society. The existence in a socialist state of state bodies with different jurisdiction means that a certain division of functions in exercising state power is essential while maintaining the unity of state power.

4 DOCTRINE OF SEPARATION OF POWERS IN INDIA

Indian state represents a contemporary approach in constitutionalising the doctrine of separation of powers. Essentially, there is no **strict** separation of powers under constitution, both in principle and practice.

In India, there are three distinct activities in the Government through which the will of the people are expressed. The legislative organ of the state makes laws, the executive forces them and the judiciary applies them to the specific cases arising out of the breach of law. Each organ while performing its activities tends to interfere in the sphere of working of another functionary because a strict demarcation of functions is not possible in their dealings with the general public. Thus, even when acting in ambit of their own power, overlapping functions tend to appear amongst these organs. The question which is important here is that what should be the relation among these three organs of the state, i.e. whether there should be complete separation of powers or there should be co-ordination among them.

In the words of Dr. Durgas Das Basu,

"So far as the courts are concerned, the application of the doctrine (the theory of separation of powers) may involve two propositions: namely,

a) that none of the three organs of Government, Legislative Executive and Judicial, can exercise any power which **properly** belongs to either of the other two;

b) that the legislature cannot delegate its powers."

What is significant is the word "**properly**" and therefore conceives of a **broad division of powers** where the **core function** is one which is exclusively conferred on that particular organ of State, though there may be some overlap in regard to the fringe areas of the topics so entrusted. The pronouncement on this aspect of law by the courts is that under the Indian Constitution there is a **broad** separation of powers.

4.1 CONSTITUTIONAL POSITION

4.1.1 SEPARATION OF POWERS

The Constitution of India embraces the idea of separation of powers in an implied manner. Despite there being no express provision recognizing the doctrine of separation of powers in its absolute form, the Constitution does make the provisions for a reasonable separation of functions and powers between the three organs of Government.

By looking into the various provisions of the Constitution, it is evident that the Constitution intends that the powers of legislation shall be exercised exclusively by the legislature. Similarly, the judicial powers can be said to vest with the judiciary. The judiciary is independent in its field and there can be no interference with its judicial functions either by the Executive or by the Legislature. Also, the executive powers of the Union and the State are vested in the President and the Governor respectively.

The constitution of India lays down a functional separation of the organs of the State in the following manner:

- Article 50 lays down that State shall take steps to separate the judiciary from the executive. This is for the purpose of ensuring the independence of judiciary.
- Article 122 and 212 provides validity of proceedings in Parliament and the Legislatures cannot be called into question in any Court. This ensures the separation and immunity of the legislatures from judicial intervention on the allegation of procedural irregularity.
- Judicial conduct of a judge of the Supreme Court and the High Courts' cannot be discussed in the Parliament and the State Legislature, according to Article 121 and 211 of the Constitution.
- Articles 53 and 154 respectively, provide that the executive power of the Union and the State shall be vested with the President and the Governor and they enjoy immunity from civil and criminal liability.
- Article 361 declared that the President or the Governor shall not be answerable to any court for the exercise and performance of the powers and duties of his office.

4.1.2 FUNCTIONAL OVERLAP

- The legislature besides exercising law-making powers exercises judicial powers in cases of breach of its privilege, impeachment of the President and the removal of the judges.
- The executive may further affect the functioning of the judiciary by making appointments to the office of Chief Justice and other judges.
- Legislature exercising judicial powers in the case of amending a law declared *ultra vires* by the Court and revalidating it..
- While discharging the function of disqualifying its members and impeachment of the judges, the legislature discharges the functions of the judiciary.
- Legislature can impose punishment for exceeding freedom of speech in the Parliament; this comes under the powers and privileges of the parliament. But while exercising such power it is always necessary that it should be in conformity with due process.
- The heads of each governmental ministry is a member of the legislature, thus making the executive an integral part of the legislature.
- The council of ministers on whose advice the President and the Governor acts are elected members of the legislature.
- Legislative power that is being vested with the legislature in certain circumstances can be exercised by the executive. If the President or the Governor, when the legislature or is not in session and is satisfied

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that circumstances exist that necessitate immediate action may promulgate ordinance which has the same force of the Act made by the Parliament or the State legislature.

- The Constitution permits, through Article 118 and Article 208, the Legislature at the Centre and in the States respectively, the authority to make rules for regulating their respective procedure and conduct of business subject to the provisions of this Constitution. The executive also exercises law making power under delegated legislation.
- The tribunals and other quasi-judicial bodies which are a part of the executive also discharge judicial functions. Administrative tribunals which are a part of the executive also discharge judicial functions.
- Higher administrative tribunals should always have a member of the judiciary. The higher judiciary is conferred with the power of supervising the functioning of subordinate courts. It also acts as a legislature while making laws regulating its conduct and rules regarding disposal of cases.

Besides the functional overlapping, the Indian system also lacks the separation of personnel amongst the three departments.

Applying the doctrines of constitutional limitation and trust in the Indian scenario, a system is created where none of the organs can usurp the functions or powers which are assigned to another organ by express or necessary provision, neither can they divest themselves of essential functions which belong to them as under the Constitution.

Further, the Constitution of India expressly provides for a system of checks and balances in order to prevent the arbitrary or capricious use of power derived from the said supreme document. Though such a system appears dilatory of the doctrine of separation of powers, it is essential in order to enable the just and equitable functioning of such a constitutional system. By giving such powers, a mechanism for the control over the exercise of constitutional powers by the respective organs is established.

This clearly indicates that the Indian Constitution in its plan does not provide for a strict separation of powers. Instead, it creates a system consisting of the three organs of Government and confers upon them both exclusive and overlapping powers and functions. Thus, there is no absolute separation of functions between the three organs of Government.

4.2 JUDICIAL PRONOUNCEMENTS ON THE DOCTRINE IN INDIA

The debate about the doctrine of separation of powers, and exactly what it involves in regard to Indian governance, is as old as the Constitution itself. Apart from the directive principles laid down in Part-IV of the constitution which provides for separation of judiciary from the executive, the constitutional scheme does not provide any formalistic division of powers. It appeared in various judgments handed down by the Supreme Court after the Constitution was adopted. It is through these judicial pronouncements, passed from time to time, that the boundaries of applicability of the doctrine have been determined.

4.2.1 RE DELHI LAWS ACT CASE

In the ***re Delhi Laws Act case***, it was for the first time observed by the Supreme Court that except where the constitution has vested power in a body, the principle that one organ should not perform functions which essentially belong to others is followed in India. By a majority of 5:2, the Court held that the theory of separation of powers though not part and parcel of our Constitution, in exceptional circumstances is evident in the provisions of the Constitution itself.As observed by Kania, C.J.:

"Although in the constitution of India there is no express separation of powers, it is clear that a legislature is created by the constitution and detailed provisions are made for making that legislature pass laws. Does it not imply that unless it can be gathered from other provisions of the constitution, other bodies-executive or judicial-are not intended to discharge legislative functions?"

In essence, this judgment implied that all the three organs of the State, i.e., the Legislature, the Judiciary, and the Executive are bound by and subject to the provisions of the Constitution, which demarcates their respective powers, jurisdictions, responsibilities and relationship with one another. Also, that it can be assumed that none of the organs of the State, including the judiciary, would exceed its powers as laid down in the Constitution.

4.2.2 KESAVANANDABHARTI CASE

In practice, from time to time, disputes continued to arise as to whether one organ of the State had exceeded the boundaries assigned to it under the Constitution. This question of what amounts to an excess, was the basis for action in the landmark ***KesavanandaBharti* case** of 1973. The question placed before the Supreme Court in this case was in regard to the extent of the power of the legislature to amend the Constitution as provided for under the Constitution itself. It was argued that Parliament was "supreme" and represented the sovereign will of the people. As such, if the people's representatives in Parliament decided to change a particular law to curb individual freedom or limit the scope of judicial scrutiny, the judiciary had no right to question whether it was constitutional or not. However, the Court did not allow this argument and instead found in favour of the appellant on the grounds that the doctrine of separation of powers was a part of the "basic structure" of our Constitution.

Thus, the doctrine of "separation of powers" is acknowledged as an integral part of the basic features of our Constitution. It is also agreed that all the three organs of the State, i.e., the Legislature, the Judiciary, and the Executive are bound by and subject to the provisions of the Constitution, which demarcates their respective powers, jurisdictions, responsibilities and relationship with one another. It is assumed that none of the organs of the State, including the judiciary, would exceed its powers as laid down in the Constitution. It is also expected that in the overall interest of the country, even though their jurisdictions are separated and demarcated, all the institutions would work in harmony and co-operation to maximize the public good.

As per this ruling, there was no longer any need for ambiguity as the doctrine was expressly recognized as a part of the Indian Constitution, unalterable even by an Act of Parliament. Thus, the doctrine of separation of powers has been incorporated, in its essence, into the Indian laws.

4.2.3 INDIRA NEHRU GANDHI V. RAJ NARAIN

However, it was after the landmark case of ***Indira Nehru Gandhi v. Raj Narain*** that the place of this doctrine in the Indian context was made clearer. It was observed: "That in the Indian Constitution, there is separation of powers in a broad sense only. A rigid separation of powers as under the American Constitution or under the Australian Constitution does not apply to India."Chandrachud J. also observed that the political usefulness of the doctrine of Separation of Power is not widely recognized. No Constitution can survive without a conscious adherence to its fine check and balance.

4.2.4 OTHER CASES

The doctrine of separation of powers was further expressly recognized to be a part of the Constitution in the case of ***Ram JawayaKapur v. State of Punjab***, where the Court held that though the doctrine of separation of powers is not expressly mentioned in the Constitution it stands to be violated when the functions of one organ of Government are performed by another. This means the Indian constitution had not indeed recognized the doctrine of separation of powers in its absolute rigidity but the functions of different parts or branches of the Govt. have been sufficiently differentiated and consequently it can very well be said that our constitution does not contemplate assumption, by one organ or part of the state, of functions that essentially belongs to another.

In ***I.C. GolakNath v. State of Punjab***, Supreme Court took the help of doctrine of basic structure as propounded in KesvanandaBharati case and said that Ninth Schedule is violative of this doctrine and hence the Ninth Schedule was made amenable to judicial review which also forms part of the basic structure theory. It was observed: "The Constitution brings into existence different constitutional entities, namely, the Union, the States and the Union Territories. It creates three major instruments of power, namely, the Legislature, the Executive and the Judiciary. It demarcates their jurisdiction minutely and expects them to exercise their respective powers without overstepping their limits. They should function within the spheres allotted to them."

4.3 CHECKS AND BALANCES

The concept of constitutional checks arose as an outgrowth of the classical theory of separation of powers. The purpose of this, and of the later development of checks and balances, was to ensure that governmental power would not be used in an abusive manner. To prevent one branch from becoming supreme, protect the "opulent minority" from the majority, and to induce the branches to cooperate, government systems that employ a separation of powers

need a way to balance each of the branches. Typically this was accomplished through a system of "checks and balances", the origin of which, like separation of powers itself, is specifically credited to Montesquieu. Under the system of checks and balances, one department is given certain powers by which it may definitely restrain the others from exceeding constitutional authority. It may object or resist any encroachment upon its authority, or it may question, if necessary any act or acts which unlawfully interferes with its sphere of jurisdiction and authority.

The Indian Constitution provides for a scheme of checks and balances between the three organs of government namely, the legislature, the executive and the judiciary, against any potential abuse of power. For example,

- The judges of the Supreme Court and the High Courts in the States are appointed by the executive i.e. the President acting on the advice of the Prime Minister and the Chief Justice of the Supreme Court. But they may be removed from office only if they are impeached by Parliament. This measure helps the judiciary to function without any fear of the executive.
- Similarly, the executive is responsible to Parliament in its day to day functioning. While the President appoints the leader of the majority party or a person who he believes commands a majority in the LokSabha (House of the People or the Lower House) a government is duty bound to lay down power if the House adopts a motion expressing no confidence in the government.
- Similary the judiciary keeps a check on the laws made by Parliament and actions taken by Executives, whether they conform to the constitution or not, using the tool of Judicial Review.

4.4 JUDICIAL REVIEW

There is, however, one facet in any democratic constitution which cannot be wished away, and that is, the necessity to have a machinery by which an authority is brought into existence to decide on the interpretation of constitutional provisions, or as to what the Constitution says and means and to resolve disputes, with finality, between the Central Government and the States, or between the three organs of the State *inter se*. In every such democratic Constitution it is the apex court of the country, which is conferred such jurisdiction and powers.

Article 144 of the Constitution declares that all authorities, civil and judicial, shall come to the aid of the Supreme Court. Article 141 is to the effect that the law declared by the Supreme Court is binding on all courts within the territory of India. Articles 129 and 142(2) expressly confer the power of contempt on the Supreme Court of India and Article 215 correspondingly confers such power on the High Courts of the country. This, history has shown, is the most potent weapon in the hands of the superior courts to compel obedience to its will.

It is only the fear of being sent to jail, which makes the clients and lawyers to be disciplined and respectful to the judges and to faithfully carry out their judgments and orders. It is therefore clear that the founding fathers did not allow the Indian Supreme Court to go the way of the US Supreme Court where a belligerent President could turn around and say, *"the judge has made his decision, let him now enforce it."*

Judicial review is a powerful weapon to restrain unconstitutional exercise of power by the legislature and executive. However the only check on judicial power is the self-imposed discipline of judicial restraint. Therefore this doctrine cannot be liberally applied to any modern government, because neither the powers can be kept in water tight compartments nor can any government can run on strict separation of powers.

In ***Suman Gupta v. State of Jammu and Kashmir,***the respective State Government reserved certain seats in medical colleges for the students residing in the particular state on reciprocal basis, this policy of state was challenged on the ground that it discriminate among the students on the ground of place of birth. The Supreme Court rejected the policy on the ground of discrimination but meanwhile the students who are the beneficiaries of this policy had completed their substantial education, and now it is not in the interests of justice to cancelled their admission, therefore here supreme court applied the doctrine of prospective overruling and held that the government must not apply the impugned policy from next academic year.

Therefore, by using the doctrine of prospective overruling in the above to cases, the Supreme Court maintained the balance between judiciary and other organs of the government. It can also be maintained by using the self restraint by the judges.

In ***Divisional Manager, Aravali Golf club v. Chander Hass and Another***, the Supreme Court warned the High court for its over activism. The Supreme Court held that since there was no sectioned post of tractor driver against which

the respondents could be regularized as tractor driver, the direction of the first appellate court and the single judge to create the post of tractor driver and regularizing he services was completely beyond their jurisdiction. The court cannot direct the creation of post. Creation and sanction of post is a prerogative of the executive or legislative authorities and the court cannot arrogate to itself this purely executive or legislative function, and direct creation of posts in any organization. The court further said that the creation of a post is an executive or legislative function and it involves economic factors. Hence, the courts cannot take upon themselves the power of creation of post.

Similarly, in ***MadhuHolmagi v. Union of India***, wherein one Advocate filed a public interest litigation challenging the "Agreement 123" i.e. Indo-US nuclear treaty proposed to be entered by the Indian government, petitioner contended that court must have to scrutinize the all documents relating to the agreement 123 and must have to prevent the Indian government from entering in to the nuclear deal. In this court dismissed the petition and also imposed a cost of Rs 5000 on the petitioner stating that it is an abuse of court proceeding. Because the question raised by the petitioner is a question of policy decision, which is to be decided by the parliament and not by the judiciary.

5 SEPARATION OF POWER IN OTHER COUNTRIES

5.1 SEPARATION OF POWER IN USA

The United States Constitution has a more rigid separation of powers than the Constitutions of other democracies. In the United States Constitution, Article 1 Section I gives Congress only those "legislative powers herein granted" and proceeds to list those permissible actions in Article I Section 8, while Section 9 lists actions that are prohibited for Congress. The vesting clause in Article II places no limits on the Executive branch, simply stating that, "The Executive Power shall be vested in a President of the United States of America." The Supreme Court holds "The judicial Power" according to Article III, and it established the implication of Judicial review in Marbury v. Madison.

Checks and balances allow for a system based regulation that allows one branch to limit another, such as the power of Congress to alter the composition and jurisdiction of the federal courtsThe following are illustrations where there are checks and balances:

a) the lawmaking power of the Congress is checked by the President through its veto power, which in turn maybe overturn by the legislature
b) the Congress may refuse to give its concurrence to an amnesty proclaimed by the President and the Senate to a treaty he has concluded
c) the President may nullify a conviction in a criminal case by pardoning the offender
d) the Congress may limit the jurisdiction of the Supreme Court and that of inferior courts and even abolish the latter tribunals
e) the Judiciary in general has the power to declare invalid an act done by the Congress, the President and his subordinates, or the Constitutional Commissions.

5.2 SEPARATION OF POWER IN ENGLAND

Although the doctrine of separation of power plays a role in the United Kingdom's constitutional doctrine, the UK constitution is often described as having "a weak separation of powers". For example, in the United Kingdom, the executive forms a subset of the legislature, as did—to a lesser extent—the judiciary until the establishment of the Supreme Court of the United Kingdom. The Prime Minister, the Chief Executive, sits as a member of the Parliament of the United Kingdom, either as a peer in the House of Lords or as an elected member of the House of Commons (by convention, and as a result of the supremacy of the Lower House, the Prime Minister now sits in the House of Commons) and can effectively be removed from office by a simple majority vote. Furthermore, while the courts in the United Kingdom are undoubtedly amongst the most independent in the world, the Law Lords, who were the final arbiters of judicial disputes in the UK sat simultaneously in the House of Lords, the upper house of the legislature, although this arrangement ceased in 2009 when the Supreme Court of the United Kingdom came into existence.

Until 2005, the Lord Chancellor fused the Legislature, Executive and Judiciary, as he was the ex officio Speaker of the House of Lords, a Government Minister who sat in Cabinet and was head of the Lord Chancellor's Department which administered the courts, the justice system and appointed judges, and was the head of the Judiciary in England and Wales and sat as a judge on the Judicial Committee of the House of Lords, the highest domestic court in the entire United Kingdom, and the Judicial Committee of the Privy Council, the senior tribunal court for parts of the

Commonwealth. The Lord Chancellor also had certain other judicial positions, including being a judge in the Court of Appeal and President of the Chancery Division. The Lord Chancellor combines other aspects of the constitution, including having certain ecclesiastical functions of the established state church, making certain church appointments, nominations and sitting as one of the thirty-three Church Commissioners. These functions remain intact and unaffected by the Constitutional Reform Act.

In 2005, the Constitutional Reform Act separated the powers with Legislative functions going to an elected Lord Speaker and the Judicial functions going to the Lord Chief Justice. The Lord Chancellor's Department was replaced with a Ministry of Justice and the Lord Chancellor currently serves in the position of Secretary of State for Justice.

5.3 SOME OTHER COUNTRIES

The Commonwealth of Australia Constitution Act, 1900 clearly demarcates the boundaries of the three organs and therefore provides for a very rigid separation of powers. Similarly, the French Constitution also provides for separation of powers and divides the national government into the executive, legislative and judicial branch.

6 CONCLUSION

The doctrine of separation of power in its true sense is very rigid and this is one of the reasons of why it is not accepted by a large number of countries in the world. The main object as per Montesquieu in the Doctrine of Separation of Power is that there should be government of law rather than having will and whims of the official. Also another most important feature of the said doctrine is that there should be independence of judiciary i.e. it should be free from the other organs of the State and if it is so then justice would be delivered properly. The judiciary is the scale through which one can measure the actual development of the State. If the judiciary is not independent, then it is the first step towards a tyrannical form of government i.e. power is concentrated in a single hand and if it is so then there is a very high chance of misuse of power. Hence the Doctrine of Separation of Power does play a vital role in the creation of a fair government and also fair and proper justice is dispensed by the judiciary as there is independence of judiciary.

The doctrine of separation of powers has come a long way from its theoretical inception. Today, the doctrine in its absolute form is only recognized in letter as it is entirely unfeasible and impractical for usage in the operational practices of a government. With the passage of time, States have evolved from being minimal and non-interventionist to being welfare oriented by playing the multifarious roles of protector, arbiter, controller and provider to the people. In its omnipresent role, the functions of the State have become diverse and its problems interdependent hence, any serious attempt to define and separate the functions would only cause inefficiency in the government.

The modern day interpretation of the doctrine does not recognize the division of Government into three water-tight compartments but instead provides for crossing rights and duties in order to establish a system of checks and balances. The mere separation of powers between the three organs is not sufficient for the elimination of the dangers of arbitrary and capricious government. Even after the distinguishing the functions, if an authority wielding public power, is provided an absolute and sole discretion within the body in the matters regarding its sphere of influence, there will be a resultant abuse of such power. Therefore, a system of checks and balances is a practical necessity in order to achieve the desired ends of the doctrine of separation of powers. Such a system is not dilatory to the doctrine but necessary in order to strengthen its actual usage.

In conclusion, it is evident that governments in their actual operation do not opt for the strict separation of powers because it is undesirable and impracticable, however, implications of this concept can be seen in almost all the countries in its diluted form. The discrepancies between the plan and practice, if any, are based on these very grounds that the ideal plan is impractical for everyday use. India relies heavily upon the doctrine in order to regulate, check and control the exercise of power by the three organs of Government. Whether it is in theory or in practical usage, the Doctrine of Separation of Powers is essential for the effective functioning of a democracy.

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G.S. PAPER II – CONSTITUTION & POLITY

THE REPRESENTATION OF THE PEOPLE ACT, 1951

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THE REPRESENTATION OF THE PEOPLE ACT, 1951

1. INTRODCUTION

The founding fathers of India opted for a **Parliamentary democracy** as the appropriate model for a large and diverse country like ours. Conducted once in a five year, general election of India is an attempt in the direction.

THE REPRESENTATION OF THE PEOPLE ACT, 1951 is a model Act which provides the legislative framework for:

- The conduct of elections to the Parliament and state assemblies.
- The qualifications and disqualifications for membership.
- The code of conduct against illegal practices

Election Commission (EC), a constitutional body, is assigned to take the mammoth exercise of conducting general elections under the act. **The code of conduct** is developed by the commission for carrying the elections in fair manner. However, the elections are marred with several issues, a few of which are as identified:

1.1 Criminalization of Politics

The criminalisation of our political system is a major challenge to parliamentary democracy.

National Commission to Review the Working of the Constitution **(NCRWC)** has identified problems related to the criminalisation of politics in many areas e.g. role of Mafia in elections, black money generation for political funding, fraudulent voting, booth capturing, intimidation of voters, engineered mistakes in counting votes, incongruities in delimitation of the constituencies etc.

Besides, **Vohra Committee** has also identified the **politician-criminal nexus**, a menace to the Indian political system. The committee highlights that: *"The nexus between the criminal gangs, police, bureaucracy and politicians has come out clearly in various parts of the country" and that "some political leaders become the leaders of these gangs/armed senas and over the years get themselves elected to local bodies, State assemblies, and national parliament."*

A number of remedies have been proposed by the various committees on the criminalization of politics in the country.

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1.1.1 Disclosure of candidate's identity

EC prescribes that candidates are required to furnish records related to their identity. The commission restricts the candidates to participate in the elections if they are accused of any offence punishable with imprisonment for two years or more; there are pending cases in the court; sentenced to imprisonment for one year or more. There have been incidents of providing malafide information to the candidates. Recommendations are made for more **stringent punishment** in such cases. Apart from that, the candidates have to submit the **declaration of assets and sources of income.**

1.1.2 Eligibility of candidates

Candidates should have completed a period of **six years** from the date of conviction. Candidate convicted for a crime for which the minimum imprisonment is two years shall also be disqualified from the date of conviction and will continue to be disqualified for six additional years after his release. EC has proposed that the minimum offence punishable by imprisonment of 5 years or more should be set as criteria for disqualification. The Commission has further proposed that any person convicted for any heinous crime such as murder, rape, smuggling, dacoity, etc., should be permanently barred from contesting elections at any level.

1.1.3 Negative or Neutral Voting

Currently there is no provision for voters **to express their dislike** for the candidates who are deemed to be unfit. Voters are left with no alternatives than to vote. This may be a compromise on the choice of right candidates for the political offices. Both EC and Law Commission of India recommend that a **negative or neutral voting** option be created.

1.2 Financing of the Elections

NCRWC investigated that the campaign expenditure by candidates is in the range of about twenty to thirty times the legal limits. Such an amount for election funding has **negative social impacts.** This also leads to corruption and further criminalization of the political system. A number of remedies have been recommended to limit the excess funding.

1.2.1 Limits on campaign expenditure

It is recommended that the existing ceiling on election expenses for the various legislative bodies should be suitably raised to a reasonable level e.g. the ceiling is currently **Ra 25 lakhs** for a Lok Sabha seat and **Rs 10**

lakh for an Assembly seat. The funding limits are revised by EC over a period of time. It is also recommended that the govt. should establish a **national corpus** for elections funding.

1.2.2 Disclosure audit of assets and liabilities of candidates

As per the mandate of the EC, candidates for electoral office must submit an affidavit disclosing his assets and liabilities. The commission investigated that there have been many cases where the candidates are alleged to have given grossly **undervalued information**. To handle such cases, it was recommended by the EC that there should be **more stringent** punishment for concealing or providing wrong information on the form.

1.2.3 Cost of campaigning

Similar to the excess election funding, the excess cost of funding is also a cause of negative social impact. **Indrajit Gupta Committee report**, and NCRWC found that many of the tools used for campaigning – such as wall writings, rallies on public property, using loudspeakers for campaigning – are not only costly, but are also a **public nuisance**. It was suggested that a suitable law should be enacted providing **penalties or reasonable restrictions** against damaging or desecrating public or private property by candidates, political parties, or the agents, through painting of slogans or erecting cut-outs and hoarding or putting up banners and buntings, wall writings, hoisting of flags .

1.2.4 State Funding of Elections

A major concern associated with the high cost of elections is that it prevents parties and candidates with modest financial resources from being competitive in elections. If candidates need to raise funds, then their policy decisions after being elected as policy makers may be somewhat biased in favour of groups that fund them. **The Indrajit Gupta Committee** suggested the state funding of elections on the ground of **public interest. Popularity among the electorate** and funding only to **recognised political parties** on **short-term basis** were the other key suggestions of the committee. The appropriate regulatory framework was strongly recommended to deal with political parties for state funding.

1.3 Management of Elections

With more than 714 million, 50 lakh personnel and almost 1 million (10 lakh) polling booths, elections in India are a mammoth exercise. Successful administration of the electoral process requires more than millions of security personnel to promote a peaceful and incident-free voting experience. All this poses following challenges:

1.3.1 Irregularities in polling

Rigging of elections have become common facets of our electoral system. NCRWC identified the cases of large-scale registration of bogus voters, or large-scale deletion of names of **"unfriendly" voters." The Goswami Committee** on Electoral Reforms stated that irregularities in electoral rolls are exacerbated by purposeful tampering done by election officials who are bought by vested interests. Elections rolls are prepared by both EC and State ECs. The duplication of essentially the same task between two different agencies is also an unnecessarily costly affair. The EC recommended that each voter would be provided with a unique bar-coded ID number, assigned for life to avoid confusion over electoral rolls and the cost associated. The Goswami Committee also recommended that **Post Offices** should be the agencies for preparation and maintenance of electoral rolls.

1.3.2 Use of muscle power and intimidation

Rigging of elections is possible not just through tampering of booths, ballots, and electoral roles, but also out of sheer **'muscle power' and intimidation** of voters. The Goswami Committee recommended that the EC should be empowered to take strong action on the report of returning officers, election observers, or civil society in regards to booth capture or the intimidation of voters. NCRWC recommended that EC should make use of **electronic surveillance equipment** as a deterrent to booth capture or intimidation of voters.

1.3.3 Proliferation of candidates

There is a proliferation of candidates in Indian elections. According to the EC, "too many candidates in the election fray puts **unnecessary and avoidable stress** on the management of elections and increases expenditure on account of **security, maintenance of law and order,** and requires extra number of balloting units of voting machines, etc". To check the proliferation of **non-serious candidates**, increase in the **security deposit** of candidates was recommended. Also, the power to prescribe deposit amounts prior to each election be given to EC. Increasing number of **independent candidates** is another issue; it was recommended that the independent candidates should be debarred from contesting as an independent for the same office for six years if they lose and should be permanently debarred if they lose three times consecutively.

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1.4 Measures for Election Commission

- EC has recommended a number of improvements in electoral law to allow it to continue functioning in an effective and independent manner. Article 324 of the Constitution provides that the **Chief Election Commissioner** shall not be removed from his office except in like manner and on like grounds as **a Judge of the Supreme Court.** The Article does not provide similar protection to the **Election Commissioners** and it only says that they cannot be removed from office except on the recommendation of the Chief Election Commissioner. Safeguard in the matter of removability of Election Commissioners from office as is provided to the Chief Election Commissioner is recommended.

- The Election Commission also recommends that the Secretariat of the Election Commission, consisting of officers and staff at various levels is also **insulated** from the interference of the Executive in the matter of their appointments, promotions, etc. All such functions are exclusively vested in the Election Commission on the lines of the Secretariats of the Lok Sabha, and Rajya Sabha, Registries of the Supreme Court and High Courts etc.

- The third recommendation of the Election Commission is that its budget be treated as **"Charged" on the Consolidated Fund of India.**

1.5 Restrictions on Government sponsored advertisements

Central and various State Governments are able to advertise for the purpose of influencing elections, justifying it by providing information to the public. The expenditure on such advertisements is likely incurred from the public exchequer. EC feels this practice allows the **misuse of public funds** and provides the ruling party an undue advantage over other parties and candidates. The Commission proposes that where election is due, advertisements of achievements of the governments should be prohibited for a period of **six months prior to the date of expiry of the term of the House.** However, advertisements on poverty alleviation and health related schemes could be exempted from the purview of such a ban.

1.6 Restriction on the number of seats

A person can contest a general election or a group of bye-elections or biennial elections from a maximum of **two constituencies.** There have been several cases where a person contests election from two constituencies, and wins from both. In such a situation he vacates the seat in one of the two constituencies.

The consequence is that a bye-election would be required from one constituency which apart from involving avoidable labour and expenditure on the conduct of that bye-election. The commission recommends that a person cannot contest from more than one constituency at a time.

1.7 Restrictions on opinion polls

Previous committees on electoral law have debated the possibility of whether opinion polls are misused to manipulate voters on the eve of elections. EC had suggested that there should be provision in the law of putting restrictions on publishing the results of opinion polls and exit polls for a specified period during the election process.

1.8 Prohibition of Campaign during the Last 48 Hours

The act prohibits electioneering activities by way of public meetings, public performance, processions, advertisements through cinematograph, television or similar apparatus during the period of **48 hours before the time fixed for conclusion of poll**. Political advertisements in TV and Radio are prohibited during these 48 hours. Since this section does not refer to **print media,** the political parties and candidates issue advertisements in newspapers during this period including on the day of poll. The commission recommends that **house to house visits** by candidates/supporters should be specifically prohibited during the said 48 hour period.

1.9 Ban on transfer of officers likely to serve elections

It is the opinion of the EC that transfers, often made on grounds other than administrative exigencies, disrupt the arrangements then underway for conducting smooth and peaceful elections. The EC is of the view that no transfer shall be made, without the concurrence of the Commission. In the case of a general election, the ban may come into operation for the period of **six months** prior to the date of expiry of the term of the House.

1.10 False declaration in connection with elections to be an offence

The Act contains a provision providing for punishment with imprisonment up to one year for making a false declaration in connection with preparation/revision of electoral roll. But, there is no such provision in relation to conduct of elections. During the course of an election, EC has observed several cases of such false declarations before the election authorities such as by candidates, representatives of political parties etc. EC recommends that there should be a provision for **penal action** against those making any false declarations in connection with an election.

1.11 Punishment for electoral offences

Such offences are non-cognizable offences, with punishment provision of one year's imprisonment, or fine, or both. Publishing a false statement in connection with an election with intent to affect the result of the election is only punishable with a fine. Incurring or authorizing expenditure for promoting the election prospects of a candidate is an offence. EC

feels that considering the gravity of the offences in the context of free and fair elections, the punishments under all the four sections should be enhanced.

1.12 Retirement in the Rajya Sabha/Legislative Councils

EC reiterated the earlier proposal for amending the law so as to ensure retirement of **1/3rd** of the members in the Rajya Sabha and State legislative councils after every two years.

1.13 Misuse of religion for electoral gain by political parties

The Liberhan Ayodhya Commission of Inquiry recommended that complaints of misuse of religion for electoral gain should be speedily investigated into by the EC. EC earlier proposed the provision to question acts of misuse of religion by political parties before a High Court. The Goswami Committee recommended that EC be given power to make investigation and prosecute any person who has committed an electoral offence

1.14 Counting of votes

Currently votes are tallied by individual EVMs at individual polling stations. This exposes the trend of voting in a particular voting station, making the electorate of that area vulnerable to backlash by candidates or elected officials in retribution. EC recommends an amendment the use of **'totalizer'** for counting of votes cast at more than one polling station where EVMs are used, so that the trend of voting in individual polling station areas does not get divulged.

1.15 Re-examination of the provision of Teachers' and Graduates' Constituencies

One-twelfth of the seats in the Legislative Councils are to be filled up by graduates and another one-twelfth by teachers. There is an ambiguity in the law that a teacher teaching in the lower primary section in a secondary school is eligible to vote, whereas middle school not. EC is of the view that **all teachers of specified institutions** irrespective of the level of the school would be eligible to be electors.

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1.16 Victimization of officers drafted for election duties

EC utilizes the services of a large number of government officers for election duties, who perform important statutory functions in connection with preparation of electoral rolls and conduct of elections. EC has observed many of these officers are later subjected to humiliation and even vindictive disciplinary action by the government. It is recommended that in the case of such government officers, **concurrence should be made compulsory** before initiating any disciplinary/legal proceedings by the government.

1.17 Disqualification for failure to lodge election expenses

Election Commission may disqualify a candidate for three years for failure to lodge the account of election expenses as per the requirement of the law. The period of disqualification may end by the time of the next general election to that House. Therefore, no effective purpose is served by the disqualification. (except that the person cannot contest in the odd bye-election that may be held during the 3 year period). There is a need that the period of disqualification be increased to **5 years,** so that the disqualified person does not become a candidate at the next general election to the House concerned.

2. Regulating the political parties

2.1 Proliferation of political parties

It is stated as a major concern by many previous committees. NCRWC analyzed that it is a desirable objective to promote the progressive polarisation of political ideologies and to reduce less serious political activity. A large number of non-serious parties create excessive load on the electoral system. The Commission also states that part of the problem is that there is no specific provision **to de-register a party**. It is proposed by EC that: **authorizing the Election Commission** to issue necessary orders regulating registration and de-registration of political parties. High cost of elections provides a logic for corruption in the public arena. This affects not only candidates, but parties as well.

2.2 Auditing the Finances of Political Parties

NCRWC recommended that audited political party accounts like the accounts of a public limited company should be published yearly with full disclosures under predetermined account heads. If statement of accounts filed is false in any particular, the Election Commission shall **levy penalty** upon the political party.

2.3 Adjucating the Election Disputes

The act provides that the High Court shall make an endeavour to dispose of an election petition within **six months** from its presentation and also as far as practicably possible conduct proceedings of an election

petition on a day to day basis. In practice, however, cases involving election petitions are rarely resolved in a timely manner. NCRWC recommended that special election benches designated for election petitions only should be formed in the High Court. **Special Election Tribunals** should be constituted at the regional level under to ensure speedy disposal of election petitions and disputes within a stipulated period of six months.

2.4 Review of Anti defection Law

Second Administrative Reforms Commission noted that defection has long been a malaise of Indian political life. It represents manipulation of the political system for furthering private interests, and has been a potent source of political corruption." The Anti-Defection provisions of the Constitution, enacted in 1985, fixed a certain number above which group defections were permitted. NCRWC noted that although individual defections became rare after this, group defection were "permitted, promoted and amply rewarded." The 91st Amendment to the Constitution, 2003, changed this by making it mandatory for defectors to resign their positions regardless of whether they defected as an individual or as part of a group. **Currently the issue of disqualification of members of Parliament or a State Legislature is decided by the Speaker or Chairman of the concerned House.** But, NCRWC analysed that speakers have tended **to act in a partisan manner** and without a proper appreciation. To handle this, NCRWC recommended that the power to decide on questions as to disqualification on ground of defection should vest in the Election Commission instead of in the Chairman or Speaker of the House concerned.

3. Key Features of the Representation of the People (Second Amendment) Bill, 2008:

The Bill was introduced in the Rajya Sabha on October 24, 2008 and was referred to the Standing Committee on Personnel, Public Grievances, Law and Justice.

3.1 Exit Polls

The Bill authorizes the Election Commission to notify a period during which the conduct of exit polls and publicity of the results are prohibited. For general elections, the period may begin when polls open and end half an hour after the polls close. During bye-elections, the ban extends from the start of polls until half an hour after the closing of all polls. Any one who contravenes this provision shall be punished with imprisonment of up to two years, a fine, or both.

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3.2 Appeals Process

Currently, appeals regarding inclusion or correction of names on the electoral rolls may be submitted to the chief electoral officer of the state. The Bill designates **district magistrates** or additional district magistrates as the appellate body. Further appeals lie with the state chief electoral officer.

3.3 Corrupt Practices & Disqualification

The 1951 act prohibits a candidate from seeking assistance from specified categories of government employees such as gazetted officers, judges, etc to further his candidacy. The Bill adds an additional category of those persons employed in a local authority, university, government company, or institution, who are appointed by the EC in connection with the conduct of elections.

3.4 Election Procedures

The Bill increases the security deposit for candidates to Rs 25,000 from Rs 10,000 in Parliamentary elections and to Rs 10,000 from Rs 5,000 in state Assembly or Council elections. Candidates for SC and ST seats have to deposit half these amounts.

3.5 Mizoram

Assembly constituencies were redrawn in 2008 based on the orders of the Delimitation Commission. The Commission reduced the seats reserved for Scheduled Tribes (STs) in Mizoram from 39 to 38 out of a total of 40 seats**. This Bill reverses the number of reserved seats for STs back to 39.**

Other highlights of the Bill

1. The Bill seeks to amend the **Representation of the People Act, 1950** and the **Representation of the People Act, 1951.**
2. Candidates are prohibited from seeking assistance from government employees to further their candidacy. The Bill extends this restriction to other persons who are engaged in the conduct of elections.
3. If the High Court finds a person guilty of corrupt practices, its order is sent to the President for a decision on disqualification. The Bill requires this communication to be sent within **three months.**

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G. S. PAPER II – GOVERNANCE, SOCIAL JUSTICE

Development processes and the development industry- the role of NGOs, SHGs, various groups and associations, donors, charities and other stakeholders

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Q. Why has 'participation' and 'empowerment' gained wide currency in recent development literature?

Decades of development efforts have provoked a feeling of disenchantment with the conventional growth-oriented strategy of development not producing the desired trickle-down effect. The failures sensitized the planners and administrators to the need for drawing on the indigenous knowledge system of the local people. Unless people themselves participate, the programmes administrated by external agencies remain exogenous to the rural community thereby affecting results. A people-centred vision is being advanced by citizen's organisations working to create an alternative world order based on economic justice, environmental stability and political inclusiveness.

As the Human Development Report (UNDP 1993) commented: "People's participation is becoming the central issue of our times"

Q. So, is people participation a recent discovery?

'People' as real actors in history have been brought forward by the '**Subaltern**' school. Peasant resistances were subtle and effective peoples' actions against oppression. People do act, it is for us to appreciate it and mobilise it for participatory people-centric movements. People as development actors emerged long ago in the vision and action of Tagore at Shantiniketan and Gandhi at Wardha. Tagore experimented with people centred rural development in the villages for the rejuvenation of rural arts and crafts and economy in general. Gandhi relied on the mobilization of masses and their economic upliftment through the development of cottage and small-scale industries

Q. Ok. I get that participatory development is important. What shapes/forms does it take?

AnisurRahman has identified the following different forms of community organisations representing collective action by the underprivileged people to improve their socio-economic conditions:

- **First**, there are grassroots organisations that are basically economic in nature, undertaking income-generating activities with the help of internal resource mobilization supplemented by resource and knowledge support from outside
- **Second**, there are other organisations that emerge in 'pressure group' activities. They resist exploitation or oppression by other groups, assert economic, social and human rights including women's rights, or demand services from the public agencies
- **Third**, some of the organisations undertake social and cultural activities in such areas as health, education, culture and so on
- **Fourth**, some aim at the promotion of holistic life by way of activities that integrate spiritual advancement with economic and social development
- **Fifth**, community organisations to promote ecologically oriented socio-economic life are also growing in many areas such as organic agriculture, social forestry, coastal fishing etc.
- **Sixth**, participatory action research is being pursued by some organisations to develop people's own thinking about their living conditions and environment

Q. This proliferation of community based organisations must be backed by some benefits, right?

The value of participation as a facilitative development process has been widely recognised and major benefits have been identified as follows:

- The participatory process provides important information in the planning, programming and implementation stages thereby ensuring congruence between objectives and community values and preferences
- By rationalizing manpower resources utilization, the process reduces project cost
- Any change brought about through development is more acceptable to the community if the local people are involved, also, mistakes are more tolerable if these are made by people who have to live with them
- Monitoring is better, and sustainability of the project is more likely even after the withdrawal of the external agent, be it government or NGO agency

- The community learns from its own involvement and from this point of view, participation is a 2 way learning process in which the administrator and the people become co-learners
- Active community participation helps rebuild community cohesion and installs a sense of dignity into the community. People gain in confidence and steadily emerge as real actors in the development process.

Q. Is community participation then- the answer to all development problems?

Critics of community participation argue: participation has popularity without clarity and is subject to growing faddishness and a lot of lip service.

Serious analysis of local community life reveals differentiation in terms of status, income and power. Conflicts and rivalries are not uncommon even among the poor and underprivileged. The romantic vision of frictionless, harmonious community life does not match ground realities

External intervention by social workers or political activists has been found necessary almost everywhere to organize the local community and mobilize the local people

It has also been observed that there is an imaginary notion of continuous activism by the local people behind all discussions on community participation. Total and continuous commitment to activism is more a revolutionary's dream than the poor people's actual behaviour

There are critics who doubt the efficacy of community participation in bringing about radical change in the life of the poor and the underprivileged through autonomous local action only. Small changes are not ruled out, but community participation,to be really effective, needs profound social structural change at both domestic and international levels. Community mobilization cannot, on its own, correct the basic social imbalances that have their roots in deeper socio-economic layers of the society

Marxist argument: participatory development within capitalistic mode is unworkable, the purpose of participation is to diffuse revolutionary movements and create an illusion of solution. The state seeks to subvert popular movements through manipulative co-optation of the poor

Q. Okay. Participatory development has its faults and shortcomings but it does stand for action, equity in resource distribution & social capital and hence cannot be ignored. What is the role of state in all this?

The state plays a fundamental role in helping or hindering participation. Different social science theories evoke different images of state-society relationships. While Marxian and elite theories are pessimistic about the possibility of community participation, liberal-democratic and pluralist theories are much more helpful.

State's actions depend upon the definition and purpose of community participation, state's perception about its role and the political will to decentralize power and resources to local institutions

Accordingly 4 different state's responses have emerged (ideal models to characterize better):

Anti-participatory mode: The state in a capitalist system is interested, not in ameliorating the conditions of the poor, but in promoting the interests of capital and the ruling class. Power is, therefore, concentrated and not dispersed to facilitate accumulation of wealth

Manipulative mode: The state follows a diplomatic approach and the state support to community participation is intended to ensure political and social control as well as reduce local development costs and facilitate successful project implementation. State seeks to neutralize political opposition by co-opting autonomous movements with the ulterior motive of gaining control over them. The rhetoric of participation is invoked to mobilize local labour in state's development activities and to give legitimacy to the regime in power

Incremental mode: It is marked by an ambivalent approach to community participation. There is no lack of government support to participation but the policy is unclear and piecemeal & ad-hoc approaches are the norm. The state in reality is not willing to part with power and to devolve resources to local community groups. Also, the bureaucrats and the technocrats have their own ways of bringing about "efficient" local development management. Still, community participation is not, in theory, rejected and decentralisation continues in an ad-hoc fashion with a plurality of actors

Participatory mode: Characterized by state's own initiative to create institutions of community participation to ensure effective involvement at the grassroots level. There are no ulterior motives and genuine popular involvement is ensured by providing resources to local bodies and sensitizing bureaucracy through training and directives. Within an overall development planning framework, the central, regional and local development policies and activities are harmonized through positive political will and bureaucratic support

[**Follow-up Q**: Which of these modes is true for India? Have we evolved from one mode to another or is there one particular mode more applicable or does the state adopt different modes at different times/places]

Enough of participation, lets come to voluntary organisations:

Q: What is a NGO?

According to the World Bank, "a Non-governmental Organization (NGO) is a private organization that pursues activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development". In other words, NGOs are legally constituted organizations, operate independently from the government and are generally considered to be "non-state, non-profit oriented groups who pursue purposes of public interest". The primary objective of NGOs is to provide social justice, development and human rights. NGOs are generally funded totally or partly by governments and they maintain their non-governmental status by excluding government representatives from membership in the organization.

In a democratic society, it is the state that has the ultimate responsibility for ushering development to its citizens. In India, through the progressive interpretation of the Constitution and its laws and policies, the scope of development has been significantly broadened to include not just economic progress for citizens, but also promotion of social justice, gender equity, inclusion, citizen's awareness, empowerment and improved quality of life. To achieve this holistic vision of development, the state requires the constructive and collaborative engagement of the civil society in its various developmental activities and programs. Non-governmental organisations (NGOs) as the operational arm of the civil society therefore have an important role in the development processes.

Q: What are the different types of civil society organizations?

- **Civil rights advocacy organizations**: to promote human rights of specific social groups e.g. women, migrants, disabled, HIV, sex workers, Dalit people, tribal people, and the likes.
- **Civil liberties advocacy organizations**: to promote individual civil liberties and human rights of all citizens, rather than focusing on particular social group.
- **Community based organizations, citizen's groups, farmers' cooperatives**: to increase citizen's participation on public policy issues so as to improve the quality of life in a particular community.
- **Business and industry chambers of commerce**: to promotion policies and practices on business.
- **Labour unions**: to promote the rights of employees and workers.
- **International peace and human rights organizations**: to promote peace and human rights.
- **Media, communication organization**: to produce, disseminate, or provide production facilities in one or more media forms; it includes television, printing and radio.
- **National resources conservation and protection organizations**: to promote conservation of natural resources, including land, water, energy, wildlife and plant resources, for public use.
- **Private and public foundations**: to promote development through grant- making and partnership.
- **Also** the Civil society includes - Political Parties; Religious Organizations; Housing cooperatives, slum dwellers and resident welfare associations.

Q: What has been the interaction and relationship between the Indian state and NGOs like?

In India the state policies have significantly influenced the formation of NGOs and their activities. The government sponsored and aided programmes provided financial assistance to NGOs either as grants or as matching grants to support the implementation of social development projects. The need for the involvement of voluntary organisations has been acknowledged by a number of official committees dealing with development.

BalwantRai Mehta Committee, 1957: Today in the implementation of the various schemes of community development, more and more emphasis is laid on NGOs and workers and on the principle that ultimately people's own local organisations should take over the entire work

Rural-Urban Relationship Committee, 1966: Local voluntary organisations can be very helpful in mobilizing popular support and assistance of the people in the activities of local body. It is possible to maintain constant and close contact with the people through these organisations

Ashok Mehta Committee: Of the several voluntary organisations engaged in rural welfare, a few have helped the PRIs in preparation of area development plans, conduct feasibility studies and cost/benefit analysis, explore ways and means to induce local participation in planning and implementation.

In the **Sixth Five Year Plan (1980-1985)**, the government identified new areas in which NGOs as new actors could participate in development

The **Seventh Five Year Plan (1985- 1990)**, envisioned a more active role for NGOs as primary actors in the efforts towards self-reliant communities. This was in tune with the participatory and empowerment ideologies, which was gaining currency in the developmental discourse at that time

Government support and encouragement for NGOs continued in the **Eighth Five- year plan**, where a nation-wide network of NGOs was sought to be created

The **Ninth Five-year plan** proposed that NGOs should play a role in development on the public-private partnership model. Also, the agricultural development policies of the government and its implementation mechanisms provided scope and space for NGOs. A case in point is the watershed development program, which has led to the growth of NGOs working for rural development

In March 2000, the Government declared **Planning Commission** as the **nodal agency for GO-NGO interface**. The message was clear- government has to and will work with the voluntary sector. A **'Civil Society Window'** was started in 2004, in the hope that it would enable people to engage with the Planning Commission and offer the benefit of their field experiences

During the **11th Five Year Plan** process a regional consultation was organised to get civil society feedback. Participation of Civil Society (CS) had thus already become a strong and robust element in the preparation of the Plan

Consultations with citizens on the Approach Paper to the 12th Plan began on many platforms, including the internet. Members of Planning Commission travelled across the country attending Public Meetings called by CS around various sectoral issues to gather inputs for the 12 Five Year Plan

National Policy on the Voluntary Sector, 2007:Recognizes the contribution of the voluntary sector and the need for Government- Voluntary Sector partnership and that project grants are a useful means for both the Government to promote its activities without its direct involvement and a valuable source of support to small and medium Voluntary Organizations. It highlights the need for Government to encourage all Central and State Government agencies to introduce pre-service and in-service training modules on constructive relations with voluntary organizations. It recognizes the difficulties faced by the voluntary sector in accessing government schemes and suggests ways to tackle this. The main objective of the National Policy on the Voluntary Sector is to identify systems by which the Government may work together with the Voluntary Organizations on the basis of the principles of mutual trust, respect and shared responsibility. It also recognizes the importance of independence of voluntary organizations, which allows them to explore alternative models of development. The National Policy on the Voluntary Sector is just the beginning of the process to evolve a new working relationship between the government and the voluntary sector without affecting its autonomy and identity. There are many areas in which help of the voluntary sector is sought- for social audits, behaviour change, good governance and increasingly even for better service delivery.

Q: How has India benefitted from NGOs?

India has a long history of civil society based on the concepts of "*daana*" means giving and "*seva*" means service. Voluntary organizations were active in cultural promotion, education, health, and natural disaster relief as early as the medieval period. During the second half of the 19th century, nationalist consciousness spread across India and self-help emerged as the primary focus of socio-political movements. The early examples of such attempts are Friend-in-Need Society (1858), Prathana Samaj (1864), Satya Shodhan Samaj (1873), Arya Samaj (1875), the National Council for

Women in India (1875), the Indian National Conference (1887) etc. The Society's Registration Act (SRA) was approved in 1860 to confirm the legal status of the growing body of non-governmental organizations.

In India, it was the 1970s which saw rapid growth in the formation of formally registered NGOs and the process continues to this day. Most NGOs have created their respective thematic, social group and geographical priorities such as poverty alleviation, community health, education, housing, human rights, child rights, women's rights, natural resource management, water and sanitation; and to these ends they put to practice a wide range of strategies and approaches. Primarily, their focus has been on the search for alternatives to development thinking and practice; achieved through participatory research, community capacity building and creation of demonstrable models. When we review some of the work done by NGOs over the past 3 decades, we find that they have contributed greatly to nation building.

Many NGOs have worked hard to include children with disability in schools, end caste- based stigma and discrimination, prevent child labour and promote gender equality resulting in women receiving equal wages for the same work compared to men. During natural calamities they have played an active role in relief and rehabilitation efforts, in particular, providing psycho-social care and support to the disaster affected children, women and men. NGOs have been instrumental in the formation and capacity building of farmers and producers' cooperatives and women's self- help groups. Several NGOs have worked hand in hand with the Government to ensure that millions of out of school children are enrolled and continue their school education, thus making the right to education a reality. The leprosy eradication programme was spearheaded by NGOs and today only residual leprosy remains in our country. NGOs have implemented the **JeevanDhara** programme for creation of wells for safe drinking water; promoted community toilets for total sanitation, and supported the public health programs on immunisation and for eliminating tuberculosis and malaria. The much celebrated NREGA, ICDS, ICPS, Nirmal Gram and SwasthyaBima of the government have their roots in the work of many NGOs. NGOs have significantly influenced the development of laws and policies on several important social and developmental issues such as the right to information, juvenile justice, ending corporal punishment in schools, anti-trafficking, forests and environment, wildlife conservation, women, elderly people, people with disability, rehabilitation and resettlement of development induced displaced people to name a few. Further, NGOs made their modest attempts to ensure the effective implementation of these laws and policies by conducting and disseminating findings from participatory research, budget analysis, public hearings, social audits, workshops, seminars and conferences.

Summing up, it is now well established that NGOs have an important role to play in the development processes and that both the state and market need the collaboration of credible, active, and accountable NGOs. Given their connect with the grassroots realities, NGOs can and should play the "game changer" to pro-poor development through leadership on participatory research, community empowerment and search for development alternatives.

With the increasing role of the NGOs in development activities they are now attracting professionals from various other sectors, and capacities are being built in support areas such as financial management, resource mobilization, human resources, leadership development, governance procedures and practices and institutional development. At another level NGOs have been addressing the social service issues and empowerment related advocacy efforts have been increasing. The study conducted by a New Delhi based NGO concluded that every fifth NGO in India works on the issues of community and social service. The favourable disposition of the governments and the political will to involve NGOs is more pronounced in implementation of the welfare schemes addressing causes of women and children. Further, the industrial policies have influenced the formation and relations between the businesses and NGOs. The Confederation of Indian Industries (CII), a leading organisation, has been raising the issues of corporate social responsibility. The emphasis of industrial policies on the promotion and development of small, cottage and village industries has also lead to the formation of agencies such as the Khadi and Village Industries Commission, Small Industries Associations and likes.

Profiling NGOs:

India has possibly the largest number of active non-government, non-profit organizations in the world. There has been a sharp increase in the number of new NGOs in the past decade in India. According to a government study, there were only 1.44 lakh registered societies till 1970. The maximum increase in the number of registrations happened after 2000. A recent study commissioned by the government showed that there are about 3.3 million NGOs in India by the end of 2009 i.e., one NGO for less than an average of 400 Indians. Even this staggering number may be less than the actual number of NGOs active in the country. This is because the study, commissioned in 2008, took into consideration only those entities which were registered under the Societies Registration Act, 1860 or the Mumbai Public Trust Act and its variants in other states.

It can be noted that a great majority of the NGOs are small and about three-fourths of all NGOs are run entirely by volunteers. About 13 percent of the NGOs have between 2 to 5 employees; about 5 percent have between 6 to 10 employees and only about 8.5 percent NGOs employ more than 10 people. According to a survey conducted by society for Participatory Research in Asia (PRIA), 73.4 percent of NGOs have one or no paid staff, although across the country, more than 19 million persons work as volunteers or paid staff at an NGO. More often NGOs are registered as trusts, societies, or as private limited non-profit companies, under Section- 25 of Indian Companies Act, 1956. They also enjoy income tax exemption. Foreign contributions to non-profits are governed by Foreign Contribution Regulation Act (FCRA), 1976.

Q: What are the key governance challenges facing NGOs?

In view of the emergence of a new paradigm of scaling up, in which NGOs are seen as catalysts of policy innovations and social capital; as creators of programmatic knowledge that can be spun off and integrated into government and market institutions; and as builders of vibrant and diverse civil societies, it's imperative to critically analyze the role of NGOs in the process of development and understanding the challenges facing the sector.

Transparency and accountability are key ingredients of Governance in the NGO Sector as these determine operational efficiencies and risk mitigation. Over the years, corporate sector has been able to recognize and implement best governance practices through appropriate institutional framework. However, the NGO sector is yet to evolve any institutionalized framework, which could potentially play an important role in overall development of the nation. NGOs play an increasingly active role in today's political and social arenas. Civil society organizations are increasing in number all over India. Of late, some of the local and national NGOs have been found involved in malpractices and acting irresponsibly, thus undermining the credibility of civil society. It's a huge concern and poses a great challenge to the development movement spearheaded by NGOs in the country.

There is a huge flow of funds into the non-government organization sector and this requires prudence and good practices to maintain accountability and transparency to the benefit of all stakeholders. Although NGOs do internal auditing but for more accountability and transparency, it is advisable to go through external auditing also, especially where public funds are involved. Hence, issues of internal control mechanisms, professionalism, accountability, transparency and financial management must be given impetus. The challenge is multidimensional, and is compounded by the'unorganised' nature of the sector, lack of regulatory frameworks and the fact that India boasts of more than a million NGOs of different roles, structures and sizes. In particular, the Indian voluntary sector urgently needs self-regulatory guidelines and transparency mechanisms to increase the trust and awareness as to how the philanthropic funds are being utilised.

This is a critical challenge that creates a barrier to raising funds and capital for the sector. The general lack of transparency in the functioning of a large proportion of NGOs leads to aversion in donating funds for charitable causes since the general public is largely cynical about the 'genuineness' of the non-profit spirit of the sector. The stringent governance standards of an NGO will facilitate the effective management and increase the accountability to its stakeholders including donors, the government and the community. It is in the self-interest of the NGOs to realize the fact that to implement a structure of 'corporate governance' principles would provide the real value to the stakeholders.

Also, this would enable to track the potentially dubious sources of funding coming in for the voluntary sector – an aspect which has gained impetus in the wake of the increased number of terror attacks and extremist activities. Recently, the Union Home Ministry has identified some NGOs as security threat to the country. Such security considerations have underscored the rising need of improving the governance practices in the Indian NGOs and exercising better regulatory mechanisms, disclosure norms, and management processes including financial management and budgeting systems as well. Moreover, in the larger interest going beyond the security considerations, the impetus has to be on inculcating a culture of including performance goals, conducting financial and performance audits, and reforms for increasing the operational accountability and transparency in the eyes of the public, volunteers, donors and other stakeholders.

Suggestions:

The implementation of a strategic framework is essentially important in the management of an NGO. The endorsement of such a framework brings in professionalism and internal control mechanisms, which further makes the organization's performance more effective. Developing strategies also include establishing a mechanism of consistent monitoring of whether they are being implemented and linking the results to the organization's goals.

There is need to bolster public confidence in the voluntary sector by opening it up to greater public scrutiny. The Government should encourage Central and State level agencies to introduce norms for filing basic documents in respect of NGOs, which have been receiving funding by Government agencies and placing them in the public domain (with easy access through the internet) in order to inculcate a spirit of public oversight.

Public donation is an important source of funds for the NGO sector and one that can and must increase substantially. Tax incentives play a positive role in this process. The Government could simplify and streamline the system for granting income tax exemption status to charitable projects under the Income Tax Act. At the same time, the Government might consider tightening administrative and penal procedures to ensure that these incentives are not misused by paper charities for private financial gain.

The Government should encourage all relevant Central and State Government agencies to introduce pre-service and in-service training modules on constructive relations with the voluntary sector. Such agencies need to introduce time bound procedures for dealing with the VOs. These could cover registration, income tax clearances, financial assistance, etc. There must be a formal system for registering complaints and for redressing grievances of NGOs.

The Government should encourage setting up of Joint Consultative Groups / Forums or Joint Machineries of government and voluntary sector representatives, by relevant Central Departments and State Governments. It also needs to encourage district administrations, district planning bodies, district rural development agencies, zillaparishads and local governments to do so. These groups could be permanent forums with the explicit mandate to share ideas, views and information and to identify opportunities and mechanisms of working together. The Government also might introduce suitable mechanisms for involving a wide cross-section of the voluntary sector in these Groups/Forums.

Summing Up:

We are entering into an important phase where there are many targets that the government intends to achieve with the active collaboration of VOs, in the 12th plan. Therefore, it is important to conduct an effective review or report card of the National Policy with specific recommendations. These recommendations could become an agenda for all Voluntary Organizations, Planning Commission, state governments and national Ministries. Efforts are also needed to further disseminate the information about the policy and its intentions with small VOs as well as government functionaries. There is a need to solicit commitment from state governments and national ministries. A systematic intervention is also needed to get National Policy approved and adopted by the Indian Parliament. The most serious challenge faced by India today is the conflict between violent and non-violent approach of development. Needless to say that majority of population of India is still deprived of basic fruits of development, but rather than adopting the approach which is more inclusive and look for solutions within the constitution, India is faced by disturbances in many parts of the country. This not only hampers the development projects but also shrink the space for people's participation to achieve their goals through peaceful means. The voluntary sector being present in such locations faces the challenge of delivering the services and even mobilizing people on the development agenda. The need of the hour is to work closely with each other for the benefit of the marginalized people, as even today the dream of Mahatma Gandhi has not been achieved.

Having looked at NGOs, now let us take a look at SHGs:

Q: What are SHGs?

Self-Help Groups are informal associations of people who choose to come together to find ways to improve their living conditions. They help to build Social Capital among the poor, especially women. The most important functions of a Self-Help Groups are

- to encourage and motivate its members to save
- to persuade them to make a collective plan for generation of additional income
- to act as a conduit for formal banking services to reach them.

Such groups work as a collective guarantee system for members who propose to borrow from organised sources. Consequently, Self-Help Groups have emerged as the most effective mechanism for delivery of micro-finance services to the poor. The range of financial services may include products such as deposits, loans, money transfer and insurance.

Q: Evolution of the SHG movement in India:

The first organised initiative in this direction was taken in Gujarat in 1954 when the Textile Labour Association (TLA) of Ahmedabad formed its women's wing to organise the women belonging to households of mill workers in order to train them in primary skills like sewing, knitting embroidery, typesetting and stenography etc. In 1972, it was given a more systematized structure when Self Employed Women's Association (**SEWA**) was formed as a Trade Union under the leadership of **Ela Bhatt**. She organised women workers such as hawkers, vendors, home based operators like weavers, potters, papad / agarbatti makers, manual labourers, service providers and small producers like cattle rearers, salt workers, gum collectors, cooks and vendors with the primary objective of (a) increasing their income and assets; (b) enhancing their food and nutritional standards; and (c) increasing their organisational and leadership strength. The overall intention was to organise women for full employment. In order to broaden their access to market and technical inputs, these primary associations were encouraged to form federations like the Gujarat State Mahila SEWA Cooperative Federation, Banaskantha DWCRA, Mahila SEWA Association etc. Currently, SEWA has a membership strength of 9,59,000 which is predominantly urban. In the 1980s, MYRADA – a Karnataka based non-governmental organisation, promoted several locally formed groups to enable the members to secure credit collectively and use it along with their own savings for activities which could provide them economically gainful employment.

Major experiments in small group formation at the local level were initiated in Tamil Nadu and Kerala about two decades ago through the Tamil Nadu Women in Agriculture Programme (TANWA) 1986, Participatory Poverty Reduction Programme of Kerala, (Kudumbashree) 1995 and Tamil Nadu Women's Development Project (TNWDP) 1989. These initiatives gave a firm footing to SHG movement in these states. Today, around 44% of the total Bank-linked SHGs of the country are in the four southern States of Andhra Pradesh, Tamil Nadu, Karnataka and Kerala.

The positive experience gained from the above programmes has led to the emergence of a very strong consensus that the twin concepts of **(a) small group organisation** and **(b) self-management** are potent tools for economic and social empowerment of the rural poor. Efforts have been made almost in all parts of the country to adopt this model as a necessary component of the poverty alleviation programmes.

Forming small groups and linking them to bank branches for credit delivery has been the most important feature of the growth of the SHG movement in our country. The SHG-Bank linkage programme was started as a test project in 1989 when NABARD, the Apex Rural Development Bank in the country, sanctioned Rs.10.0 lakhs to MYRADA as seed money assistance for forming credit management groups. In the same year, the Ministry of Rural Development provided financial support to PRADAN to establish Self-Help Groups in some rural pockets of Rajasthan. On the basis of these experiences, a full-fledged project involving a partnership among SHGs, Banks and NGOs was launched by NABARD in 1992. In 1995, acting on the report of a working group, the RBI streamlined the credit delivery procedure by issuing a set of guidelines to Commercial Banks. It enabled SHGs to open Bank Accounts based on a simple inter-se agreement. The scheme was further strengthened by a standing commitment given by NABARD to provide refinance and promotional support to Banks for credit disbursement under the SHG – Bank linkage programme. NABARD's corporate mission was to make available microfinance services to 20 million poor households, or one-third of the poor in the country, by the end of 2008. In the initial years, the progress in the programme was a slow; only 33000 groups could be credit linked during the period 1992-99. But, thereafter, the programme grew rapidly and the number of SHGs financed increased from 82000 in 1999-2000 to more than 6.20 lakhs in 2005-06 and 6.87 lakhs in 2006-07. Cumulatively, 33 million poor households in the country have been able to secure access to micro-finance from the formal banking system.

(**As a follow-up** read up on the success stories particularly the Kudumbashree programme of Kerala in ARC 2 - Report 09 Social Capital Page 80-81)

Q: What other Agencies are involved in the SHG movement?

Apart from NABARD, there are **four** other major organisations in the public sector which too provide loans to financial intermediaries for onward lending to SHGs. They are (a) Small Industries Development Bank of India (SIDBI), (b)RashtriyaMahilaKosh (RMK), (c) Housing and Urban Development Corporation (HUDCO) and(d) then, there are public sector/other commercial banks which are free to take up any lending as per their policy and RBI guidelines.

RashtriyaMahilaKosh:

The RashtriyaMahilaKosh was set up by the Government of India in March 1993 as an Autonomous Body registered under Societies Registration Act, 1860 under the Department (now Ministry) of Women and Child Development. The objective was to facilitate credit support to poor women for their socio-economic upliftment.It was felt that the credit needs of poor women, especially those in the unorganized sector, were not adequately addressed by the formal financial institutions of the country. Thus RMK was established to provide loans in a quasi-formal credit delivery mechanism, which is client-friendly, has simple and minimal procedure, disburses quickly and repeatedly, has flexible repayment schedules, links thrifts and savings with credit and has relatively low transaction costs both for the borrower and the lender. The Kosh lends with a unique credit delivery model "RMK – NGO-SHG- Beneficiaries". The support is extended through NGO's, Women Development Corporations, State Government agencies like DRDA's, Dairy Federations, and Municipal Councils etc.

SIDBI:

Small Industries Development Bank of India (SIDBI) launched its micro finance programme on a pilot basis in 1994 using the NGO / MFI model of credit delivery wherein such institutions were used as financial intermediaries for delivering credit to the poor and unreached, mainly women. Learning from the experience of the pilot phase, SIDBI reoriented and upscaled its micro finance programme in 1999. A specialised department viz. 'SIDBI Foundation for Micro Credit' (SFMC) was set up with the mission to create a national network of strong, viable and sustainable Micro Finance Institutions (MFIs) from the informal and formal financial sectors. SFMC serves as an apex wholesaler for micro finance in India providing a complete range of financial and non-financial services to the MFIs so as to facilitate their development into financially sustainable entities, besides developing a network of service providers and advocating for appropriate policy framework for the sector. SFMC is implementing the National Micro Finance Support Programme (NMFSP). The overall goal of NMFSP is to bring about substantial poverty elimination and reduced vulnerability in India amongst users of micro-finance services, particularly women.

Private Initiatives:

Though, government efforts have played a major role in advancing the SHG movement in the country, there have been a large number of voluntary organisations (NGOs) which too have facilitated and assisted SHGs in organizing savings and credit in different parts of India. SEWA in Ahmedabad, MYRADA in Karnataka, Nav Bharat Jagriti Kendra and Ramakrishna Mission in Jharkhand, and ADITHI in Bihar are some of the names which took the lead in promoting Self-Help Groups (mostly of women) around income generation activities using local skills. From organizing villagers into groups which could work on viable activities, to making a project and securing funds (own contribution or through a tie-up with the financial institution), these VOs have worked with involvement and dedication. PRADAN (Professional Assistance for Development Action), DHAN Foundation, ASSEFA (Association of SarvaSeva Farms, MALAR (Mahalir Association for Literacy, Awareness and Rights), SKS, Janodaya, Cohesion Foundation and Jan ChetnaSansthan are some of the other major non-governmental institutions which are promoting and nurturing a large number of SHGs of poor people, mostly women into effective organisations which could leverage credit from formal sources, and develop local resources and skills to increase productivity and income. It is thus, due to the combined efforts of the government and these private voluntary agencies that the SHGs have come to occupy a place of prominence in the socio-economic fabric of rural India.

Q: What has been the impact of SHGs on rural life?

A random impact evaluation study covering 560 members of 223 SHGs linked to Banks located in 11 States was carried out by NABARD. A three year period was selected for this study. The results of this survey released in 200018 indicated that

- 58% of the households covered under SHGs reported an increase in assets;
- the average value of assets per household increased by 72% from Rs.6,843 to Rs.11,793;
- majority of the members developed savings habit against 23% earlier;
- there was a threefold increase in savings and a doubling of borrowings per household;
- the share of consumption loan in the borrowing went down from 50% to 25%;
- 70% of the loans taken in post-SHG period went towards income generation ventures;
- employment expanded by 18%;
- the average net income per household before joining a SHG was Rs.20,177 which rose by 33% to 26,889; and
- about 41.5% of the household studied were below their state specific poverty line in the pre-SHG enrolment stage; it came down to 22%.

Participation in group activity significantly contributed to improvement of self-confidence among the members. In general, group members and particularly women became more vocal and assertive on social and family issues.

The structure of the SHG is meant to provide mutual support to the participants in saving money, preparing a common plan for additional income generation and opening bank accounts that would help them in developing credit relationship with a lending institution. It ultimately supports them in setting up micro-enterprises e.g. personalised business ventures like tailoring, grocery, and tool repair shops. It promotes the concept of group accountability ensuring that the loans are paid back. It provides a platform to the community where the members can discuss and resolve important issues of mutual concern.

While some of the SHGs have been initiated by the local communities themselves, many of them have come through the help of a mentor Body (either government or an NGO) which provided initial information and guidance to them. Such support often consists of training people on how to manage Bank accounts, how to assess small business potential of the local markets and how to upgrade their skills. In the end, it creates a local team of resource persons.

Group formation becomes a convenient vehicle for credit delivery in rural areas. Commercial Banks and other institutions which are otherwise not receptive to the demands of marginalized individuals, start considering such groups as their potential customers. Overall such Joint-Liability Groups expand the outreach of the micro-finance programme in an effective way, reaching out to the excluded segments e.g. landless, sharecroppers, small and marginal farmers, women, SCs/STs etc.

The majority of Self-Help Groups comprise of women members. There is evidence in this country as well as elsewhere that formation of Self-Help Groups has a multiplier effect in improving women's status in society as well as in the family. Their active involvement in micro-finance and related entrepreneurial activities not only leads to improvement in their socio-economic condition but also enhances their self-esteem. Women in a groupenvironment become more articulate in voicing their concerns and a change occurs in their self-perception. They start to see themselves not only as beneficiaries but also as clients / informed citizens seeking better services. On the home front, their new found awareness and the confidence generated out of their entrepreneurial skills make them more confident vis-à-vis their menfolk.

The SHG programme has contributed to a reduced dependency on informal money lenders and other non-institutional sources. It has enabled the participating households to spend more on education than non- client households. Families participating in the programme have reported better school attendance and lower drop-out rates.

The financial inclusion attained through SHGs has led to reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health – especially among women and children.

But the SHG movement has certain weaknesses as well:

- contrarytothevisionforSHGdevelopment,membersofagroupdonotcome necessarily from the poorest families;
- the SHG model has led to definite socialempowerment of the poor but whetherthe economic gains are adequate to bring a qualitative change in their life is a matter of debate;
- many of the activities undertaken by the SHGs are still based on primitive skills related mostly to primary sector enterprises. With poor value addition per worker and prevalence of subsistence level wages, such activities often do not lead to any substantial increase in the income of group members.
- There is lack of qualified resource personnel in the rural areas who could help in skill upgradation/acquisition of new skills by group members.

Q: What then are the key issues facing SHGs today?

Though, during a short span of fifteen years the SHG movement has recorded remarkable progress much still remains to be done. The movement shows steep territorial variations. Many areas of the country lack adequate banking structure. Urban and semi-urban areas, to a large extent, stand excluded from this mode of credit delivery. Further growth of this movement faces threat from inadequacy of skills in the rural areas. And finally the pace of the movement needs to be accelerated. The following eight issues of this sector deserve priority attention:

• **Maintaining the participatory character**:

We saw the cooperative sector became a springboard for political aspirants. Though the SHG movement is relatively new, government interventions and subsidies have already started showing negative results. The patronage and subsidies provided to the SHGs by government and the Panchayats often lead to their politicization. Therefore, due care must be taken to ensure that government initiatives do not erode the fundamental principles of self-help and empowerment of the poor.

• **Need to expand** the SHG movement to States such as Bihar, Uttar Pradesh, Madhya Pradesh, Orissa, Rajasthan and in the North-East (where the SHG movement and micro-finance entrepreneurship is weak):

Overall 73% of the farmer household (in rural areas) have no access to any formal source of credit. In March, 2001, 71% of the total linked SHGs of the country were in just four States of the southern region viz. Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. The figure went down to 58% in 2005, 54% in 2006 and to 44% in 2007. But even the current figure is a cause of concern when one talks of financial inclusion for the whole country.

• **Need to extend** small group organisations (SHGs) to peri-urban and urban areas:

According to the 2001 census, 314.54 million persons changed their place of residence (vis-à-vis the situation in the 1991 census) within the country and out of this 29.90 million or 9% changed their place of residence in search of better prospects elsewhere. Since issue of any form of identity card is invariably linked with the possession of an immovable property, such migrant workers do not have any formal document to prove their domicile in the city. But the overall economic and social well-being of the city is closely linked with the condition of this section of the city dwellers. In the absence of any documentary proof, it appears that this class of people do not have access to organised financial services. As per the existing statutory provisions, NABARD's mandate is to provide micro-finance facilities only to rural and semi-urban areas. Branches of the mainstream Banks too, though, equipped with manpower and technology, are not keen to service this sector. Even money lenders are reluctant to lend to them. The net result is that this segment of the urban population e.g. pavement sellers, street hawkers, construction workers etc. remains financially excluded.

• **Mode of SHG development and financial intermediation**:

Establishing stable linkage between a SHG and a local financial institution is one of the key elements of the SHG movement. Currently, four distinct models of financial intermediation are in operation in various parts of the country namely:

- SHG-Bank linkage promoted by a mentor institute
- SHG-Bank direct linkage
- SHG-Mentor Institution linkage; and
- SHG-Federation model

Since the borrowing SHGs consist mainly of low income members who cannot afford to miss even a day's wages, a hassle-free transaction with a Bank which is ready to come to their doorsteps with appropriate credit products is of great value to them. The SHG – Bank Linkage Model with a mentor SHPI in tow (Model I above) would be the most appropriate one for delivery of financial services to the SHGs.

• **Self-Help Groups and RegionalRural Banks**:

As on 1st April, 2007, out of a total of 622 districts in the country, 535 have a network of Regional Rural Banks; the rest 87 districts have no RRB presence. These branches have been created by the Regional Rural Banks Act, 1976 primarily for providing institutional credit to the marginalized sector of the rural economy (small, marginal farmers, landless labour and rural artisans). Theextension of the RRB network to the remaining 87 districts would considerably speed up the process of inclusive banking and help in extending micro- finance to local SHGs.

• **Issues of sustainability**:

The institutional sustainability and the quality of operations of the SHGs are matters of considerable debate. It is generally held that only a minority of the Self-Help Groups are able to raise themselves from a level of micro-finance to that of micro-entrepreneurship. Neither do such Bank linkages lead to sanction of larger individual loans under the Bank's normal lending programmes. The ultimate objective of such a tie-up is to impart financial strength to the SHGs so that they can enter into a stable relationship with the local financial institutions - without any external support.

Even after many years of existence, by and large, SHGs are heavily dependent on their promoter NGOs or government agencies

• **Financial assistance toSHPIs and othersupportinstitutions**:

Forty-five per cent of the total numbers of women SHGs of the country are located in Andhra Pradesh. This enviable position of the State is primarily due to the initiative shown by promoter NGOs often known as Self-Help Promoting Institutions (SHPIs) / mentor organisations. If the SHG movement is to spread across the entire country, there is need to provide major incentives to SHPIs / promoter NGOs. Currently, the financial support to SHPIs comes from the Micro Finance Development and Equity Fund (MFDEF) of NABARD. It is limited to an amount of Rs.1500 per SHG (formed and activated). To attract more and more SHPIs to the rural areas, this quantum of support needs to be revised.

• **Role of Micro-Finance Institutions**:

Micro-credit is defined as provision of thrift, credit, and other financial services (such as deposits, loans, payment services, money transfer, insurance and related products) of very small amounts to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. Micro-finance institutions are those which provide such micro-credit facilities. Micro-credit is an instrument of both social as well as economic policy. It opens up integral development processes such as use of financial and technical resources, basic services and training opportunities to the unprivileged. Access to savings, credit, money- transfer, payment, and insurance can help poor people take control of their financial life. It also empowers them to make critical choices about investing in business, sending children to school, improving health care of the family, covering the cost of key social obligations and unforeseen situations. But the most important of all, an access to finance generates self- esteem among them.

ARC-2 has made the following recommendations and the Micro Finance Sector (Development and Regulation) Bill, 2007 needs to be amended to include the following suggestions:-

- The scope of Micro-finance Services should be substantially widened to cover credit / savings, insurance, pension services, money transfer, issue / discount of warehouse receipts and future / option contracts for agricultural commodities and forest produce.
- The activities of Section 25 Companies to the extent they concern micro-financial services as described under the proposed Bill should also be brought under the purview of this legislation. However, for their management and other functions, they will continue to be governed by the provisions of the Companies Act.
- The issue of interest rate charged by the MFIs should be left to the Regulatory Authority which is being created under the proposed Bill.
- It should be ensured that if MFIs are allowed to handle thrift / savings and money transfer services, they would do so only as business correspondents of commercial Banks.

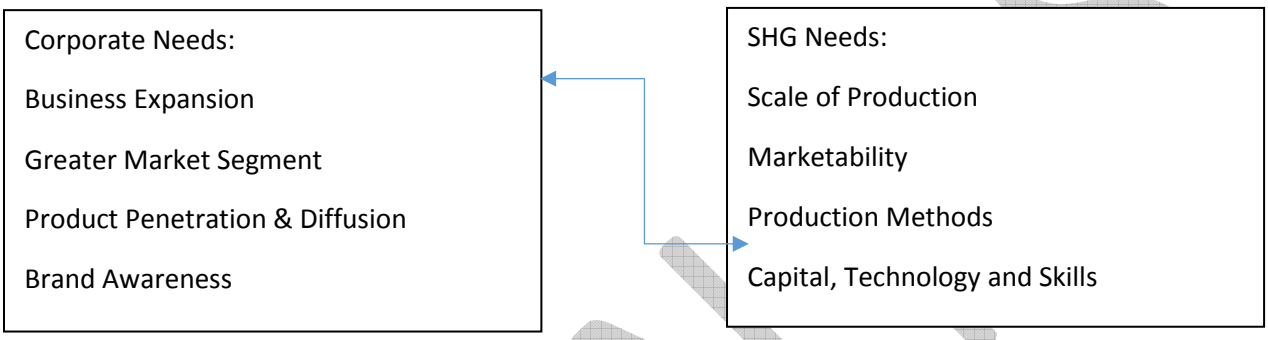
Q: With an eye on the future, let us explore Corporate-SHG linkages for rural markets:

Rural Market offers tremendous potential of growth for corporations by making their products and services available to these areas. Lot of interventions are designed by various companies to tap the rural market including designing tailor made supply chain, rural marketing campaigns, pruning marketing mix elements and integrating social elements to develop their brand awareness and market for their products. Apart from all these endeavours there is still a significant area largely untapped. Integration of SHGs with corporations as a part of their company policies in tackling the issues of reach and market awareness is a win-win solution. With various government initiatives including Promotion of SHG formation, microenterprise development, microcredit by FIIs and NBFCs and skill training, SHGs are becoming viable in their operations. Symbiotic association of corporations and SHGs utilizing distinctive competence can prove to be fruitful for both in the long run broadly in the form of market and socio-economic development. SHGs are broadly studied on two basis- Microfinance and Microenterprises. The first aspect of SHGs (Microfinance) is widely studied and several changes have been incorporated towards making SHGs viable. Development of Micro-enterprises is relatively a new phenomenon. As per study of M.Kunhaman, 2012, SHGs can better promote Micro-enterprises, especially in rural areas.

The real effort to support SHGs in India, however, came in the late 1990s when the central government of India introduced a holistic program, SGSY- Swarnajayanti Gram SwarozgarYojana based on the group approach for rural development. The SGSY approach was to encourage the rural poor to organise themselves into SHGs and to independently take up viable economic activities as micro-enterprises with support from government subsidies and

bank credit. With the development of industrial norms, micro-enterprises are also coming up apart from large, medium and small industries. Micro-enterprises can be started and managed by individuals, groups or SHGs. Intended to strengthen viable, small businesses, resulting in increased household income and savings and thus alleviating the crunch of economic poverty, Micro-enterprise development aims at building self-esteem, self-reliance, encouraging autonomy and creating a community atmosphere. It builds economic capital by creating jobs and generating income, ultimately working towards community development in impoverished or unemployed areas.

The report of the working committee of RBI (1994) proposed the integration of SHGs into the strategies and policies of corporations. SHGs can provide a suitable option for companies to integrate into various functions such as- Marketing, Distribution, Procurement of various raw materials and semi-finished materials, Production and processing of indigenous products etc. For example, TAJ group has adopted a SHG for procurement of sea food and meet 60% of their demands through the SHG. SHGs can also become a suitable vehicle for distribution of rural products and help in faster diffusion of innovation in the rural market.



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G.S. PAPER III – ECONOMIC DEVELOPMENT

INVESTMENT MODELS

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1 Economic Systems

There is hardly any country today which can be called either pure capitalistic economy or socialistic economy. However, for the purpose of categorization we can divide the economic systems into the following types:

1.1 Capitalism

Under capitalism, all farms, factories and other means of production are the property of private individuals and firms. They are free to use them with a view to making profit, or not to use them, if it so suits them. The desire for profit is the sole consideration with the property owners in the use of their property. Besides free and unfettered use of their property, everybody is free to take up any line of production he likes and is free to enter into any contract with other fellow citizens for his profit.

Although all modern States do impose certain restrictions on economic freedom in the interest of general welfare, yet even these restrictions leave much latitude to the propertied class to use their property in any manner they like, to start any business they think profitable to themselves and to enter into contracts they think necessary in their interest.

What to produce, how to produce and for whom to produce – all these central problems of economics are settled by the free working of the forces of demand and supply. In the words of Prof. Loucks, "capitalism is a system of economic organization featured by the private ownership and the use for private profit of man-made and nature-made capital".

1.1.1 General Features of Capitalism

- Right of Private Property
- Freedom of Enterprise (it implies three things : (a) freedom of enterprise, (b) freedom of contract, and (c) freedom to use one's property)
- Freedom of Choice by the Consumers
- Profit Motive
- Class Conflict
- Uncoordinated Nature (no conscious regulation or central direction of economic activity required)
- Control with Risks (one who risks his money controls the business)
- Competition
- Importance of Price System (price mechanism facilitates the functioning of capitalism)
- Economic Inequalities

1.1.2 Merits of Capitalism

- Automatic Working (does not require any central directing authority)
- Higher Efficiency and Incentive to hard work
- Higher Rate of Capital Formation
- Economic Development and Prosperity
- Optimum Utilization of Resources
- Just and Democratic
- Encouragement to Enterprise and Risk taking
- Adaptability

1.1.3 Demerits or Criticism of Capitalism

- Wasteful Competition (cut throat competition does not confer any corresponding social benefit)
- Human Welfare ignored
- Economic Instability and Unemployment
- Property Rights take precedence over Human Rights
- Social Injustice and Economic Inequality

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- Misallocation of Resources
- Emergence of Monopolies and concentration of Economic Power
- Malpractices

1.2 Socialism

Socialism is an economic organization of society in which the material means of production are owned by the whole community and operated by organs representative of, and responsible to, the community according to a general plan, all members of the community being entitled to benefits from the results of such socialized planned production on the basis of equal rights.

In simple words, socialism implies social ownership of means of production, equality of incomes and opportunity for all. It does not mean that all productive resources should be owned by the State; only the major instruments of production should be under the state control so that economy is run for social benefit rather than private profit.

1.2.1 General Features of Socialism

- Social Ownership of Means of Production
- No Private Enterprise
- Economic Equality
- Equality of Opportunity
- Economic Planning
- Social Welfare and Social Security
- Classless Society

1.2.2 Merits of Socialism

- Social Justice
- Better Allocation of Resources
- Rapid Economic Growth
- Improving Productive Efficiency
- Social Security and Welfare
- Economic Stability

1.2.3 Demerits of Socialism

- Bureaucracy and Red Tapism
- Not Successful in Business
- Misallocation of Resources
- Loss of Consumer's Sovereignty
- Lack of Incentives
- Loss of Economic Freedom
- No economic Equality
- Concentration of Power in the State
- Loss of Personal Liberty

1.3 Mixed Economy

A Mixed Economy is neither pure capitalism nor pure socialism but a mixture of the two. It is operated by both private and public enterprise. That is, private enterprise is not permitted to function freely and uncontrolled through price mechanism. On the other hand, the government intervenes to control and regulate private enterprise in several ways. It had been realized that a free functioning of private enterprise results in several types of evils. For instance, it produces trade cycles, i.e. sometimes depression and unemployment and at other times booms and inflationary situation. Besides, free functioning of private enterprise results in extreme inequalities of income and wealth. It is also realized that in countries like India, economic development cannot be achieved at the desired rate of

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growth without any active government help and guidance. Hence the government in such countries actively participates in economic activities in order to minimize the evils of unadulterated capitalism and to accelerate economic growth.

In the Indian economy, both the public and private sector are in operation, though the share of public sector has been progressively declining since 1991, when India began the economic reforms. The foundations of the mixed economy in India were laid by the Industrial Policy Resolution of 1948 which was modified by the Industrial Policy Resolution of 1956. According to these resolutions, the various industries were divided between the two sectors, viz. the private sector and the public sector. The responsibility for the development of several basic, heavy and strategic industries was assigned to the State and the development of the rest of the industries was left to the private sector. Even the private sector was sought to be controlled and influenced by the Government of India by means of direct controls or through appropriate fiscal and monetary policies.

1.3.1 General Features of Mixed Economy

- Co-existence of the Public and Private Sectors
- Role of Price System and Government Directives
- Government Regulation and Control of Private Sector
- Consumer's Sovereignty Protected
- Government Protection of Labour
- Reduction of Economic Inequalities
- Control of Monopoly

2 Economic Development

Though Economic Development has been defined differently from Economic Growth and Economic Progress by some, however, for our purposes here we can consider these terms as denoting the same. Thus we can base our definition of economic development on per capita income. Accordingly we can say that it denotes an increase in per capita income of the country at constant prices. A higher per capita would mean that people are better off and enjoy a higher standard of living and to raise the level of living of the people is the main objective of economic development. Nut the increase in national income must be maintained for a long time. A temporary or short-lived increase will not connote real economic growth. This improvement in income helps and in turn is facilitated by larger savings, increased capital formation and technological development.

2.1 Rostow's Stages of Economic Development

Rostow lays stress on the efficacy of free trade and free market capitalism. He has divided the historical process of economic growth into the following stages:

2.1.1 Traditional Society

- Subsistence economy
- Limited technology

2.1.2 Preconditions to "Take off" - Preparatory Stage

- A change in society's attitude towards science, risk-taking and profit-earning
- The adaptability of the labour force
- Political Sovereignty
- Development of a centralized tax system and financial institutions; and
- The construction of certain economic and social overheads like rail-roads and educational institutions

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2.1.3 The "Take off" Stage

- The economy transforms itself in such a way that economic growth subsequently takes place more or less automatically
- The rate of investment increases in such a way that real output per capita rises and this initial increase carries with it radical changes in the techniques of production and the disposition of income flows which perpetuate the new scale of investment and thereby the rising trend in per capita output
- It implies three things
    - The proportion of investment to national income outstrips the likely population increase
    - The period must be relatively short so that it should show the characteristics of an economic revolution
    - It must culminate in self sustaining and self generating economic growth

2.1.4 Drive to Maturity - Period of Self Sustained Growth

- Rates of saving and investment are of such magnitude that economic development becomes automatic
- Overall capital per head increases as the economy matures
- The structure of the economy changes increasingly
- The initial key industries which sparked the take-off decelerate as diminishing returns set in. But the average rate of growth is maintained by a succession of rapidly growing sectors

2.1.5 Age of Mass Consumption

- Industrial base dominates
- Widespread consumption of high value consumer goods

3 Models used in the Planning Process

3.1 Harrod – Domar Growth Model

Harrod and Domar analyzed the dynamic nature of investment and demand and showed how variations in capital and in demand were responsible for instability in economic growth.

The main determinants of economic growth are: natural resources, technological progress, population growth etc. These determinants of economic growth influence the rate of growth by influencing two important factors:

- The rate of Investment
- Capital-output Ratio

Hence the rate of economic growth in a country depends on the rate of investment and capital-output ratio. Harrod and Domar arrived at the following relation:

Growth Rate = Investment * (1/Capital-Output Ratio)

3.1.1 Relevance of Harrod-Domar Model for Developing Countries

Harrod-Domar model was formulated primarily to protect the developed countries from chronic unemployment and they were not meant to provide guidelines to the developing economies in their economic development. Since they were formulated primarily for the developed countries they were based on high propensity to save and a correct estimate of the capital-ouput ratio, which should remain fixed over time. On the other hand, the main problems of the under-developed countries is to raise their propensity to save because it is generally low in these countries. Nor is it possible to assume a fixed value of the capital-output ratio. This ratio happens to be very

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high in these countries. Thus the two important bases of the Harrod-Domar model are non existent in the case of developing economies.

Further, the nature of unemployment problem in developing countries is different from that in the developed countries. It is cyclical unemployment due to deficiency of demand in the developed economies and disguised in developing economies. In developed economies, unemployment can be removed by raising the level of investment so that aggregate demand increases which was not keeping pace with the growth of productive capacity. In the developing economies, there is unemployment because available productive capacity is inadequate to emply fully the existing labour force. Thus in such countries, the purpose of investment is to raise productive capacity rather than aggregate demand and fully utilize the existing idle capacity.

Thus the peculiar conditions prevailing in the developing countries e.g. disguised unemployment, low propensity to save and low productive capacity makes the Harrod-Domar model inapplicable to them. Also, this model assumes no government intervention, fixed prices and no institutional changes. All these assumptions too make it inappropriate.

However, we should not reject this model wholesale and emphasize their inapplicability to developing economies. With slight modifications and reinterpretation they can be made to furnish suitable guidelines even for the developing economies. In some cases, it is only a question of changing the emphasis. For instance, Domar's model recognizes the capacity creating role of investment. But it is intended to increase effective demand in developed countries, while in developing countries, the capacity creating role of investment is to be seen as a means of overcoming the problem of unemployment. Hence, to make the model applicable to the developing countries, it has to be suitably reinterpreted.

3.2 Lewis Model of Economic Development with Unlimited Labour Supply

Lewis presented a theory of economic development with the use of unlimited supply of labour. The supply of labour in under developed countries is generally such that an unlimited supply is available at the subsistence wage. This unlimited supply of labour is drawn from surplus agricultural labour, casual labour, domestic servants, women in households etc.

Lewis model is not based on disguised unemployment but on other conditions, viz.:

- The wage rate in the industrial sector is above the subsistence sector by a small but fixed margin
- The investment in the industrial sector is not large relative to population growth
- The cost of training of the skilled workers is constant

In his model, Lewis analyses the process of economic development in terms of inter-sectoral relationships in a dual economy composed of a 'Capitalist' (manufacturing, mining etc.) Sector and a 'Subsistence Sector' or the Self-Employment sector. In an overpopulated country the capitalist sector draws labour from the subsistence sector of which there is an almost unlimited supply. The wage in the capitalist sector depends on what labour gets/earns in the subsistence sector and is a bit higher so as to attract labour. Hence at this wage, the capitalist sector can have as much labour as it requires. Subsistence wage, in turn, is governed by the conventional view of the minimum required for subsistence or by the average product per worker in subsistence agriculture.

Lewis points out that the process of economic growth must come to an end when:

- No surplus labour is left
- Population declines
- Food prices rise pushing up wages; and
- Workers press for higher wages

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3.2.1 Relevance of Lewis Model for India

Nehru's approach was based on the Lewis model. The basic idea was that India has an agriculture sector with a huge amount of surplus labour. If the surplus labourers are taken away from the agriculture sector, it will not affect output in that sector. The industrial sector has positive productivity for the labourers. If this sector is promoted, it will generate profit. If this profit is invested in machines and tools, the capital per worker will increase and this in turn, will boost profits. This profit is reinvested again and the process moves on. So, this will increase capital formation at a fast rate. Thus, the basic understanding has been that agriculture is not likely to bring about a turnaround, whereas continuous investment of profit generated by the industrial sector in industries will start a self-sustaining growth process.

3.3 Mahalanobis Strategy of Economic Growth

There has been a lot of controversy in our country on the appropriate strategy to be adopted for planned economic development. There was no clear strategy in the First Five-Year Plan. But when the second plan was being formulated Prof. P.C Mahalanobis prepared a growth model in which he showed that to achieve a self-sustained growth quickly in the country, it would be essential to devote a major part of the development outlay to building basic heavy industry, e.g. of capital goods industry like steel and the engineering industry for making different types of machines, the multipurpose river valley projects for irrigation and power.

According to Prof. Mahalanobis, the rate of real capital formation in a country like India did not depend merely on savings in the form of money but it depends on the capacity for making capital goods. He argued that even if the rate of savings was substantially raised and it was desired to accelerate economic growth and capital formation by investing it in the consumer goods industries, it would be futile. The reason is that the capital goods required for the consumer goods industries are not produced in the country in sufficient quantities.

Thus, Prof. Mahalanobis was of the view that if large investment is not made in the heavy basic and capital goods industry, the country will forever remain dependent on foreign countries for the imports of steel and capital goods like machinery for economic development and real capital formation. Since it is not possible for India to earn sufficient foreign exchange for the purpose by increasing exports, the capital goods cannot be imported in sufficient owing to foreign exchange constraints. The result will be that the rate of economic growth and the rate of real capital formation in the country will be slow indeed. Thus according to him, to achieve rapid economic growth and self-reliance, it would be necessary to give a high priority to basic and capital goods industries in the development strategy of a plan.

3.4 Planning Model adopted in India

The second five year was based on the Nehru-Mahalanobis strategy of development, which guided the planning practice for more than three decades until the end of the Seventh Five Year Plan. The draft outline of this plan was based on the Mahalanobis Model which was viewed as a variant of the Soviet Planning model and the Lewis model. The basic elements of this strategy can be summed up as:

- Raising the rate of investment since the rate of development is dependent on the rate of investment. It involved stepping up domestic and foreign savings also
- Rapid growth of the productive capacity of the economy by directing public investment toward development of industries. Simultaneously, promotion of labour-intensive small and cottage industries
- Import substitution for self-reliance
- An elaborate system of controls and industrial licensing
- Predominance of public sector in capital goods industries

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3.4.1 Relevance of Planning in India:

Though Planning has been one of the basic pillars of the Indian state's approach to development since Independence, however in recent times the relevance of planning is much debated. One argument is that planning has failed to achieve its goals. The second argument is that planning has become irrelevant owing to globalization and liberalization. However, planning based on the Mahalanobis framework was fine during the first three plans. The problems that surfaced later were not due to planning but are the product of lack of appropriate planning and mismanagement by the government. Planning does not become irrelevant due to internationalization of capital. In a liberalized economy, the nature of planning changes corresponding to the changes in the nature of state intervention but it does not become irrelevant. Public investment will continue to have a major role in social sectors and rural economic infrastructure and the prioritization of the investment has to be properly planned. The role of planning in our federal system is to coordinate the activities of all levels in the government – center, states and local level – and that of the market and civil society actors. In this way, it has to evolve a shared commitment to national goals among all actors in the society. Further the inherent exclusionary tendencies of the market can only be limited by the State through proper planning. To make Planning successful, the country has to follow a more decentralized and participatory planning. The poor are to be placed in our economic planning. To remove regional disparities there is need for regional planning, town and country planning. It also needs to made contemporary and comprehensive by including not only the conventional issues but also the emerging areas, like critical environmental issues.

4 Infrastructure Investment Models

4.1 Financing of Infrastructure

The relationship between infrastructure development and economic growth is well established in the literature. While infrastructure development facilitates economic growth; economic growth increases demand for more infrastructure. Thus, development of adequate and quality infrastructure is a necessary, if not sufficient; condition to maintain growth momentum in any economy. However, infrastructure development is an arduous job for any country as it involves huge investments, long gestation periods, procedural delays and returns spread over a long period of time. These unique features of infrastructure development raise some issues which are specific to the financing of infrastructure.

To support the high economic growth, the investment requirements in the infrastructure sector is estimated to be around 41 lakh crore (revised to Rs 45 lakh crore in the Approach paper for the Twelfth Plan) during the Twelfth plan period. Let us look at the broad pattern of financing of infrastructure in our country before highlighting some of the issues involved in it.

- According to the Planning Commission, during the first three years of Eleventh Five Year Plan, funds from the Central Government budget financed around 45 per cent of the total investment in infrastructure.
- The remaining 55 per cent was divided between debt financing (41 per cent) and equity financing (14 per cent).
- It is noteworthy that within the debt financing, commercial banks alone financed around 21 per cent and another 10 per cent was financed by the NBFCs.
- Notably other sources of financing, such as, External Commercial Borrowings (ECBs), equity, FDI and insurance companies financed less than 10 per cent of the total infrastructure investment each.

4.1.1 Issues in Infrastructure Financing

- **Funding Gap** - Funding Gap is the most important issue that we face on this front. The slowdown in the economy has further aggravated this funding gap in the infrastructure sector. More recently, in the context of Eurozone debt crisis, accessing external resources by way of ECBs could also become difficult and this would also accentuate the funding gap.

- **Fiscal Burden -** We have already seen that almost half of the total investment in the infrastructure sector was done by the Government through budget allocations. Here the point to be noted is that Government funds have competing demands, such as, education, health, employment generation, among others.
- **Asset-Liability Mismatch of Commercial Banks -** After the budgetary support, next in line for financing infrastructure were funds from the commercial banking sector. However, it is a well known fact that these are institutions that primarily leverage on short-term liabilities and, as such, their ability to extend long-term loans to the infrastructure sector is limited. This is because, by doing so they get into serious asset-liability mismatches.
- **Takeout financing -** Takeout financing offers a window to the banks to free their balance sheet from exposure to infrastructure loans, lend to new projects and also enable better management of the asset liability position. In other words, takeout financing enables financing longer term projects with medium term funds. However, due to several factors the mechanism has not really emerged as a game-changer. One plausible reason is that the model does not envisage equitable distribution of risks and benefits. One of the oft repeated arguments is that banks assume credit and liquidity risk since the inception of the project but once the project is economically viable, taking out of the loan results in loss of opportunity of earning returns on seasoned loans.
- **Investment Obligations of Insurance and Pension Funds -** From the point of view of asset-liability mismatches, insurance and pension funds are one of the best suited institutions to invest in the infrastructure sector. This is because, in contrast to the commercial banking sector, these institutions leverage on long-term liabilities. However, they are constrained by their obligation to invest a substantial portion of their funds in Government securities. Of course, in a way, this facilitates the financing of gross fiscal deficit of the Central Government and hence enables the Central Government to make more investments. However, this limits the direct investment of these institutions in the infrastructure sector
- **Need for an Efficient and Vibrant Corporate Bond Market -** An active corporate bond market can facilitate long-term funding for the infrastructure sector. However, despite the various initiatives taken by the Reserve Bank, Securities & Exchange Board of India and Government of India, the corporate bond market is still a long way to go in providing adequate financing to the infrastructure sector in India.
- **Developing Municipal Bond Market for Financing Urban Infrastructure** -For large scale financing urban infrastructure which is assuming critical importance in the context of rapid urbanization, conventional fiscal transfers to the urban local bodies or municipals from governments are no longer considered sufficient. There have been some earnest experimentations by these bodies to tap unconventional methods of financing such as public private partnerships, utilizing urban assets more productively, accessing carbon credits, etc. but then these do not address the financing needs. One possible way of addressing the problem is developing a municipal bond market.
- **Insufficiency of User Charges -** It is a well known fact that a large part of the infrastructure sector in India (especially irrigation, water supply, urban sanitation, and state road transport) is not amenable to commercialization for various reasons, such as, regulatory, political and legal constraints in the real sector. Due to this, Government is not in a position to levy sufficient user charges on these services. The insufficiency of user charges on infrastructure projects negatively affect the servicing of the infrastructure loans. Generally, such loans are taken on a non-recourse basis and are highly dependent on cash flows. Hence, levy and collection of appropriate user charges becomes essential for financial viability of the projects.
- **Legal and Procedural Issues -** Infrastructure development involves long gestation periods, and also many legal and procedural issues. The problems related to infrastructure development range from those relating to land acquisition for the infrastructure project to environmental clearances for the project. Many a times there are legal issues involved in it and these increase procedural delays. The added uncertainty due to these factors affects the risk appetite of investors as well as banks to extend funds for the development of infrastructure.

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4.1.2 Measures taken by the Government

- **Public-Private Partnership Projects in Infrastructure -** As Government faces a tight budget constraint in the context of a rule based fiscal policy framework, it was important to encourage the private sector to invest more in the infrastructure sector. Resultantly, the Government started encouraging Public-Private Partnership (PPP) projects in the infrastructure sector. PPP mechanism provides built in credit enhancement for improving project viability by way of buyback guarantee, escrow arrangement, substitution rights for the lenders, etc. Government has taken several initiatives, especially to standardize the documents and process for structuring and award of PPP projects. This has improved transparency in relation to the issues involved in setting up PPP projects.
- **Viability Gap Funding** Viability gap funding was introduced in 2006, which provides Central Government grants up to 20 per cent of the total capital cost to PPP projects undertaken by any central ministry, state government, statutory entity, or local body. The scheme aimed at providing upfront capital grant to PPP projects to enable financing of commercially unviable projects. The level of grant is the net present value of the gap between the project cost and estimated revenue generation over the concession period based on a user fee that was to be levied in a pre-determined manner.
- **Foreign Direct Investment and Infrastructure Development -** To facilitate infrastructure financing 100 per cent FDI is allowed under the automatic route in some of the sectors such as mining, power, civil aviation sector, construction and development projects, industrial parks, petroleum and natural gas sector, telecommunications and special economic zones. Further, FDI is also allowed through the Government approval route in some sectors such as civil aviation sector, Petroleum and Natural Gas sector – refining PSU companies; Telecommunications etc
- **Setting up of India Infrastructure Finance Company Limited (IIFCL) -** Another major development was the setting up of IIFCL by the Central Government for providing long-term loans to the infrastructure projects. IIFCL is involved both in direct lending to project companies and refinancing of banks and other financial institutions. IIFCL can provide funds to the infrastructure project up to 20 per cent of the total project cost as long-term debt
- **Setting up of Infrastructure Debt Funds -** Reserve Bank of India and the Securities and Exchange Board of India (SEBI) notified detailed guidelines for setting up of IDFs which can either be a mutual fund (trusts) (IDF-MF) or an NBFC (companies) (IDF-NBFC). The Scheduled commercial banks are allowed to act as sponsors to IDF-MFs and IDF-NBFCs with prior approval from RBI subject to certain terms and conditions. Further, to attract off-shore funds into IDFs, Government of India is contemplating the reduction of withholding tax on interest payments on the borrowings by the IDFs from 20 per cent to 5 per cent. Income of the IDFs is also expected to be exempt from income tax. The IDF-NBFC can raise resources through issue of either rupee or dollar denominated bonds of minimum five year maturity. IDFs are expected to channelize funds from insurance companies, pension funds and other long term sources into infrastructure sector. This will provide an alternative source of foreign currency funds for the infrastructure projects.
- **Tapping the retail investor base through Infrastructure Bonds -** To provide further impetus to infrastructure financing, Government of India has permitted IFCI, IDFC, LIC and infrastructure finance firms to issue long-term infrastructure bonds providing for tax benefit of up to Rs.20,000 in the year of investment, under the Income Tax Act. The tax-free status has been granted by the government to these bonds issued only by designated financial institutions. By introduction of such instruments, the retail base can be tapped for raising funds for infrastructure projects.
- **Use of Foreign Exchange Reserves for Infrastructure Development -** Although use of reserves for such purposes does not meet the criterion of reserve management objectives, a special and limited window has been created. Accordingly, IIFC (UK) Ltd. was incorporated in London and was set up in April 2008. Under this scheme, RBI invests, in tranches, up to an aggregate amount of USD 5 billion in fully government guaranteed foreign currency denominated bonds issued by this overseas Special Purpose Vehicles (SPV) of the IIFCL. The funds, thus raised, are to be utilized by the company for on-lending to the Indian companies implementing infrastructure projects in India and/or to co-finance the ECBs of such projects for capital expenditure outside India without creating any monetary impact.

- **Introduction of Credit Default Swaps -** Further, the introduction of Credit Default Swaps (CDS) would help banks to manage exposures while increasing credit penetration, and lending to infrastructure and large firms without being constrained by the extant regulatory prescriptions in respect of single borrower gross exposure limits.
- **Liberalisation & Rationalization of ECB policies -** Corporates implementing infrastructure projects were eligible to avail of ECB up to USD 500 million in a financial year under the automatic route. This limit has been raised to USD 750 million. Infrastructure Finance Companies (IFCs) i.e., Non Banking Financial Companies (NBFCs) categorized as IFCs by the Reserve Bank, are permitted to avail of ECBs, including the outstanding ECBs, up to 50 per cent of their owned funds, for on-lending to the infrastructure sector as defined under the ECB policy, subject to their complying with certain conditions

4.1.3 What more needs to be done?

- **Making the Infrastructure Project Commercially Viable -** This is the first and foremost thing we should do for financing infrastructure in a sustainable manner. As mentioned earlier infrastructure projects involve huge financing requirements, most of which are met by banks and other financial institutions directly and indirectly. Thus, it is very important to make the project commercially viable to ensure regular servicing of the loan. This will lead to sustainable development of infrastructure without jeopardizing the soundness of the financial sector. Project appraisal and follow-up capabilities of many banks, particularly public sector banks, also need focused attention and upgradation so that project viability can be properly evaluated and risk mitigants provided where needed.
- **Greater Participation of State Governments -** In a federal country like India, participation and support of the State governments is essential for developing high quality infrastructure. The State governments' support in maintenance of law and order, land acquisition, rehabilitation and settlement of displaced persons, shifting of utilities, and obtaining environmental clearances are necessary for the projects undertaken by the Central Government or the private sector. It is satisfying to know that many State governments have also initiated several PPP projects for improving infrastructure.
- **Improving efficiency of the Corporate Bond Market -** Vibrant corporate bond market will reduce the dependence on the banking sector for funds. Further, coordinated regulatory initiatives could be considered in the areas involving standardization of stamp duties on corporate bonds across the states, encouraging public issuance and bringing in institutional investors in a big way. It is also important to broad base the investor base by bringing in new classes of institutional investors (like insurance companies, pension funds, provident funds, etc.) apart from banks into this market.
- **Credit Enhancement -** One of the major obstacles in attracting foreign debt capital for infrastructure is the sovereign credit rating ceiling. Domestic investors are also inhibited due to high level of credit risk perception, particularly in the absence of sound bankruptcy framework. A credit enhancement mechanism can possibly bridge the rating cap between the investment norms, risk perceptions and actual ratings
- **Simplification of Procedures – Enabling Single Window Clearance -** It is well recognized that while funding is the major problem for infrastructure financing, there are other issues which aggravate the problems of raising funds. These include legal disputes regarding land acquisition, delay in getting other clearances (leading to time and cost overruns) and linkages (e.g. coal, power, water, etc.) among others. It is felt that in respect of mega-projects, beyond certain cut-off point, single window clearance approach could cut down the implementation period.

4.2 Public-private Partnership in Infrastructure

The partners in a PPP, usually through a legally binding contract or some other mechanism, agree to share responsibilities related to implementation and/or operation and management of an infrastructure project. This collaboration or partnership is built on the expertise of each partner that meets clearly defined public needs through the appropriate allocation of:

- Resources
- Risks
- Responsibilities, and
- Rewards

4.2.1 What advantages PPPs may provide?

Governments worldwide have increasingly turned to the private sector to provide infrastructure services in energy and power, communication, transport and water sectors that were once delivered by the public sector. There are several reasons for the growing collaboration with the private sector in developing and providing infrastructure services, which include:

- Increased efficiency in project delivery, and operation and management;
- Availability of additional resources to meet the growing needs of investment in the sector; and
- Access to advanced technology (both hardware and software).

4.2.2 How a PPP project is different from a conventional project?

There are significant differences between a conventional construction procurement project and a PPP project that need to be clearly understood. The main differences include:

- PPP projects are different from conventional construction projects in terms of project development, implementation, and management. The administrative and approval processes in the case of PPP projects are also different.
- A PPP project is viable essentially when a robust business model can be developed.
- The focus of a PPP project should not be on delivering a particular class/type of assets but on delivering specified services at defined quantity and levels.
- The risk allocation between the partners is at the heart of any PPP contract design and is more complex than that of a conventional construction project. Both partners should clearly understand the various risks involved and agree to an allocation of risks between them.
- A PPP contract generally has a much longer tenure than a construction contract. Managing the relationship between the private company and the implementing agency over the contract tenure is vital for the success of a PPP project.

4.2.3 Are there any limitations of PPPs?

There are many important economic, social, political, legal, and administrative aspects, which need to be carefully assessed before approvals of PPPs are considered by the government. PPPs have various limitations which should also be taken into account while they are being considered. The major limitations include:

- Not all projects are feasible (for various reasons: political, legal, commercial viability, etc.).
- The private sector may not take interest in a project due to perceived high risks or may lack technical, financial or managerial capacity to implement the project.
- A PPP project may be more costly unless additional costs (due to higher transaction and financing costs) can be off-set through efficiency gains.
- Change in operation and management control of an infrastructure asset
- through a PPP may not be sufficient to improve its economic performance unless other necessary conditions are met. These conditions may include appropriate sector and market reform, and change in operational and management practices of infrastructure operation.
- Often, the success of PPPs depends on regulatory efficiency.

4.2.4 Models of PPP

A wide spectrum of PPP models has emerged. These models vary mainly by:

- Ownership of capital assets;

- Responsibility for investment;
- Assumption of risks; and
- Duration of contract.

The PPP models can be classified into five broad categories in order of generally (but not always) increased involvement and assumption of risks by the private sector. The five broad categories are:

- Supply and management contracts
- Turnkey contracts
- Affermage/Lease
- Concessions
- Private Finance Initiative (PFI) and Private ownership.

A categorization of the PPP models together with their main characteristics is shown in table 1. While the spectrum of models shown in the table are possible as individual options, combinations are also possible such as, a lease or (partial) privatization contract for existing facilities which incorporates provisions for expansion through Build-Operate- Transfer.

Figure 1. Basic features of PPP models

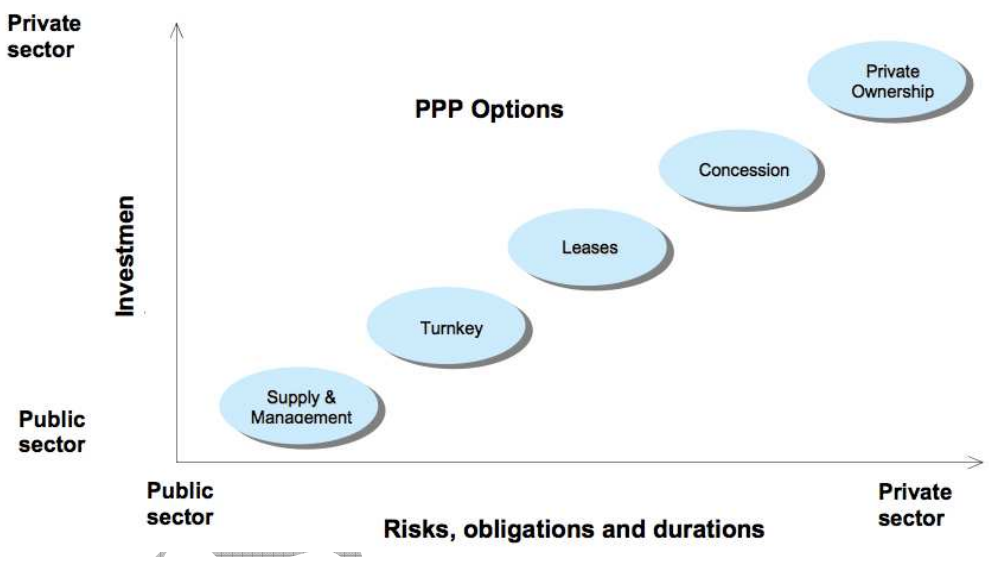

Table 1. Classification of PPP models

Broad category	Main variants	Ownership of capital assets	Responsibility of investment	Assumption of risk	Duration of contract (years)
Supply and management contract	Outsourcing	Public	Public	Public	1-3
	Maintenance management	Public	Public/Private	Private/Public	3-5
	Operational management	Public	Public	Public	3-5
Turnkey		Public	Public	Private/Public	1-3
Affermage/Lease	Affermage	Public	Public	Private/Public	5-20
	Lease*	Public	Public	Private/Public	5-20
Concessions	Franchise	Public/Private	Private/Public	Private/Public	3-10
	BOT**	Public/Public	Private/Public	Private/Public	15-30
Private ownership of assets and PFI type	BOO/DBFO	Private	Private	Private	Indefinite
	PFI***	Private/Public	Private	Private/Public	10-20
	Divestiture	Private	Private	Private	Indefinite

*Build-Lease-Transfer (BLT) is a variant.

**Build-Operate-Transfer (BOT) has many other variants such as Build-Transfer-Operate (BTO), Build-Own-Operate-Transfer (BOOT) and Build-Rehabilitate-Operate-Transfer (BROT).
***The Private Finance Initiative (PFI) model has many other names. In some cases, asset ownership may be transferred to, or retained by the public sector.

The main features of each of the broad categories of the PPP models are discussed next.

4.2.4.1 Supply and Management Contracts

A management contract is a contractual arrangement for the management of a part or whole of a public enterprise (for example, a specialized port terminal for container handling at a port or a utility) by the private sector. Management contracts allow private sector skills to be brought into service design and delivery, operational control, labour management and equipment procurement. However, the public sector retains the ownership of facility and equipment. The private sector is assigned specified responsibilities concerning a service and is generally not asked to assume commercial risk.

The private contractor is paid a fee to manage and operate services. Normally, the payment of such fees is performance-based. Usually, the contract period is short, typically three to five years. But the period may be longer for large and complex operational facilities such as a port or an airport.

Pros:

- Can be implemented in a short time.
- Least complex of all PPP models.
- In some countries, politically and socially more acceptable for certain projects (such as water projects and strategic projects like ports and airports).

Cons:

- Efficiency gains may be limited and little incentive for the private sector to invest.
- Almost all risks are borne by the public sector.
- Applicable mainly to existing infrastructure assets.

4.2.4.2 Turnkey

Turnkey is a traditional public sector procurement model for infrastructure facilities. Generally, a private contractor is selected through a bidding process. The private contractor designs and builds a facility for a fixed fee, rate or total cost, which is one of the key criteria in selecting the winning bid. The contractor assumes risks involved in the design and construction phases. The scale of investment by the private sector is generally low and for a short-term. Typically, in this type of arrangement, there is no strong incentive for early completion of the project. This type of private sector participation is also known as Design-Build.

Pros:

- Well understood traditional model.
- Contract agreement is not complex.
- Generally, contract enforcement is not a major issue.

Cons:

- The private sector has no strong incentive for early completion.
- All risks except those in the construction and installation phases are borne by the public sector.
- Low private investment for a limited period.
- Only limited innovation may be possible.

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4.2.4.3 Affermage/Lease

In this category of arrangement, the operator (the leaseholder) is responsible for operating and maintaining the infrastructure facility (that already exists) and services, but generally the operator is not required to make any large investment. However, often this model is applied in combination with other models such as build- rehabilitate-operate-transfer. In such a case, the contract period is generally much longer and the private sector is required to make significant investment.

The arrangements in an affermage and a lease are very similar. The difference between them is technical. Under a lease, the operator retains revenue collected from customers/users of the facility and makes a specified lease fee payment to the contracting authority. Under an affermage, the operator and the contracting authority share revenue from customers/users.

In the affermage/lease types of arrangements, the operator takes lease of both infrastructure and equipment from the government for an agreed period of time. Generally, the government undertakes the responsibility for investment and thus bears investment risks. The operational risks are transferred to the operator. However, as part of the lease, some assets also may be transferred on a permanent basis for a period which extends over the economic life of assets. Fixed facilities and land are leased out for a longer period than for mobile assets. Land to be developed by the leaseholder is usually transferred for a period of 15-30 years.

Pros:

- Can be implemented in a short time.
- Significant private investment possible under longer term agreements.
- In some countries, legally and politically more acceptable for strategic projects like ports and airports.

Cons:

- Has little incentive for the private sector to invest, particularly if the lease period is short.
- Almost all risks are borne by the public sector.
- Generally used for existing infrastructure assets.
- Considerable regulatory oversight may be required.

4.2.4.4 Concessions

In this form of PPP, the government defines and grants specific rights to an entity (usually a private company) to build and operate a facility for a fixed period of time. The government may retain the ultimate ownership of the facility and/or right to supply the services. In concessions, payments can take place both ways: concessionaire pays to government for the concession rights and the government may pay the concessionaire, which it provides under the agreement to meet certain specific conditions. Usually, such payments by the government may be necessary to make projects commercially viable and/or reduce the level of commercial risk taken by the private sector, particularly in a developing or untested PPP market. Typical concession periods range between 5 to 50 years.

Pros:

- Private sector bears a significant share of the risks.
- High level of private investment.
- Potential for efficiency gains in all phases of project development and implementation and technological innovation is high.

Cons:

- Highly complex to implement and administer.
- Difficult to implement in an untested PPP market.
- May have underlying fiscal costs to the government.
- Negotiation between parties and finally making a project deal may require long time.
- May require close regulatory oversight.
- Contingent liabilities on government in the medium and long term

In a Build-Operate-Transfer or BOT type of concession (and its other variants namely, Build-Transfer-Operate (BTO), Build-Rehabilitate-Operate-Transfer (BROT), Build-Lease-Transfer (BLT) type of arrangement), the concessionaire makes investments and operates the facility for a fixed period of time after which the ownership reverts back to the public sector. In a BOT model, operational and investment risks can be substantially transferred to the concessionaire. In a BOT model, the government has, however, explicit and implicit contingent liabilities that may arise due to loan guarantees and sub-ordinate loans provided, and default of a sub-sovereign government and public or private entity on non- guaranteed loans.

By retaining ultimate ownership, the government controls the policy and can allocate risks to parties that are best suited to assume or remove them. BOT projects may also require direct government support to make them commercially viable. The concessionaire's revenue in a BOT project comes from managing and marketing of the user facilities (for example, toll revenue in a toll road project) and renting of commercial space where possible. Concessions for BOT projects can be structured on either maximum revenue share for a fixed concession period or minimum concession period for a fixed revenue share, a combination of both, or only minimum concession period.

4.2.4.5 Private Finance Initiative (PFI)

- In the private finance initiative model, the private sector remains responsible for the design, construction and operation of an infrastructure facility. In some cases, the public sector may relinquish the right of ownership of assets to the private sector.
- In this model, the public sector purchases infrastructure services from the private sector through a long-term agreement. PFI projects, therefore, bear direct financial obligations to the government in any event. In addition, explicit and implicit contingent liabilities may also arise due to loan guarantees provided to the lenders and default of a public or private entity on non-guaranteed loans. A PFI project can be structured on minimum payment by the government over a fixed contract tenure, or minimum contract tenure for a fixed annual payment, or a combination of both payment and tenure.

- In the PFI model, asset ownership at the end of the contract period is generally transferred to the public sector. Setting up of a Special Purpose Vehicle (SPV) may not be always necessary. A PFI contract may be awarded to an existing company. For the purpose of financing, the lenders may, however, require the establishment of an SPV. The PFI model also has many variants.
- In a PFI project, as the same entity builds and operates the services, and is paid for the successful supply of services at a pre-defined standard, the SPV / private company has no incentive to reduce the quality or quantity of services. This form of contractual agreement reduces the risks of cost overruns during the design and construction phases or of choosing an inefficient technology, since the operator's future earnings depend on controlling the costs. The public sector's main advantages lie in the relief from bearing the costs of design and construction, the transfer of certain risks to the private sector and the promise of better project design, construction and operation.

Pros:

- Private sector may bear a significant share of the risks.
- High level of private investment.
- Potential for efficiency gains and innovation is high.
- Attractive to private investors in an untested or developing PPP market.
- Most suitable for social sector infrastructure projects (schools, dormitories, hospitals, community facilities, etc.).

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Cons:

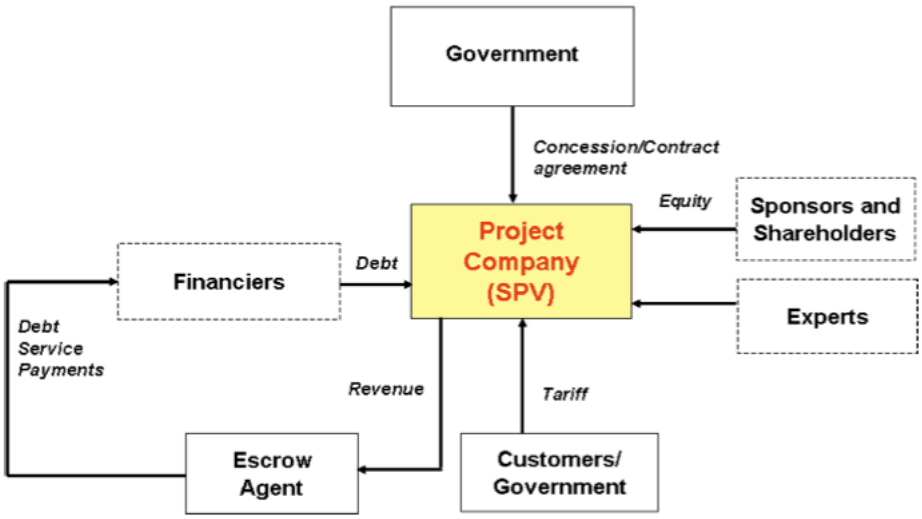
- Complex to implement and manage the contractual regimes.
- Government has direct financial liability.
- Negotiation between parties may require long time.
- Regulatory efficiency is very important.
- Contingent liabilities on the government in the medium and long term.

4.2.5 Understanding the basic structure of a PPP arrangement

A typical PPP structure can be quite complex involving contractual arrangements between a number of parties, including the government, project sponsor, project operator, financiers, suppliers, contractors, engineers, third parties (such as an escrow agent5), and customers. The creation of a separate commercial venture called a Special Purpose/Project Vehicle (SPV) is a key feature of most PPPs. The SPV is a legal entity that undertakes a project and negotiates contract agreements with other parties including the government. An SPV is also the preferred mode of PPP project implementation in limited or non-recourse situations, where the lenders rely on the project's cash flow and security over its assets as the only means to repay debts

- Figure 2 shows a simplified PPP structure. The actual structure of a PPP, however, depends on the type of partnership model and can be quite complex involving contractual arrangements between a number of parties including the government, project sponsor, project operator, financiers, suppliers, contractors, engineers, third parties (for example, an escrow agent), and customers
- An SPV is usually set up by the private concessionaire/sponsor(s), who in exchange for shares representing ownership in the SPV contribute the long-term equity capital, and agree to lead the project. The SPV may not always be directly owned by the sponsors. They may use a holding company for this purpose.
- An important characteristic of an SPV as a company is that it cannot undertake any business that is not part of the project. An SPV as a separate legal entity protects the interests of both the lenders and the investors. The formation of an SPV has also many other advantages. A project may be too large and complicated to be undertaken by one single investor considering its investment size, management and operational skills required and risks involved. In such a case, the SPV mechanism allows joining hands with other investors who could invest, bring in technical and management capacity and share risks, as necessary

Figure 2. Typical structure of a PPP project[7]



- The government may also contribute to the long-term equity capital of the SPV in exchange of shares. In such a case, the SPV is established as a joint venture company between the public and private sectors and the government acquires equal rights and equivalent interests to the assets within the SPV as other private sector shareholders.

- Sometimes, governments want to ensure a continued interest (with or without controlling authority) in the management and operations of infrastructure assets such as a port or an airport particularly those which have strategic importance, or in assets that require significant financial contribution from the government. In such a case, a joint venture may be established. A joint venture is an operating company owned by a government entity and a private company (or multiple companies including foreign companies if permitted by law), or a consortium of private companies.
- Often, an SPV is formed as a joint venture between an experienced construction company and a service operations company capable of operating and maintaining the project.
- Other than its strategic, financial and economic interest, the government may also like to directly participate in a PPP project. The main reasons for such direct involvement may include:
    - To hold interest in strategic assets;
    - To address political sensitivity and fulfil social obligations;
    - To ensure commercial viability of the project;
    - To provide greater confidence to lenders; and
    - To have better insight to protect public interest.

Direct government involvement in a PPP project is usually guided by the legal and regulatory regime of the country and the government policy on PPPs. For example, the government may hold certain defined percentage of the stake in a strategic project such as an airport or a port.

4.2.6 PPP Initiatives in india

The Government of India is promoting PPPs as an effective tool for bringing private-sector efficiencies in creation of economic and social infrastructure assets and for delivery of quality public services. India in recent years has emerged as one of the leading PPP markets in the world, because of several policy and institutional initiatives taken by the central government. By end December 2012 there were over 900 PPP projects in the infrastructure sector. These projects are at different stages of implementation, i.e. bidding, construction, and operational.

4.2.6.1 Approval of Central-sector PPP projects

Since its constitution in January 2006, the Public Private Partnership Appraisal Committee (PPPAC) has approved 307 central project proposals. These include NHs (242 proposals), ports (29 proposals), airports (2 proposals), tourism infrastructure (1proposal), railways (1 proposal), housing (27 proposals), and sports stadia (5 proposals).

4.2.6.2 VGF for PPP Projects

Under the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme), 145 projects have been granted approval. Thirteen new sub-sectors have been included in the list of sectors eligible for VGF support under the Scheme. These include:

- Capital investment in the creation of modern storage capacity including cold chains and post-harvest storage.
- Education, health, and skill development.
- Internal infrastructure in National Investment and Manufacturing Zones.
- Oil/gas/liquefied natural gas (LNG) storage facility [includes City Gas distribution (CGD) network]; oil and gas pipelines (includes CGD network); irrigation (dams, channels, embankments, etc); telecommunication (fixed network) (includes optic fibre/ wire/cable networks which provide broadband /internet); telecommunication towers; terminal markets; common infrastructure in agriculture markets; and soil-testing laboratories.

4.2.6.3 Support for Project Development of PPP Projects

The India Infrastructure Project Development Fund (IIPDF) was launched in December 2007 to facilitate quality project development for PPP projects and ensure transparency in procurement consultants and projects.

4.2.6.4 Capacity Building and Strengthening of State and Central Institutions

The National PPP Capacity Building Programme was launched by the Finance Minister in December 2010, and was rolled out last year in 15 States and two central training institutes, viz. the Indian Maritime University and Lal Bahadur Shastri National Academy of Administration. A comprehensive curriculum has been prepared and 11 training programmes conducted to train 154 trainers, who have trained over 1975 public functionaries, who deal with PPPs in their domain.

Online toolkits for PPP projects for five sectors were developed and were launched by the Finance Minister. These are available on this Department's website on PPPs, i.e. www.pppinindia.com. The PPP toolkit is a web-based resource that has been designed to help improve decision-making for infrastructure PPPs in India and to improve the quality of the infrastructure PPPs that are implemented in India. In the past one year, 720 national and international users have availed of this one-of-a-kind web-based resource to structure better PPP projects.

4.2.6.5 Monitoring of PPP Projects

With an increasing reliance being placed on PPP projects across many wings of the government, it has become necessary to adopt a well-defined institutional structure for overseeing contract performance effectively. The Institutional Framework requires project authorities to create a two-tier mechanism for monitoring the performance of PPP projects:

- A PPP Projects Monitoring Unit (PMU) at the project authority level
- A PPP Performance Review Unit (PRU) at the Ministry or State Government level, as the case may be.

The PMU is to prepare a report to be submitted to PRU within 15 days of the close of the relevant month. The report is to cover compliance of conditions, adherence to time lines, assessment of performance, remedial measures, imposition of penalties, etc. The PRU is to review the reports submitted by the different PMUs and oversee or initiate action for rectifying any defaults or lapses.

4.2.6.6 PPP Rules and PPP Policy:

Following the recommendations of the Committee on Public Procurement, the Prime Minister's announcement regarding transparency and accountability in procurement, and preparation of the Public Procurement Bill, and to ensure that PPP projects are procured and implemented by following laid down processes and observing principles of transparency, competitive bid process, affordability, and value for money, the draft PPP Rules and PPP Policy have been prepared. These have undergone extensive consultation process at central and state government levels for finalization.

Global experience indicates that PPPs work well when they combine the efficiency and risk assessment of the private sector with the public purpose of the government sector. They work poorly when they rely on the efficiency and risk assessment of the government sector and the public purpose of the private sector. India should be careful not to undertake PPPs that do not apportion risks and responsibilities sensibly. Moreover flexibility needs to be built into arrangements so that the contract can be withdrawn and put up for rebid when the private party underperforms. The government needs to study the PPP experience and build some central capacity to help ministries, authorities, and states structure contracts and renegotiate troubled ones.

5 Models of Foreign Investment

5.1 Why the need for foreign investment?

- In most developing countries like ours, domestic capital is inadequate to meet the purpose of economic growth.
- The inflow of foreign capital helps in removing the balance of payment over time.
- By taxing the profits of foreign enterprise, the developing countries mobilize funds for development projects.

- Foreign capital contributes to the generation of employment.
- Foreign investment fills the gaps in management, entrepreneurship, technology and skill.

5.2 Forms of Foreign Investment

- It includes foreign direct investment (FDI) and foreign portfolio investment (FPI)
- Foreign direct investment is the investment in physical assets by foreign individuals, companies or financial institutions.
- Foreign portfolio investment in the investment made in financial assets. It includes investments made by foreign institutional investors.

5.3 Foreign Direct Investment

- Investment in the businesses by foreign citizens usually involving majority stock ownership of the enterprise
- Joint ventures between the foreign and domestic companies

5.3.1 Forms of FDI

There are two types of FDI

- **Greenfield Investment:** It is the direct investment in new facilities or the expansion of existing facilities. It is the principal mode of investing in developing countries.
- **Mergers and Acquisition:** It occurs when a transfer of existing assets from local firms takes place.

5.3.2 Why FDI preferred?

- It is of non-debt creating nature.
- It is also less prone to quick reversals. South-east Asian crisis emanated due to the reversals of short-term capital inflows.

5.3.3 Forbidden Territories

FDI is not permitted in the following industrial sectors:

- Arms and ammunition
- Atomic Energy
- Railway Transport
- Coal and lignite
- Mining of iron, manganese, chrome, gypsum, sulphur, gold, diamonds, copper, zinc
- Retail trading, except single brand product retailing
- Gambling & Betting
- Lottery

5.3.4 Foreign Investment Promotion Board

- It offers a single window clearance for foreign direct investment proposals in India that are not allowed access through the automatic route.
- It comprises Secretaries from Department of Commerce, Department of Industrial Policy & Promotion and Ministry of External Affairs as members, with Secretary in Department of Economic Affairs in the Ministry of Finance as the chairperson.

- To expedite flow of foreign investment into the country, the Union government has allowed the FIPB to clear proposals from overseas entities worth up to Rs. 1,200 crore. Earlier the limit was Rs. 600 crore.

5.3.5 Invest India to promote FDI

Invest India has been constituted to promote FDI. The company with Rs. 10,000 million will have 49 percent share from government and 51 percent from FICCI. The principles of the company are to promote FDI in the country, to provide processing facilities to foreign investors and act as coordinator among various ministries and also to provide feedback to the government on industrial policy.

5.4 Foreign Institutional Investors

- Foreign Institutional Investors (FII s) means an entity established or incorporated outside India which proposes to make investment in India. Positive tidings about the Indian economy combined with a fast-growing market have made India an attractive destination for FIIs.
- FII inflows are called 'hot money' because they can be taken out any time.

5.4.1 Entry Options

A foreign company planning to set up business operations in India has the two following options.

5.4.1.1 Incorporated Entity

- By incorporating a company under the Companies Act,1956 through Joint Ventures; or Wholly Owned Subsidiaries
- Foreign equity in such Indian companies can be up to 100% depending on the requirements of the investor, subject to equity caps in respect of the area of activities under the Foreign Direct Investment policy.

5.4.1.2 Unincorporated Entity

- As a foreign Company through liaison office/representative office, project office and branch office.
- Such offices can undertake activities permitted under the Foreign Exchange Management Regulations, 2000.

5.5 Recent Initiatives to promote Foreign Investment

5.5.1 Expansion of Qualified Foreign Investors (QFIs) Scheme:

- In Budget 2011-12, the government, for the first time, permitted Qualified Foreign Investors (QFIs), who meet the know-your-customer (KYC) norms, to invest directly in Indian MFs.
- In January 2012, the government expanded this scheme to allow QFIs to directly invest in Indian equity markets.
- Taking the scheme forward, as announced in Budget 2012-13, QFIs have also been permitted to invest in corporate debt securities and MF debt schemes subject to a total overall ceiling of US$ 1 billion.
- In May 2012, QFIs were allowed to open individual non interest-bearing rupee bank accounts with authorized dealer banks in India for receiving funds and making payment for transactions in securities they are eligible to invest in.

- In June 2012, the definition of QFI was expanded to include residents of the member countries of the Gulf Cooperation Council (GCC) and European Commission (EC) as the GCC and EC are the members of the Financial Action Task Force (FATF).

5.5.2 Initiatives to attract FII Investment

- As regards FII investment in debt securities, there has been progressive enhancement in the quantitative limits for investments in various debt categories.
- The FII limit for investment in G-Secs (government securities) has been enhanced by US $ 5 billion, raising the cap to US $ 20 billion.
- The scheme for FII investment in long-term infra bonds has been made attractive by gradual reduction in lock-in and residual maturity periods criteria.
- In November 2012, the limits for FII investment in GSecs and corporate bonds (non-infra category) have been further enhanced by 5 billion each, taking the total limit prescribed for FII investment to US$ 25 billion in G-Secs and US$51 billion for corporate bonds (infra+non-infra).
- FII debt allocation process has also been reviewed for bringing greater certainty among foreign investors and helping them periodically re-balance their portfolios in sync with international portfolio management practices.

5.5.3 Liberalization in External Commercial Borrowings Policy during 2012-13

The important steps taken in the arena of external commercial borrowings (ECB) policy liberalization include:

- Enhancing the limit for refinancing rupee loans through ECB from 25 per cent to 40 per cent for Indian companies in the power sector
- Allowing ECB for capital expenditure on the maintenance and operation of toll systems for roads and highways so long as they are a part of the original project subject to certain conditions, and also for low cost housing projects.
- Reducing the withholding tax from 20 per cent to 5 per cent for a period of three years (July 2012- June 2015) on interest payments on ECBs.
- Introducing a new ECB scheme of US $10 billion for companies in the manufacturing and infrastructure sectors.
- Permitting the Small Industries Development Bank (SIDBI) as an eligible borrower for accessing ECB for on-lending to the micro, small, and medium enterprises (MSME) sector subject to certain conditions.
- Permitting the National Housing Bank (NHB)/ Housing Finance Companies to avail themselves of ECBs for financing prospective owners of low cost / affordable housing units.

5.5.4 Impact:

- Improved capital flows in recent months, particularly FII flows
- The resulting increase in capital flows has more than balanced the widening current account deficit in recent months.
- Volatility remains high because of high share of FII flows in total capital flows and the week-to-week variation in such flows
- The share of ECB's has increased substantially for a long time now. However the increase in ECB's in the recent period caused some concern given the depreciation of rupee as it would mean a higher debt service burden in rupee terms that could impact profitability and balance sheets of corporate borrowers.

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G.S. PAPER III – ECONOMIC DEVELOPMENT

GOVERNMENT BUDGETING

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1 Evolution of Budgeting

Budgeting is the process of estimating the availability of resources and then allocating them to various activities of an organization according to a pre-determined priority. In most cases, approval of a budget also means the approval to various spending units to utilize the allocated resources.

1.1 The Line Item Budget

- In the early nineteenth century, government budgeting in most countries was characterized by weak accounting procedures, adhocism, little central control and poor monitoring and evaluation.
- In the late nineteenth century, line-item budgeting was introduced in some countries. Indeed line item budgeting which is the most common form of budgeting in a large number of countries and suffers from several drawbacks was a major reform initiative then. The line item budget is defined as *"the budget in which the individual financial statement items are grouped by cost centers or departments .It shows the comparison between the financial data for the past accounting or budgeting periods and estimated figures for the current or a future period"*
- In a line-item system, expenditures for the budgeted period are listed according to objects of expenditure, or "line-items." These line items include detailed ceilings on the amount a unit would spend on salaries, travelling allowances, office expenses, etc. The focus is on ensuring that the agencies or units do not exceed the ceilings prescribed. A central authority or the Ministry of Finance keeps a watch on the spending of various units to ensure that the ceilings are not violated.
- The line item budget approach is easy to understand and implement. It also facilitates centralized control and fixing of authority and responsibility of the spending units. Its major disadvantage is that it does not provide enough information to the top levels about the activities and achievements of individual units.
- The weaknesses of the line item budgeting were sought to be remedied by introducing certain reforms. Performance budgeting was the first such reform.

1.2 Performance Budgeting

Unlike the traditional line item budget, a performance budget reflects the goal/objectives of the organization and spells out performance targets. These targets are sought to be achieved through a strategy(s). Unit costs are associated with the strategy and allocations are accordingly made for achievement of the objectives. A Performance Budget gives an indication of how the funds spent are expected to give outputs and ultimately the outcomes. However, performance budgeting has a limitation - it is not easy to arrive at standard unit costs especially in social programmes which require a multi-pronged approach.

1.3 Zero-based Budgeting

The concept of zero-based budgeting was introduced in the 1970s. As the name suggests, every budgeting cycle starts from scratch. Unlike the earlier systems where only incremental changes were made in the allocation, under zero-based budgeting every activity is evaluated each time a budget is made and only if it is established that the activity is necessary, are funds allocated to it. The basic purpose of ZBB is phasing out of programmes/activities which do not have relevance anymore. However, because of the efforts involved in

preparing a zero-based budget and institutional resistance related to personnel issues, no government ever implemented a full zero-based budget, but in modified forms the basic principles of ZBB are often used.

1.4 Programme Budgeting and Performance Budgeting

- Programme budgeting in the shape of planning, programming and budgeting system (PPBS) was introduced in the US Federal Government in the mid-1960s. Its core themes had much in common with earlier strands of performance budgeting.
- Programme budgeting aimed at a system in which expenditure would be planned and controlled by the objective. The basic building block of the system was classification of expenditure into programmes, which meant objective-oriented classification so that programmes with common objectives are considered together.
- PPBS went much beyond the core elements of programme budgeting and was much more than the budgeting system. It aimed at an integrated expenditure management system, in which systematic policy and expenditure planning would be developed and closely integrated with the budget. Thus, it was too ambitious in scope. Neither was adequate preparation time given nor was a stage-by-stage approach adopted. Therefore, this attempt to introduce PPBS in the federal government in USA did not succeed, although the concept of performance budgeting and programme budgeting endured.

- Many governments today use the "programme budgeting" label for their performance budgeting system. As pointed out by Marc Robertson, the contemporary influence of the basic programme budgeting idea is much wider than the continuing use of the label. It is defined in terms of its core elements as mentioned above. Programme budgeting is an element of many contemporary budgeting systems which aim at linking funding and results.

  "The extent of ongoing influence of programme budgeting is partly obscured by a wide variety of terminology used today to refer to programme such as "outcomes" or output groups (Australia) and 'Requests for Resource' (UK)"

- Programme budgeting by itself may not bring the outcome orientation. It is also difficult to make performance targets as part of the budget formulation process unless managers at various levels get involved in the budgeting process, involving prioritization of activities and resource allocation on that basis.

2 The Union of India's Budget

The annual statement of the outlays and tax revenues of the government of India together with the laws and regulations that approve and support those outlays and tax revenues make up the union budget. The union budget has two purposes:

1. To finance the activities of the union government
2. To achieve macroeconomic objectives.

The use of the union budget to achieve macroeconomic objectives such as employment, sustained economic growth, and price level stability is called fiscal policy.

2.1 The Institutions and Laws

The Government is not free to tax, borrow and spend money the way it likes. Since there is a limit to the resources the State can mobilize, the need for proper budgeting arises. Every item of expenditure has to be well thought out and the total outlay worked out for a specific period. Also, there must be the sanction of the people behind all these financial proposals, expressed clearly through their chosen representatives.

It is in this context that the Budget of the Government of India is presented before both the Houses of Parliament every year. The Budget contains the **financial statements** of the government embodying the **estimated receipts and expenditure** for one financial year, which at present commences on the 1st of April every year. In other words, it is a proposal of how much money is to be spent on what and how much of it will be contributed by whom or raised from where during the coming year. The Budget gives estimates for the ensuing year and offers an opportunity to the government to review and explain its financial and economic policy and programmes besides enabling the Parliament to discuss and criticize it.

The essential features of the financial procedure followed in India are laid down in the Constitution which ensures the supremacy of the Lok Sabha in financial matters. Constitution provides that no tax shall be levied or collected except by authority of Parliament and that the President shall, in respect of every financial year, cause to be laid before both Houses, the **Annual Financial Statement**.

- **Annual Financial Statement (AFS)**
  - provided under Article 112
  - shows estimated receipts and expenditure of the Government of India for the following year, estimates as well as revised estimates for the current year as also expenditure for the previous year
  - The receipts and disbursements are shown under the three parts, in which Government Accounts are kept viz. (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.
  - Under the Constitution, Annual Financial Statement distinguishes expenditure on revenue account from other expenditure. Government Budget, therefore, comprises Revenue Budget and Capital Budget. The estimates of receipts and expenditure included in the Annual Financial Statement are for the expenditure net of refunds and recoveries, as will be reflected in the accounts.

The Constitution provides for a **Consolidated Fund of India** to which all revenues received by way of loans, advances etc. are credited. The expenditures are embodied in the Budget as:

- The sums required to meet the items of expenditure described by the Constitution as those charged on the Consolidated Fund of India
- The sums required to meet other expenditures proposed to be made from the Consolidated Fund of India.

Expenditures contained in the first category can be discussed in both the Houses but are not submitted to vote of either House. In other words, they constitute the non-votable part of the Budget. The expenditures charged on the Consolidated Fund of India include:

- The emoluments and allowances of the President
- The salaries and allowances of the Chairman, Deputy Chairman of the Rajya Sabha and the Speaker and the Deputy Speaker of the Lok Sabha
- The salary and other allowances payable to the judges of the Supreme Court
- Any other expenditure declared by the Constitution or by Parliament by law to be so charged

The expenditure falling in the second category are presented in the form of Demands for Grants to the Lok Sabha and are voted by this House. The Lok Sabha has the right to assent or to refuse any such demand or reduce the demand specified therein. No such demand shall be made except on the recommendation of the President. Since these demands are meant to fulfill the programmes and policies of the government, if any demand as a whole is voted down, it tantamounts to a defeat of the government.

The significance of the Consolidated Fund, the Contingency Fund and the Public Account as well as the distinguishing features of Revenue and Capital Budget are given briefly below.

- The existence of the Consolidated Fund of India (CFI) flows from Article 266 of the Constitution. All revenues received by Government, loans raised by it, and also its receipts from recoveries of loans granted by it form the Consolidated Fund. All expenditure of Government is incurred from the Consolidated Fund of India and no amount can be drawn from the Consolidated Fund without authorization from Parliament.

- Article 267 of the Constitution authorizes the Contingency Fund of India which is an imprest placed at the disposal of the President of India to facilitate Government to meet urgent unforeseen expenditure pending authorization from Parliament. Parliamentary approval for such unforeseen expenditure is obtained, post-facto, and an equivalent amount is drawn from the Consolidated Fund to recoup the Contingency Fund. The corpus of the Contingency Fund as authorized by Parliament presently stands at 50 crore.

- Moneys held by Government in Trust as in the case of Provident Funds, Small Savings collections, income of Government set apart for expenditure on specific objects like road development, primary education, Reserve/Special Funds etc. are kept in the Public Account. Public Account funds do not belong to Government and have to be finally paid back to the persons and authorities who deposited them. Parliamentary authorisation for such payments is, therefore, not required, except where amounts are withdrawn from the Consolidated Fund with the approval of Parliament and kept in the Public Account for expenditure on specific objects, in which case, the actual expenditure on the specific object is again submitted for vote of Parliament for drawal from the Public Account for incurring expenditure on the specific object.

- Revenue Budget consists of the revenue receipts of Government (tax revenues and other revenues) and the expenditure met from these revenues. Tax revenues comprise proceeds of taxes and other duties levied by the Union. The estimates of revenue receipts shown in the Annual Financial Statement take into account the effect of various taxation proposals made in the Finance Bill. Other receipts of Government mainly consist of interest and dividend on investments made by Government, fees, and other receipts for services rendered by Government. Revenue expenditure is for the normal running of Government departments and various services, interest payments on debt, subsidies, etc. Broadly, the expenditure which does not result in creation of assets for Government of India is treated as revenue expenditure. All grants given to State Governments/Union Territories and other parties are also treated as revenue expenditure even though some of the grants may be used for creation of assets.

- Capital Budget consists capital receipts and capital payments. The capital receipts are loans raised by Government from public, called market loans, borrowings by Government from Reserve Bank and other parties through sale of Treasury Bills, loans received from foreign Governments and bodies, disinvestment receipts and recoveries of loans from State and Union Territory Governments and other parties. Capital payments consist of capital expenditure on acquisition of assets like land, buildings, machinery, equipment, as also investments in shares, etc., and loans and advances granted by Central Government to State and Union Territory Governments, Government companies, Corporations and other parties.

2.2 Stages

The procedure adopted in the Parliament while dealing with financial matters, specifically the Budget, involves many stages:

2.2.1 Presentation of Budget

The Budget is presented in two parts, namely, the **Railway Budget**, pertaining to railway finance and the **General Budget**. The primary idea behind presenting a separate Budget for the railways is to secure stability for the estimates by providing for an assured contribution by the railways and also to introduce flexibility in the administration of the railway finance.

The Budget is presented with a 'Budget Speech' which is in two parts: Part A contains 'a general economic survey' of the country and Part B 'the taxation proposals' for the ensuing financial year.

The Rules of Procedure and Conduct of Business in the **Lok Sabha** for Financial Legislation are as follows:

- The **Annual Financial Statement** or the **Statement of the Estimated Receipts and Expenditure** of the Government of India in respect of each financial year (also called **'the Budget'**) is presented to the House on such day as the President may direct.

- The Budget is presented to the House in such form as the Finance Minister may, after considering the suggestions, if any, of the Estimates Committee, settle.

- There shall be no discussion of the Budget on the day on which it is presented to the House.

- **DEMANDS FOR GRANTS**
  - **Article 113** of the Constitution mandates that the estimates of expenditure from the Consolidated Fund of India included in the Annual Financial Statement and required to be voted by the Lok Sabha are submitted in the form of Demands for Grants.
  - The Demands for Grants are presented to the Lok Sabha along with the Annual Financial Statement.
  - Generally, **separate demands** are made for the grants proposed for each Ministry.
  - Each demand contains first a statement of the **total grant proposed** and then a statement of the **detailed estimate** under each grant divided into items.
  - Demands are required to be made in the form of a **motion** but in practice, they are assumed to have been moved and are proposed by the Chair to save the time of the House.

- **General discussion on Budget**
  - Subsequently, on a day appointed by the Speaker, the House is at liberty to discuss the Budget as a whole or any question of principle involved therein, but no motion is moved nor is the Budget submitted to the vote of the House.
  - The Finance Minister has a general right of reply at the end of the discussion.
  - The Speaker may, if he thinks fit, prescribe a time limit for speeches.

- **Voting of demands for grants**
  - Motions may be moved to reduce any demand for grant.
  - No amendments to motions to reduce any demand for grant are permissible.

- **Cut motions**

  A motion may be moved to reduce the amount of a demand in any of the following ways:-
  - **'that the amount of the demand be reduced to Re.1/-'** representing disapproval of the policy underlying the demand. Such a motion shall be known as **'Disapproval of Policy Cut'**. A member giving notice of such a motion has to indicate in precise terms the particulars of the policy which he proposes to discuss. The discussion is confined to the specific point or points mentioned in the notice and it is open to members to advocate an alternative policy;
  - **'that the amount of the demand be reduced by a specified amount'** representing the economy that can be effected. Such specified amount may be either a lump sum reduction in the demand or omission or reduction of an item in the demand. The motion shall be known as **'Economy Cut'**. The notice has indicate briefly and precisely the particular matter on which discussion is sought to be raised and speeches shall be confined to the discussion as to how economy can be effected;

- **'that the amount of the demand be reduced by Rs.100/-'** in order to ventilate a specific grievance which is within the sphere of the responsibility of the Government of India. Such a motion shall be known as **'Token Cut'** and the discussion thereon is confined to the particular grievance specified in the motion.

For the sake of convenience, usually the main motion for demand and the Cut Motion relating to it are put and discussed together in the House. Cut Motion, thus is a device to initiate the discussion on demand for grants. After discussion, first the cut motions are disposed off and thereafter, the demands for grants are put to vote of the House. Cut Motions are generally moved by members from the opposition, and if carried, amount to a vote of censure against the government.

- **Speaker to decide admissibility**
  - The Speaker decides whether a cut motion is admissible or not under the rules and may disallow any cut motion when in his opinion it is an abuse of the right of moving cut motions or is calculated to obstruct or prejudicially affect the procedure of the House or is in contravention of the rules.

- **Notice of cut motions**
  - If notice of a motion to reduce any demand for grant has not been given one day previous to the day on which the demand is under consideration, any member may object to the moving of the motion. Such an objection generally prevails, unless the Speaker allows the motion to be made.

- **Vote on Account**
  - A motion for vote on account states the total sum required and the various amounts needed for each Ministry and Department.
  - Amendments may be moved for the reduction of the grant.
  - Discussion of a general character may be allowed on the motion or any amendments.

However, the details of the grant are not discussed further than is necessary to develop the general points.

  - In other respects, a motion for vote on account is dealt in the same way as if it were a demand for grant.

- **Supplementary etc. grants and votes of credit**
  - Supplementary, additional, excess and exceptional grants and votes of credit are regulated by the same procedure as is applicable in the case of demands for grants

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- **Token grant**
  - When funds to meet proposed expenditure on a new service can be made available by reappropriation, a demand for the grant of a token sum may be submitted to the vote of the House. If the House assents to the demand, funds may be made available.

- **APPROPRIATION BILL**

Under the Constitution, no money can be withdrawn from the Consolidated Fund of India without enactment of law by the Parliament. In pursuance of this, a Bill incorporating all the demands for Grants voted by the Lok Sabha, along with the expenditure charged on the Consolidated Fund, is introduced in the Lok Sabha. This Bill is known as the Appropriation Bill. The Bill, as the name suggests, intends to give legal authority to the government to appropriate the expenditure from and out of the Consolidated Fund.

Procedure regarding Appropriation Bill

- The procedure in regard to the passage of an Appropriation Bill is the same as for any other Bill, generally with only those modifications that the Speaker may consider necessary.
- The debate on an Appropriation Bill, however, is restricted to those matters which have not already been raised while the relevant demands for grants were under consideration.
- No amendments can be proposed.

After the Bill is passed by the Lok Sabha, the Speaker certifies it as a Money Bill and transmits it to the Rajya Sabha. The latter House has no power to amend or reject the Bill, but has to give its concurrence. The bill, thereafter, is presented to the President for his assent.

- **FINANCE BILL**

At the time of presentation of the Annual Financial Statement before Parliament, a Finance Bill is also presented in fulfillment of the requirement of Article 110 (1)(a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. A Finance Bill is a Money Bill as defined in Article 110 of the Constitution. It is accompanied by a Memorandum explaining the provisions included in it.

Procedure regarding Finance Bill

- In this rule "Finance Bill" means the Bill ordinarily introduced in each year to give effect to the financial proposals of the Government of India for the next following financial year and includes a Bill to give effect to supplementary financial proposals for any period.
- At any time after the introduction in the House of a Finance Bill, the Speaker may allot a day, for the completion of all or any of the stages involved in the passage of the Bill by the House. Thereafter, the Speaker, at the specified hour on the allotted day, forthwith puts every question necessary to dispose of all the outstanding matters in connection with the stages for which the day has been allotted:

3 Weaknesses in the Budgetary Process

3.1 WEAKNESSES IN RESOURCE ALLOCATION AND USE

Many of the weaknesses in budgeting reflect the failure to address linkages between the various functions of budgeting. The following factors contribute to budget systems and processes that create a disabling environment for performance in the public sector, both by commission and by omission:

- Almost exclusive focus on inputs, with performance judged largely in terms of spending no more, or less, than appropriated in the budget;
- Input focus takes a short-term approach to budget decision making; failure to adequately take account of longer-term costs (potential and real), and biases in the choice of policy instruments (e.g., between capital and current spending and between spending, doing, and regulation) because of the short-term horizon;
- A bottom-up approach to budgeting that means that even if the ultimate stance of fiscal policy was appropriate (and increasingly after 1973 it was not) game playing by both line and central agencies led to high transaction costs to squeeze the bottom-up bids into the appropriate fiscal policy box;
- A tendency to budget in real terms, leading either to pressure on aggregate spending where inflation is significant (which was often validated through supplementary appropriations) or arbitrary cuts during budget execution with adverse consequences at the agency level;
- Cabinet decision making focused on distributing the gains from fiscal drag across new spending proposals;
- Cabinet and/or central agencies extensively involved in micro-decision making on all aspects of funding for ongoing policy;
- Last minute, across-the-board cuts, including during budget execution;
- Weak decision making and last-minute cuts cause unpredictability of funding for existing government policy; this is highlighted to the centre by central budget agencies on the alert to identify and rake back "fortuitous savings;"
- Strong incentives to spend everything in the budget early in the year and as quickly as possible, since the current year's spending is the starting point for the annual budget haggle and the fear of across-the-board cuts during execution;
- Existing policy itself (as opposed to its funding) subject to very little scrutiny from one year to the next. (This and previous point epitomize the worst dimension of incremental budgeting);
- Poor linkages between policy and resources at the centre, between the center and line agencies, and within line agencies because of incremental budgeting;
- A lack of clarity as to purpose and task and therefore poor information on the performance of policies, programmes and services, and their cost because of poor linkages;
- The linking together (in association with the point above) within government departments of policy advising, regulation, service delivery and funding and an aversion to user charging; and
- Overall, few incentives to improve the performance of resources provided.

3.2 Specific Weaknesses in the Indian Budgetary System and Implementation

- *Unrealistic budget estimates*
- *Delay in implementation of projects*
- *Skewed expenditure pattern* with a major portion getting spent in the last quarter of the financial year, especially in the last month.
- *Inadequate adherence to the multi-year perspective and missing 'line of sight' between plan and budget*
- *No correlation between expenditure and actual implementation*
- *Ad hoc project announcements*
- Emphasis on compliance with procedures rather than on outcomes.
- Irrational plan / non-plan distinction leads to inefficiency in resource utilization.

3.3 Budgetary Reforms

Attempts are continuously being made to overcome as many of the shortcomings as possible. A good example is the trend in OECD countries. The common elements of the budgetary reforms in OECD member countries are:

3.3.1 Medium Term Budget Frameworks

Medium-term budget frameworks form the basis for achieving fiscal consolidation. They need to clearly state the government's medium term fiscal objectives in terms of high-level targets such as the level of aggregate revenue, expenditure, deficit/surplus, and debt. They then need to operationalise these high-level targets by establishing hard budget constraints for individual ministries and programmes over a number of years.

3.3.2 Prudent Economic Assumptions

Deviations from the forecast of the key economic assumption underlying the budget are the government's key fiscal risk. There is no single factor more responsible for "derailing" fiscal consolidation programmes than the use of incorrect economic assumptions. Great care must be taken in making them and all key economic assumptions should be disclosed explicitly. Sensitivity analysis should be made of what impact changes in the key economic assumptions would have on the budget. Furthermore, a comparison should be made between the economic assumptions used in the budget and what private sector forecasters are applying for the same time period where practicable. The establishment of an independent body to recommend the economic assumptions to be used in the budget may be considered as well. All this serves to place safeguards against the use of unrealistic, or "optimistic," economic assumptions.

3.3.3 Top-Down Budgeting Techniques

Budgeting has traditionally operated on a bottom-up principle. This means that all agencies and all ministries send requests for funding to the finance ministry. These requests greatly exceed what they realistically believe they will get. Budgeting then consists of the Finance Ministry negotiating with these

ministries and agencies until some common point is found. This bottom-up system has several disadvantages to it. First, it is very time consuming and

it is essentially a game; all participants know that the initial requests are not realistic. Second, this process has an inherent bias for increasing expenditures; all new programmes, or expansion of existing programs, are financed by new requests; there was no system for reallocation within spending ministries and there were no pre-set spending limits. Third, it was difficult to reflect political priorities in this system as it was a bottom-up exercise with the budget "emerging" at the end of this process. This manner of budgeting is now being abandoned and replaced with a new top-down approach to budget formulation. This has been of great assistance in achieving fiscal consolidation.

The starting point for the new system is for the government to make a binding political decision as to the total level of expenditures and to divide them among individual spending ministries. This decision is made possible by the medium-term expenditure frameworks which contain baseline expenditure information, i.e. what the budget would look like if no new policy decisions were made. The political decision is whether to increase expenditures for a high-priority area, for example education, and to reduce expenditures, for example defence programs. Only the largest and most significant programmes reach this level of political reallocation. The key point is that each ministry has a pre-set limit on how much it can spend.

3.3.4 Relaxing Central Input Controls

This is based on the simple premise that the heads of individual agencies are in the best position to choose the most efficient mix of inputs to carry out the agency's activities. The end-result is that an agency can produce the same services at less cost, or more services at the same cost. This greatly facilitates fiscal consolidation strategies by mitigating their effects on services.

Relaxing central input controls operates at three levels. First, the consolidation of various budget lines into a single appropriation for all operating costs (salaries, travel, supplies, etc.). Second, the decentralization of the personnel management function. Third, the decentralisation of other common service provisions, notably accommodations (buildings). The can be seen as the public sector's version of "deregulation."

3.3.5 An Increased Focus on Results

An increased focus on results is a direct quid pro quo for relaxing input controls as described above. Accountability in the public sector has traditionally been based on compliance with rules and procedures. It didn't matter what you did as long as you observed the rules. Now, when the public sector is deregulated, a new results-based system is needed to hold managers accountable. This is a fundamental change: holding managers accountable for what they do, not how they do it.

3.3.6 Budget Transparency

The budget is the principal policy document of government, where the government's policy objectives are reconciled and implemented in concrete terms. Budget transparency – openness about policy intentions, formulation and implementation – is therefore at the core of good governance agenda. If we take a look at fiscal transparency in concrete terms, we can say that it has three essential elements:

- The first is the release of budget data. The systematic and timely release of all relevant fiscal information is what we typically associate with budget transparency. It is an absolute pre-requisite, but it is not enough.
- The second element is an effective role for the legislature. It must be able to scrutinize the budget reports and independently review them. It must be able to debate and influence budget policy and be in a position to effectively hold the government to account. This is both in terms of the constitutional role of the legislature and the level of resources that the legislature has at its disposal.
- The third element is an effective role for civil society, through the media and nongovernmental organisations. Citizens, directly or through these vehicles, must be in a position to influence budget policy and must be in a position to hold the government to account. In many ways, it is a similar role to that of the legislature albeit only indirectly.

3.3.7 Modern Financial Management Practices

The modernisation of financial management within governments made great advances during the past ten years. The sheer scale of government means that such improvements had a material effect on fiscal outcomes. These include the introduction of accruals, capital charges, carry-overs of unused appropriations, and interest-bearing accounts.

4 Key Features of Budget 2013-2014

4.1 State of the Economy and Challenges Ahead

- Getting back to potential growth rate of 8 percent is the challenge facing the country
- Slowdown in Indian economy has to be seen in the context of slowing global economic growth from 3.9 per cent in 2011 to 3.2 per cent in 2012.
- However, no reason for gloom or pessimism. Of the large countries of the world only China and Indonesia growing faster than India in 2012-13. In 2013-14, only China projected to grow faster than India.
- Between 2004 and 2008, and again in 2009-10 and 2010-11 the growth rate was over 8 per cent and crossed 9 per cent in four of those six years.
- 11th Plan period had average growth rate of 8 percent, highest during any Plan period, entirely under the UPA Government.
- High growth rate can again be achieved through cooperation.
- 'Higher growth leading to inclusive and sustainable development' to be the *mool mantra*.
- Government believes in inclusive development with emphasis on improving human development indicators specially of women, the scheduled castes, the scheduled tribes, the minorities and some backward classes. This Budget to be a testimony to that commitment.

4.2 Fiscal Deficit, Current Account Deficit and Inflation

- The purpose of Budget to create economic space and find resources to achieve the objective of inclusive development.
- Dr Vijay Kelkar Committee made its recommendations to Government in September 2012. A new fiscal consolidation path with fiscal deficit at 5.3 per cent of GDP this year and 4.8 per cent of GDP in 2013-14 announced by the Government.
- Foreign investment in an imperative in view of the high current account deficit (CAD). FII, FDI and ECB three main source of CAD Financing. Foreign investment that is consistant with our economic objectives to be encouraged.
- Development must be economically and ecologically sustainable and democratically legitimate.
- Battle against inflation must be fought on all fronts. Efforts in the past few months have brought down headline WPI inflation to about 7 per cent and core inflation to about 4.2 percent.
- Food inflation is worrying but all possible steps to be taken to augment the supply side to meet the growing demand for food items.
- Government expenditure has both good and bad consequences and trick is to find the correct level of Government expenditure.
- Faced with huge fiscal deficit, Government expenditure rationalised in 2012-13. Some economic space retrieved. Space to be used to further Government's socioeconomic objectives.

4.3 The Plan and Budgetary Allocations

- Revised Estimates (RE) of the expenditure in 2012-13 at 96 per cent of the Budget Estimates (BE) due to slowdown and austerity measures.
- During 2013-14, BE of total expenditure of ` 16,65,297 crore and of Plan Expenditure at ` 5,55,322 crore.
- Plan Expenditure in 2013-14 to grow at 29.4 per cent over Revised Estimates for
- the current year.
- All flagship programmes fully and adequately funded and sufficient funds provided to each Ministry or Department consistent with their capacity to spend funds.
- Budget for 2013-14 to have one overarching goal of creating opportunities for our youth to acquire education and skills that will get them decent jobs or self employment.

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INDIA AND THE WORLD

PREFACE TO THIS BOOKLET

- *This is a BASIC material in India's Foreign Policy. However, data in the current scenario has been appended wherever possible to make the text more relevant.*
- *We have also included Tests at the end of Chapters so as to give you a Clue on what lines you need to think while reading Current Affairs. These tests are for self-evaluation only.*
- *Wherever possible, along with the historical Context the current scope of relations is also given to make the study more complete and to help the student in relating the history to the current context.*
- *Most of the Questions asked in GS on India's Foreign Policy are in Current Context BUT they require an understanding of the historical relation that we have with that particular country.*
- *If a question is asked pertaining to a country not mentioned in this document then a good approach would be to write everything in the current context.(For eg India- Mongolia relations)*
- *This Booklet has to be used along with your Current Affairs Notes to write a comprehensive well rounded answer*

With Best Wishes

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Chapter 1

Principles and Objectives of India's Foreign Policy

The foreign policy of a country is determined by a number of historical and domestic factors. In case of India also several such factors have been responsible for the shaping of principles and objectives of the foreign policy. In this chapter we will discuss the objectives set out by the policy makers and the principles on which India's foreign relations are based. Every head of government and his foreign minister leave an impact of their personality, on the country's foreign policy. Nehru was not only the Prime Minister, but also Foreign Minister for over 17 years which were the formative years of impendent India.

Objectives of India's Foreign Policy:

Foreign policy makers set out certain objectives before they proceed to lay down basic principles and formulate the policy. Several of these objectives are down basic principles and formulate the policy. Several of these objectives are common, though the degree of emphasis always varies. A former Foreign Secretary of India, Muchkund Dubey wrote:

> *The primary purpose of any country's foreign policy is to promote its national interest—to ensure its security, safeguard its sovereignty, contribute to its growth and prosperity and generally enhance its stature, influence, and role in the comity of nations. A country's foreign policy should also be able to serve the broader purpose of promoting peace, disarmament and development and of establishing a stable, fair, and equitable global order.*

The purpose of peace, disarmament and an equitable global order may at times be in conflict with national security, sovereignty and development. But in medium and long run the former may also serve the national interest.

The goals of India's foreign policy are simple and straightforward. The primary and overriding goal has always been the maintenance and promotion of international peace and security. The ideals and objectives of our domestic as well as foreign policy are enshrined in the Constitution. India's foreign policy, designed mainly by Nehru, combines national interest with broader objectives mentioned above. Continuity in foreign policy is a tribute to maturity of a nation and wisdom of its leadership. The objectives of India's foreign policy are so fundamental and generally accepted by the people and different parties that they are known as bases of a national policy. That has resulted in continuity in India's foreign policy; "for no Government of India can afford to abdicate independence of judgement and action and compromise the basic values enshrined in our Constitution."

India, after independence, had to determine objectives of its foreign policy under very difficult circumstances. Internally, the partition of British India and creation of Pakistan left a deep wound of hatred and ill-will. India was till then one economic unit. Its division created many economic problems which were further complicated by the arrival of millions of Hindus and Sikhs displaced from Pakistan. They had to be rehabilitated.

Very soon the country was involved in a war in Kashmir imposed by Pakistan-backed tribals from North-West Frontier. Economy was further threatened by strikes organized by leftists. The country had to tackle the 'gigantic problem' of providing its vast population with the basic necessities of life, like food, clothing and shelter. Militarily, India was not strong. A hostile Pakistan compounded India's security problem. India did process "vast potential resources and manpower with which it could, in course of time, greatly increase its economic and

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military strengths. India did possess "vast potential resources and manpower with which it could, in course of time, greatly increase its economic and military strengths." There was another problem. It was related to internal consolidations. Even after British left Indian in 1947, there were small pockets of French and Portuguese possessions. India's first efforts naturally were to negotiate with the two Powers. After prolonged negotiations, French agreed to withdraw, but military action had to be taken, in as late as 1961, to liberate Goa and other Portuguese pockets.

International situation was not very comfortable as the Cold War had begun and East-West relations were deteriorating very fast. It is in this situation that India decided that world peace would be a cardinal feature of India's foreign policy. India desired peace not merely as an ideal but also as an essential condition for its own security. Nehru had said: "Peace to us is not just a fervent hope; it is an emergent necessity" As M.S. Rajan said: "For or country like India which is in urgent need of all round development, peace (as much external as internal) is a primary desideratum." It is for this reason that India gave first priority to world peace. As Nehru opined, "India's approach to peace is a positive, constructive approach, not a passive, negative, neutral approach." India's message to the world has been insistence on peaceful methods to solve all problems.

Peace meant not only avoidance of war, but also reduction of tension and if possible end of the cold War. A world order based on understanding and cooperation would require an effective United Nations. Therefore, India decided to give unqualified support and allegiance to the United Nations. International peace is not possible so long as armaments are not reduced. All the efforts at the reduction of conventional weapons had already failed despite a clear mandate in the Covenant of the League of Nations. The problem was further complicated by the nuclear weapons which threatened peace more than even before. Therefore, an important objective of India's foreign policy has been elimination of nuclear weapons and reduction of conventional armaments. In other words, comprehensive disarmament has been an objective of our foreign policy.

A related objective was to root out other causes of war by measures such as liberation of subject peoples and the elimination of racial discrimination. In order to achieve this goal, India would follow an independent foreign policy without being any big Powers' camp follower. It would also required total faith in, and support to the United Nations. Thus, pursuit of peace was not only directed by its self interest, but also by idealism imbibed from Mahatma Gandhi. Nehru once told an American audience that Gandhian ethics was the cornerstone of India's foreign policy. Emphasising the intimate connection between means and ends." He insisted that "physical force need not necessarily be the arbiter of man's destiny and that the method of waging a struggle and the way of its termination are of paramount importance."

Another objective of foreign policy was 'elimination of want, disease and illiteracy.' These are ills not only of Indian society, but also of most of the developing countries of Asia and Africa. While India's domestic policy was directed at removal of want and Africa. While India's domestic policy was directed at removal of want and disease, it was closely related with the question of foreign aid and assistance. Besides, India chose to cooperate with various international agencies so that it could make its contribution in fighting disease, starvation, poverty, illiteracy and famine in various underdeveloped countries. Organisations like WHO, FAO, UNICEF and UNESCO not only benefit India, but India also wants to use these institutions to help the entire mankind.

India has voluntarily chosen to remain a member of the Commonwealth of Nations. This association of free and sovereign countries who were colonies in the erstwhile British Empire now recognizes the British Queen only as Head of the Commonwealth, not as Crown of the Republics like India. Before 1949, only British Dominions were members of, what then known as, the British Commonwealth. All the dominions had the British Crown as their monarch also. India did not want to leave the Commonwealth even after it decided to become a republic and ceased to accept the British monarch as the head of state. India owed, along with some other countries,

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common allegiance to a particular way of life. India considered the continued cooperation with the Commonwealth of mutual benefit to India and all other member countries.

Lastly, India's objectives has been to maintain friendly relations with all, avoid military alliances, follow non-alignment as a moral principle, seek peaceful settlement of international disputes and promote universal brotherhood and humanism by following and advocating the five principles contained in Panchsheel. India has tried to faithfully observe the ideals of non-interference and peaceful co-existence. All these objectives have been sought to be achieved through principles and decisions of India's foreign policy. Although wars were imposed upon India by Pakistan and China, India has been seeking to pursue friendly relations with all the countries, particularly with the neighbours. India still wishes to work in pursuit of world peace, and in search of that it has been insisting on complete elimination of nuclear weapons, and strengthening of the United Nations.

Principles of India's Foreign Policy:

1) **Non-Alignment:** The policy of non-alignment is the most important contribution of India to international community. Immediately after the hostilities ended with the Second World War, a new and unprecedented tension developed between the erstwhile friends and allies. The acute state of tension came to be called the Cold war. The division of the world into two blocs led by the United States and the former Soviet Union respectively caused the Cold War. India made up its mind not join any of the power blocs. India's decision to follow an independent foreign policy was dictated essentially by its national interest, and also by its belief in moral value attached to the ideal of friendship among all, and pursuit of world peace. India had decided to devote its energies to its economic development. For that, India needed not only friendship with neighbours and big powers, but also economic assistance from different quarters. India made it clear that it would reserve the right to freely express its opinion on international problem. If it would join any of the power blocs then it would lose this freedom.

2) **Panchsheel and Peaceful Co-existence:** Peaceful co-existence of nations of diverse ideologies and interests is an important principle of our foreign policy. Indian philosophy of Vasudhaiva Kutumbkam promotes the feeling of 'one world'. In practice, it means that nations inhabited by peoples belonging to different religions and having different social systems can co-exist, live together in peace, while each follows its own system. This basic Indian philosophy was formally recognized when in 1954 India and China signed the famous declaration of five principles, detailed below, were formally enunciated in the Sino-Indian agreement of April 29, 1954 regarding trade and intercourse between the Tibetan Region of China and the Republic of India. The five principles mentioned in the Preamble of the agreement were:

    a. mutual respect for each other's territorial integrity and sovereignty;
    b. mutual non-aggression;
    c. mutual non-interference in each other's internal affairs;
    d. equality and mutual benefit; and
    e. peaceful co-existence.

3) **Freedom of Dependent Peoples: Anti-Imperialism.** Anti-colonialism and anti-imperialism has been a matter of faith with India's foreign policy makers. Having been a victim of British imperialism for a long time, India decided to oppose all forms of colonialism and imperialism. Therefore, it decided to extend full support to the cause of freedom of dependent peoples of Asia and Africa. One of the first decisions that Nehru's Interim Government took was to recall the Indian troops sent by the British to suppress the freedom struggles in the Dutch and French colonies. The Dutch colony of Indonesia had been taken by

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the Japanese during the Second World War. When after Japanese defeat, the Netherlands tried to establish its rule again, India opposed it even in the United Nations, and cooperated with Indonesia in its efforts to get independence. India fully supported the freedom struggles in Asian and African countries such as Indo-China, Malaya, Libya, Algeria, Tunisia, Gold Coast (now Ghana), etc. India fully supported the cause of independence of the people of Namibia who were under prolonged colonial rule of racist South Africa. Promotion of self-determination of all colonial peoples was, thus, an important objective and principles of India's foreign policy. India considered denial of freedom to colonial peoples as a violation of fundamental human rights, and a source of international conflicts.

4) **Opposition to Racial Discrimination:** Indian firmly believes in equality of all human beings. Its policy is aimed at opposition to all form of racial discrimination. South Africa was the worst example of discrimination against and exploitation of, the coloured peoples including the people of Indian origin. India gave full support to the cause of victims of racial discrimination. Not only India had cut off diplomatic relation with South Africa in 1949, but also used her influence (later) in the application of comprehensive sanctions against the white minority racist regime of South Africa.

5) **Foreign Economic Aid and India's Independent Policy:** India firmly believed that economic development of the country was an urgent necessity. Soon after independence, India devoted its energies to a planned and rapid all-round development. India was painfully aware of the lack of adequate resources and technical know-how. India had already decided on non-alignment as basic policy. That implied the adoption of an independent foreign policy. But, if India was to develop, it needed funds, machinery and technical known-how. India needed economic assistance as well as loans for numerous projects that it wanted to start in the process of multi-faceted development of the country.

6) **Peaceful Settlement of International Disputes:** Disputes among nations are unavoidable. There can be only two methods of settling international disputes: war, or peaceful settlement. War has been the most commonly used method of deciding disputes from the pre-historic days. War was considered the legitimate means of deciding disputes. It resulted in the victory of the nation over the other. By the end of First World War, destructiveness of this method had reached harrowing heights. Since then it has been increasingly realized by international community that peaceful settlement of disputes should be the goal of not only international organization, but also of all states. This includes, besides direct negotiations, means such as mediation, conciliation, arbitration and judicial decisions. The last mentioned method is used only in cases of legal disputes, whereas political disputes can be sought to be settled through other means.

7) **The Gujral Doctrine:** This doctrine is expression of the foreign policy initiated by I.K. Gujral, the Foreign Minister in Deve Gowda Government which assumed office in June 1996. Gujral himself later became Prime Minister. The essence of Gujral Doctrine is that being the largest country in South Asia, India decided on 'extension of unilateral concessions to neighbours in the sub-continent'. Gujral advocated people to people contacts, particularly between India and Pakistan, to create an atmosphere that would enable the countries concerned to sort out their differences amicably. It is in pursuance of this policy that late in 1996 India concluded an agreement with Bangladesh on sharing of Ganga Waters. This agreement enabled Bangladesh to draw in lean season slightly more water than even the 1977 Agreement had provided. The confidence building measures agreed upon by India and China in November 1996 were also a part of efforts made by the two countries to improve bilateral relations, and freeze, for the time being' the border dispute. Gujral Doctrine was vigorously pursued when India unilaterally announced in 1997 several concessions to Pakistan tourists, particularly the elder citizens and cultural groups, in regard to visa fees and policy reporting.

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8) **India's Option of Nuclear Weapons:** Jawaharlal Nehru had initiated research in atomic energy. Dr. Homi Bhabha headed the Atomic Energy Commission as its first Chairman. Although Nehru never said that he wanted India to ever acquire nuclear weapons, yet he did not specifically reject the idea. Initially, the idea was to develop atom for peace, or use the atomic energy for peaceful purpose. Later, at some stage India began working on the nuclear power. After the Bangladesh crisis (1971) when it became clear that China (an ally of Pakistan) could assist Pakistan to develop nuclear weapons, India had to seriously think of nuclear option. China had exploded its first bomb in 1964, and it had become the fifth nuclear-weapon-state. In view of China-US strategic relationship evolving, India conducted its first nuclear test in 1974. But in view of hue and cry in international community, India declared that the 1974 test was only 'Peaceful Nuclear Explosion'. India had consistently refused to sign the discriminatory Non-Proliferation Treaty (1968) which recognized only five nuclear weapon states and abound the signatories not to proliferate nuclear weapons, Mrs. Gandhi led to abandon the idea of nuclear weapons for the time being, though India was getting enriched uranium and working on nuclear power, peaceful or otherwise. Successive governments maintained silence, but indicated that India was keeping its nuclear option open.

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TEST 1

Q.1. Panchsheel Principles applied in the current context of India's Foreign Policy

(Here you have to use your Current Affairs knowledge with the basic background given in this Booklet)

Q.2. Enumerate the major principles of India's Foreign Policy (300 words)

Q.3. Gujral Doctrine in UPA 2 (200 words)

(Here you have to use your Current Affairs knowledge with the basic background given in this Booklet)

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Chapter 2

The Policy of Non-Alignment

India's Policy of Non-Alignment:

India, under the leadership of Jawaharlal Nehru, was the first county to have adopted the policy of non-alignment. India's policy is **positive or dynamic neutralism** in which a country acts independently and decides its policy on each issue on its merit. Non-alignment is based on positive reasoning. It is riot a negative, middle of the road reluctance to distinguish between right and wrong. It does not mean that a country just retires into a shell. Nehru had declared in the US Congress in 1948, "Where freedom is menaced, or justice is threatened, or where aggression takes place, we cannot be and shall not be neutral … our policy is not neutralist, but one of active endeavour to preserve and, if possible, establish peace on firm foundations." Commenting on India's foreign policy, K.M. Panikkar had said, "She has been able to build up a position of independence and, in association with other states similarly placed, has been able to exercise considerable influence in the cause of international goodwill." In a way, this policy promotes Gandhiji's belief in non-violence. The critics in early days has said that India's policy was to remain, "neutral on the side of democracy."

Speaking in the Constituent Assembly (Legislative) on December 4, 1947, Nehru had sought to remove the impression that India's non-alignment also meant neutrality. He had said:

"We have proclaimed during this past year that we will not attach ourselves to any particular group. This has nothing to do with neutrality or passivity or anything else. If there is a big war, there is no particular reason why we should jump into it… We are not going to join a war if we can help it, and we are going to join the side which is to our interest when the time comes to make the choice."

India wanted to prevent the third world war. Nehru said: "If and when disaster comes it will affect the world as a whole… Our first effort should be to prevent that disaster from happening." Reiterating India's resolve to keep away from power blocs, he said in 1949, "If by any chance we align ourselves definitely with one power group, we may perhaps from one point of view do some good, but I have not the shadow of doubt that from a larger point of view, not only of India but of world peace, it will do harm. Because them we lose that tremendous vantage ground that we have of using such influence as we possess… in the cause of world peace."

India's foreign policy has always had certain priorities, viz., economic development of the country, maintenance of independence of action in foreign affairs, safeguarding country's sovereignty and territorial integrity and world peace. India has firmly believed that these objectives can be achieved only by keeping away from power blocs, and exercising freedom of taking foreign policy decisions.

Nehru was committed to western concept of liberalism and democracy. But, he did not approve of the military alliance like NATO and SEATO initiated by the United States to contain communism. He opposed western alliances on the ground that they encouraged new form of colonialism; and also because these were likely to promote countermoves and race for armaments between the two camps. Nehru was impressed by socialism and strongly advocated the idea of democratic socialism. But, he totally rejected the communist state as "monolithic" and described Marxism as an outmoded theory. Nehru was a combination of a socialist and a liberal democrat. He was opposed to the very idea of power blocs in international relations. India's policy of non-alignment, therefore, was not to promote a third bloc, but to ensure freedom of decision-making of the recently decolonized states. Non-alignment was promoted by India as a policy of peace, as against the policy of confrontation.

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India's policy of non-alignment was against the status quo situation in international relations. That meant opposition of colonialism, imperialism, racial discrimination and now of neo-colonialism. India wants a world free from these evils. Secondly, non-alignment rejects the concept of superiority of Super Powers. It advocates sovereign equality of all states. Thirdly, non-alignment encourages friendly relations among countries. It is opposed to the alliances that divide the world into groups of states, or power blocs. Non-alignment advocates peaceful settlement of international disputes and rejects the use of force. It favours complete destruction of nuclear weapons and pleads for comprehensive disarmament. It support all efforts to strengthen the United Nations. India's policy of non-alignment emphasizes the social and economic problems of mankind. India has been fully supporting the demand for a new international economic order so that the unjust and unbalanced existing economic order may be changed into a new and just economic order.

Reasons for Non-Alignment:

India had adopted the policy of non-alignment as it did not want to lose its freedom of decision-making, and because India's primary concern soon after independence was economic development. The policy has been sustained for five decades. Professor M.S. Rajan had mentioned seven reasons for adopting this policy initially. Firstly, it was felt that India's alignment with either the US or the USSR bloc would aggravate international tension, rather than promote international peace. Besides, the Indian Government left later than in view of size, geopolitical importance and contribution to civilization, India had "a positive role to play in reducing international tension, promoting peace and serving as a bridge between the two camps."

Secondly, India was neither a great power, nor could she allow herself to be treated as a nation of no consequence. India was, however, potentially a great power. Non-alignment suited India's "present needs to keep out national identity" and on the other hand not to compromise "out future role of an acknowledged Great Power."

Thirdly, India could not join either of the power blocs because of emotional and ideological reasons. We could not join the Western (American) Bloc because many of its member countries were colonial powers or ex-colonial powers, and some still practiced racial discrimination. We could not join the Eastern (Soviet) Blot because communism, as an ideology, was completely alien to Indian thinking and way of life.

Fourthly, like any sovereign country, India, who had just become sovereign, wanted to retain and exercise independence of judgement, and not to "be tied to the apron-strings of another country." It meant that India wanted freedom to decide every issue on its merit.

Fifthly, according to Professor Rajan, once India launched economic development plans, we needed foreign economic aid "it was both desirable politically not to depend upon aid from one bloc only, and profitable to be able to get it from more than one source."

Sixthly, non-alignment is in accordance with India's traditional belief that "truth, right and goodness" are not the monopoly of anyone religion or philosophy. India believes in tolerance. Therefore, the world situation, called for tolerance and peaceful co-existence of both the systems, with India not aligning with any of the blocs, nor being hostile to them.

Lastly, the domestic political situation was also responsible for the adoption of the policy of non-alignment. According to Professor Rajan, "By aligning India with either of the Blocks, the Indian Government would have sown seeds of political controversy and instability in the country…"

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Whatever the actual reasons that may have promoted Nehru and his Government to adopt the policy of non-alignment, it is obvious that the people of India by and large supported the policy. Many other countries found it in their national interest to adopt this policy which led to the establishment of the Non-Alignment Movement.

India was largely responsible for launching the Non-aligned Movement (NAM) in 1961. It was initiated by Nehru, Yugoslav President Tito and Egyptian President Nasser. Twenty-five countries attended the first NAM conference held at Belgrade and presided over by Tito. Invitations were sent out by Nehru, Nasser and Tito after careful scrutiny of foreign policies of proposed participants of the first NAM Summit. The five criteria for joining NAM were: (i) the country followed independent foreign policy based on non-alignment and peaceful co-existence; (ii) the country was opposed to colonialism and imperialism; (iii) it should not have been a member of a Cold War related military bloc; (iv) it should not have had a bilateral treaty with any of the Super Powers; and (v) NAM should not have allowed any foreign military base on its territory. It has grown both quantitatively and qualitatively. There are as many as 120 members of NAM in 2011. Its summits are periodically held in which issues concerning international politics are discussed, and attempts are made to evolve a common approach to various issues. Since the number of members has grown very large, it often becomes difficult to adopt an approach that all countries can follow. The NAM lost some of its fervor after the end of Cold War, though its relevance is claimed by various leaders.

NAM: Role after the Cold War:

Since the end of the Cold War and the formal end of colonialism, the Non-Aligned Movement has been forced to redefine itself and reinvent its purpose in the current world system. A major question has been whether many of its foundational ideologies, principally national independence, territorial integrity, and the struggle against colonialism and imperialism, can be applied to contemporary issues.

The movement has emphasised its principles of multilateralism, equality, and mutual non-aggression in attempting to become a stronger voice for the global South, and an instrument that can be utilised to promote the needs of member nations at the international level and strengthen their political leverage when negotiating with developed nations. In its efforts to advance Southern interests, the movement has stressed the importance of cooperation and unity amongst member states, but as in the past, cohesion remains a problem since the size of the organisation and the divergence of agendas and allegiances present the ongoing potential for fragmentation.

While agreement on basic principles has been smooth, taking definitive action vis-à-vis particular international issues has been rare, with the movement preferring to assert its criticism or support rather than pass hard-line resolutions. The movement continues to see a role for itself, as in its view, the world's poorest nations remain exploited and marginalised, no longer by opposing superpowers, but rather in a uni-polar world, and it is Western hegemony and neo-colonialism that the movement has really re-aligned itself against. It opposes foreign occupation, interference in internal affairs, and aggressive unilateral measures, but it has also shifted to focus on the socio-economic challenges facing member states, especially the inequalities manifested by globalisation and the implications of neo-liberal policies. The Non-Aligned Movement has identified economic underdevelopment, poverty, and social injustices as growing threats to peace and security.

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Current activities and positions of NAM:

Criticism of US policy

In recent years the organization has criticized US foreign policy. The US invasion of Iraq and the War on Terrorism, its attempts to stifle Iran and North Korea's nuclear plans, and its other actions have been denounced as human rights violations and attempts to run roughshod over the sovereignty of smaller nations. The movement's leaders have also criticized the American control over the United Nations and other international structures.

Self-determination of Puerto Rico

Since 1961, the group have supported the discussion of the case of Puerto Rico's self-determination before the United Nations. A resolution on the matter will be proposed on the XV Summit by the Hostosian National Independence Movement.

Self-determination of Western Sahara

Since 1973, the group have supported the discussion of the case of Western Sahara's self-determination before the United Nations. The Non-Aligned Movement reaffirmed in its last meeting (Sharm El Sheikh 2009) the support to the Self-determination of the Sahrawi people by choosing between any valid option, welcomed the direct conversations between the parts, and remembered the responsibility of the United Nations on the Sahrawi issue.

Sustainable development

The movement is publicly committed to the tenets of sustainable development and the attainment of the Millennium Development Goals, but it believes that the international community has not created conditions conducive to development and has infringed upon the right to sovereign development by each member state. Issues such as globalisation, the debt burden, unfair trade practices, the decline in foreign aid, donor conditionalities, and the lack of democracy in international financial decision-making are cited as factors inhibiting development.

Reforms of the UN

The Non-Aligned Movement has been quite outspoken in its criticism of current UN structures and power dynamics, mostly in how the organisation has been utilised by powerful states in ways that violate the movement's principles. It has made a number of recommendations that would strengthen the representation and power of 'non-aligned' states. The proposed reforms are also aimed at improving the transparency and democracy of UN decision-making. The UN Security Council is the element considered the most distorted, undemocratic, and in need of reshaping.

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South-south cooperation

Lately the Non-Aligned Movement has collaborated with other organisations of the developing world, primarily the Group of 77, forming a number of joint committees and releasing statements and document representing the shared interests of both groups. This dialogue and cooperation can be taken as an effort to increase the global awareness about the organisation and bolster its political clout.

Cultural diversity and human rights

The movement accepts the universality of human rights and social justice, but fiercely resists cultural homogenisation. In line with its views on sovereignty, the organisation appeals for the protection of cultural diversity, and the tolerance of the religious, socio-cultural, and historical particularities that define human rights in a specific region.

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Test 2

Q.1. Describe in brief the background, both national and International, that was responsible for India endorsing the NAM (300 words)

Q.2. NAM in post cold war era (200 words)

Q.3. Recent NAM Summit (200 words)

Q.4. NAM -as it stands today (200 words)

(Here you have to use your Current Affairs knowledge with the basic background given in this Booklet)

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Chapter 3

India and Its Neighbours: Pakistan

(Here you must focus on Issues and Disputes that we have with Neighbors)

Major Disputes between India and Pakistan:

Water Dispute:

Kashmir and adjoining area is the origin point for many rivers and tributaries of the Indus River basin. They include the Jhelum and Chenab rivers, which primarily flow into Pakistan while other branches—the Ravi, Beas, and the Sutlej—irrigate northern India. The Boundary Award of 1947 meant that the headwaters of Pakistani irrigation systems were in Indian territory. Pakistan has been apprehensive that in a dire need, India (under whose portion of Kashmir lies the origins and passage of these rivers) would withhold the flow and thus choke the agrarian economy of Pakistan. The Indus Waters Treaty signed in 1960 resolved most of these disputes over water, calling for mutual cooperation in this regard. But the treaty faced issues raised by Pakistan over the construction of dams on the Indian side which limit water flow to the Pakistani side.

The Indus Water Treaty

The Indus Waters Treaty is a water-sharing treaty between the Republic of India and Islamic Republic Of Pakistan, brokered by the World Bank .

Provisions of the Treaty

The Indus System of Rivers comprises three Western Rivers the Indus, the Jhelum and Chenab and three Eastern Rivers - the Sutlej, the Beas and the Ravi; and with minor exceptions, the treaty gives India exclusive use of all of the waters of the Eastern Rivers and their tributaries before the point where the rivers enter Pakistan. Similarly, Pakistan has exclusive use of the Western Rivers. Pakistan also received one-time financial compensation for the loss of water from the Eastern Rivers.

The countries agree to exchange data and co-operate in matters related to the treaty. For this purpose, treaty creates the Permanent Indus Commission, with a commissioner appointed by each country.

The agreement set up a commission to adjudicate any future disputes arising over the allocation of waters. The Permanent Indus Commission has survived two wars and provides an on-going mechanism for consultation and conflict resolution through inspection, exchange of data, and visits. The Commission is required to meet regularly to discuss potential disputes as well as cooperative arrangements for the development of the basin. Either party must notify the other of plans to construct any engineering works which would affect the other party and to provide data about such works. In cases of disagreement, a neutral expert is called in for mediation and arbitration. While neither side has initiated projects that could cause the kind of conflict that the Commission was created to resolve, the annual inspections and exchange of data continue, unperturbed by tensions on the subcontinent.

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Baglihar Dam Dispute

Baglihar Dam, also known as Baglihar Hydroelectric Power Project, is a run-of-the-river power project on the Chenab River in the southern Doda district of the Indian state of Jammu and Kashmir. This project was conceived in 1992, approved in 1996 and construction began in 1999. The project is estimated to cost USD $1 billion. The first phase of the Baglihar Dam was completed in 2004. With the second phase completed, on 10 October 2008, Prime Minister Manmohan Singh of India dedicated the 450-MW Baglihar hydro electric power project to the nation.

After construction began in 1999, Pakistan claimed that design parameters of Baglihar project violated the Indus Water Treaty of 1960. The Indus Water Treaty provided India with exclusive control over three eastern rivers , Near Beacon tunnel while granting Pakistan exclusive control to three western rivers, including Chenab River. However it contained provisions for India to establish river-run power projects with limited reservoir capacity and flow control needed for feasible power generation. Availing this provision India established several run-of-the-river projects, with Pakistan objecting to these. Also in the case of the Baglihar and Kishan-Ganga projects, Pakistan claimed that some design parameters were too lax than were needed for feasible power generation and provided India with excessive ability to accelerate, decelerate or block flow of the river, thus giving India a strategic leverage in times of political tension or war.

During 1999-2004 India and Pakistan held several rounds of talks on the design of projects, but could not reach an agreement. After failure of talks on January 18, 2005, Pakistan raised six objections to the World Bank, a broker and signatory of Indus Water Treaty. In April 2005 the World Bank determined the Pakistani claim as a 'Difference', a classification between the less serious 'Question' and more serious 'Dispute', and in May 2005 appointed Professor Raymond Lafitte, a Swiss civil engineer, to adjudicate the difference.

Lafitte declared his final verdict on February 12, 2007, in which he upheld some minor objections of Pakistan, declaring that pondage capacity be reduced by 13.5%, height of dam structure be reduced by 1.5 meter and power intake tunnels be raised by 3 meters, thereby limiting some flow control capabilities of the earlier design. However he rejected Pakistani objections on height and gated control of spillway declaring these conformed to engineering norms of the day. India had already offered Pakistan similar minor adjustments for it to drop its objection. The Indus Waters Treaty of 1960 divided the Indus river— into which the Chenab flows — between the two countries and bars India from interfering with the flow into Pakistan while allowing it to generate electricity. However the key issue that any dam constructed by India should be strictly run of the river was rejected. Pakistan government expressed its disappointment at the final outcome. Both parties (India and Pakistan) have already agreed that they will abide by the final verdict.

The verdict acknowledged India's right to construct 'gated spillways' under Indus water treaty 1960.The report allowed pondage of 32,580,000 cubic metres as against India's demand for 37,500,000 cubic metres. The report also recommended reducing the height of freeboard from 4.5 m to 3.0 m.

On June 1, 2010 India and Pakistan resolved the issue relating to the initial filling of Baglihar dam in Jammu and Kashmir with the neighbouring country deciding not to raise the matter further. The decision was arrived at the talks of Permanent Indus Commissioners of the two countries who are meeting. "The two sides discussed the issue at length without any prejudice to each other's stand...Indian and Pakistani teams resolved the issue relating to initial filling of Baglihar dam after discussions," sources said. Pakistan also agreed not to raise the issue further.

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Kishanganga Dispute

The Kishanganga Hydroelectric Project is located on the Kishanganga River and was initially being constructed by the state government of Jammu & Kashmir and was subsequently transferred to NHPC for implementation. It is a 330 MW Kishanganga hydro project. For this project, India intends to divert the waters of the Neelam River. When Kishanganga River enters Pakistani Kashmir it is known as Neelam River. River Neelam is an important tributary of river Jhelum. Pakistan has articulated its objections in the form of six questions; three are related to the design, two on diversion and one on power house. The diversion tunnel would reduce the flow of water by 27%. Besides Pakistan has a plan to construct 969 MW hydropower project on the river Neelam. In fact they have already spent 71 million rupees on it. Similarly the Indians have completed 75% tunnel construction work. The dispute has been referred to World Bank. (Please update from Current Affairs Notes).

The Tulbul Project

The Tulbul Project is a "navigation lock-cum-control structure" at the mouth of Wular Lake. According to the original Indian plan, the barrage was expected to be of 439 feet (134 m) long and 40 feet (12 m) wide, and would have a maximum storage capacity of 300,000 acre feet (370,000,000 m3) of water. One aim was to regulate the release of water from the natural storage in the lake to maintain a minimum draught of 4.5 feet (1.4 m) in the river up to Baramulla during the lean winter months. The project was conceived in the early 1980s and work began in 1984.

There has been an ongoing dispute between India and Pakistan over the Tulbul Project since 1987, when Pakistan objected that the it violated the 1960 Indus Water Treaty. India stopped work on the project that year, but has since pressed to restart construction. The Jhelum River through the Kashmir valley below Wular Lake provides an important means of transport for goods and people. To sustain navigation throughout the year a minimum depth of water is needed. India contends that this makes development of the Tulbul Project permissible under the treaty, while Pakistan maintains that the project is a violation of the treaty. India says suspension of work is harming the interests of people of Jammu and Kashmir and also depriving the people of Pakistan of irrigation and power benefits that may accrue from regulated water releases.

The Siachen Conflict

It is a military conflict between India and Pakistan over the disputed Siachen Glacier region in Kashmir. The conflict began in 1984 with India's successful Operation Meghdoot during which it wrested control of the Siachen Glacier from Pakistan and forced the Pakistanis to retreat west of the Saltoro Ridge. India has established control over all of the 70 kilometres (43 mi) long Siachen Glacier and all of its tributary glaciers, as well as the three main passes of the Saltoro Ridge immediately west of the glacier—Sia La, Bilafond La, and Gyong La. Pakistan controls the glacial valleys immediately west of the Saltoro Ridge. India gained more than 1,000 square miles (3,000 km2) of territory because of its military operations in Siachen.

The Siachen glacier is the highest battleground on earth, where India and Pakistan have fought intermittently since April 13, 1984. Both countries maintain permanent military presence in the region at a height of over 6,000 metres (20,000 ft). More than 2000 people have died in this inhospitable terrain, mostly due to weather extremes and the natural hazards of mountain warfare.

The conflict in Siachen stems from the incompletely demarcated territory on the map beyond the map coordinate known as NJ9842. The 1972Simla Agreement did not clearly mention who controlled the glacier,

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merely stating that from the NJ9842 location the boundary would proceed "thence north to the glaciers." UN officials presumed there would be no dispute between India and Pakistan over such a cold and barren region.

Sir Creek Dispute

The Sir Creek is a 96 km (60 mi) strip of water disputed between India and Pakistan in the Rann of Kutch marshlands. The creek, which opens up into the Arabian Sea, divides the Kutch region of the Indian state of Gujarat with the Sindh province of Pakistan. Originally and locally it is called 'Baan Ganga'. Sir Creek is named after the British representative. The long-standing dispute hinges in the actual demarcation "from the mouth of Sir Creek to the top of Sir Creek, and from the top of Sir Creek eastward to a point on the line designated on the Western Terminus". From this point onwards, the boundary is unambiguously fixed as defined by the Tribunal Award of 1968.

The creek itself is located in the uninhabited marshlands. During the monsoon season between June and September, the creek floods its banks and envelops the low-lying salty mudflats around it. During the winter season, the area is home to flamingoes and other migratory birds.

The dispute lies in the interpretation of the maritime boundary line between Kutch and Sindh. Before India's independence, the provincial region was a part of Bombay Presidency of British India. After India's independence in 1947, Sindh became a part of Pakistan while Kutch remained a part of India.

Pakistan lays claim to the entire creek as per paras 9 and 10 of the Bombay Government Resolution of 1914 signed between then the Government of Sindh and Rao Maharaj of Kutch.

The resolution, which demarcated the boundaries between the two territories, included the creek as part of Sindh, thus setting the boundary as the eastern flank of the creek. The boundary line, known as the "Green Line", is disputed by India which maintains that it is an "indicative line", known as a "ribbon line" in technical jargon. India sticks to its position that the boundary lies mid-channel as depicted in another map drawn in 1925, and implemented by the installation of mid-channel pillars back in 1924.

India supports its stance by citing the Thalweg Doctrine in International Law. The law states that river boundaries between two states may be, if the two states agree, divided by the mid-channel. Though Pakistan does not dispute the 1925 map, it maintains that the Doctrine is not applicable in this case as it only applies to bodies of water that are navigable, which the Sir Creek is not. India rejects the Pakistani stance by maintaining the fact that the creek is navigable in high tide, and that fishing trawlers use it to go out to sea. Several cartographic surveys conducted have upheld the Indian claim. Another point of concern for Pakistan is that Sir Creek has changed its course considerably over the years. If the boundary line is demarcated according to the Thalweg principle, Pakistan stands to lose a considerable portion of the territory that was historically part of the province of Sindh. Acceding to India's stance would also result in the shifting of the land/sea terminus point several kilometres to the detriment of Pakistan, leading in turn to a loss of several thousand square kilometres of its Exclusive Economic Zone under the United Nations Convention on Law of the Sea.

In April 1965, a dispute there contributed to the Indo-Pakistani War of 1965, when fighting broke out between India and Pakistan. Later the same year, British Prime Minister Harold Wilson successfully persuaded both countries to end hostilities and set up a tribunal to resolve the dispute. A verdict was reached in 1968 which saw Pakistan getting 10% of its claim of 9,000 km² (3,500 sq. miles).

The disputed region was at the center of international attention in 1999 after Mig-21 fighter planes of the Indian Air Force shot down a Pakistani Navy Breguet Atlantique surveillance aircraft over the Sir Creek on August 10,

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1999, killing all 16 on board. India claimed that the plane had strayed into its airspace, which was disputed by the Pakistani navy.

Though the creek has little military value, it holds immense economic gain. Much of the region is rich in oil and gas below the sea bed, and control over the creek would have a huge bearing on the energy potential of each nation. Also once the boundaries are defined, it would help in the determination of the maritime boundaries which are drawn as an extension of onshore reference points. Maritime boundaries also help in determining the limits of Exclusive Economic Zones (EEZs) and continental shelves. EEZs extend to 200 nautical miles (370 km) and can be subjected to commercial exploitation.

The demarcation would also prevent the inadvertent crossing over of fishermen of both nations into each others' territories.

Since 1969, there have been eight rounds of talks between the two nations, without a breakthrough. Steps to resolve the dispute include:

1. Allocation
2. Delimitation
3. Demarcation
4. Administration

Since neither side has conceded ground, India has proposed that the maritime boundary could be demarcated first, as per the provisions of Technical Aspects of Law of Sea (TALOS).However, Pakistan has staunchly refused the proposal on the grounds that the dispute should be resolved first. Pakistan has also proposed that the two sides go in for international arbitration, which India has flatly refused. India maintains that all bilateral disputes should be resolved without the intervention of third-parties.

(Please update from Current Affairs Notes)

The Kashmir Dispute:

The erstwhile native state of Jammu and Kashmir, having total area of 86,024 square miles, has been described as 'heaven on earth'. But, unfortunately it has been the cause of hostile relations between India and Pakistan even since the partition in 1947. This northern state was populated predominantly by Muslims and was ruled by a Hindu Maharaja, Hari Singh. Maharaja Hari Singh did not take any decision regarding state's accession before, or immediately after, August 15, 1947. Pending final decision, the Maharaja concluded a standstill agreement with Pakistan. India did not accept such a temporary arrangement. The Maharaja was planning to declare his state an independent country. However, Pakistan began building pressure for accession of Kashmir to that country. Supply of several important requirements to Kashmir was stopped.

Earlier, in July 1947, the Viceroy Lord Mountbatten had visited Kashmir for four days. According to Mountbatten, he pleaded on each of these four days, with Hari Singh to quickly take a decision to accede either to India or Pakistan. The Maharaja did not realize grating of the situation. He kept on evading discussion on accession. The Maharaja did not go to the airport to see Lord Mountbatten off when he was leaving for Delhi. The Maharaja sent a message that he was ill, but the Governor-General understood that Hari Singh was avoiding him. Mountbatten later regretted the Maharaja's indecision and said that had he decided before August 14, 1947 even to accede to Pakistan, India would have had no objection. Even Sardar Patel, the Home Minister, was reported to have told Mountbatten that India would have no objection if Kashmir voluntarily decided to join

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Pakistan. But Hari Singh's ambition and indecision created a dispute between India and Pakistan which is the gravest of international disputes in which India has even been involved.

Immediately before the attack by Pakistan-sponsored tribals on Kashmir began, a senior official of Pakistan Foreign Office visited Kashmir and tried to persuade Hari Singh to agree to join Pakistan. Maharaja refused to take any decision in haste. Soon thereafter the aggression began. The invaders were tribesmen from North-Western Frontier Province. They launched the attack on October 22, 1947 in a number of sectors. They were well-trained and equipped. Within a short period of five days they reached Baramula, just 25 miles away from Srinagar. It is only after the commencement of aggression that a nervous Hari Singh signed the Instrument of Accession in favour in India.

Maharaja Hari Singh requested India to accept the accession and send armed forced immediately to repulse the attack and save the State of Jammu and Kashmir. He admitted that he had only two alternatives either to allow the aggressors to loot the state and kill its people or to join India as a part of the Dominion. He pleaded with the Government of India to accept his request immediately. The accession of Jammu and Kashmir to India was finalized by October 27, and the army was airlifted to clear the aggressions. While accepting the accession of Jammu and Kashmir, India said that after the aggression is vacated wishes of the people of state would be ascertained on the question of accession. In a letter written by Lord Mountbatten to Hari Singh the latter was assures of all help for the security of the state, and promised that, "the question of state's accession would be settled by a reference to the people." But Pakistan refused to accept the accession. The Prime Minister of Pakistan, Liaquat Ali Khan said that, "the accession of Kashmir to India is a fraud perpetrated on the people of Kashmir to India is a fraud perpetrated on the people of Kashmir by its cowardly ruler with the aggressive help of the Government of India." It is strange that the aggressors chose to describe India's help, to victim of Pakistan's invasion, as aggression.

The Indian army moved rapidly and the invaders began to retreat, but because they were receiving all help and supplies from Pakistan the pace of success of Indian army was slow. India did not want an open war with Pakistan. On January 1, 1948 Indian brought the matter to the notice of the United Nations Security Council under Article 35 of the charter. India sought UN assistance to have Pakistan-supported aggression vacate. India had tried earlier to reason with Pakistan, but to no avail. So, she now charged Pakistan with "an act of aggression against India." Pakistan denied India's allegations, framed several charges against it, and declared that Kashmir's accession to India was illegal. Meanwhile, Indian army had vacated about half of the area earlier taken by the tribals.

Pakistan had installed a so-called Azad Kashmir Government in the territory occupied by the invaders. Even today Pakistan insists that the area under its control is independent, or Azad Kashmir. In March 1948, a very popular leader of the Valley, and a friend of Nehru, Sheikh Abdullah took over as the Prime Minister of Jammu and Kashmir. During the pendency of the dispute in the Security Council, Liaquat Ali Khan, the Prime Minister of Pakistan, announced that his government was willing to accept the proposal of plebiscite, but stipulated certain conditions on which Azad Kashmir Government could be persuaded to accept cease fire. Liaquat Ali wanted withdrawal of Indian troops and immobilization of State's security forces, substitution of Sheikh Abdullah's government by a coalition including representatives of Azad Kashmir, and then holding of plebiscite under international supervision. These conditions were totally unacceptable to India. Thus, began a never-ending conflict between India and Pakistan.

The decision of Nehru and his Government to offer a plebiscite, to ascertain the wishes of the people, was a serious mistake. It has been responsible for prolonged dispute, occasional border clashes and terrorist attacks. Thousands of jawans and civilians have been killed even after the formal ceasefire on January 1, 1949.

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After careful consideration, the Security Council appointed a three-member Commission on January 20, 1948. The Commission had one nominee each of India and Pakistan and the third member was to be chosen by the two nominees. India nominated Czechoslovakia and Pakistan's nominee was Argentina. As the two failed to agree on a third member, the Security Council nominated the United States as the third member. The Commission was to investigate and mediate in the dispute. The Security Council added two more members, Belgium and Colombia, by a resolution of April 21, 1948. The Commission was now called the United Nations Commission for India and Pakistan (UNCIP). The Security Council also resolved that Indian troops as well as tribesmen should be withdrawn, that an interim government, representing major political groups, be set up, and that the UNCIP should visit Jammu and Kashmir to exercise its good offices in helping the two countries restore peace and arrange a fair plebiscite. This resolution did not please either India or Pakistan.

The United Nations Commission for India and Pakistan (UNCIP) conducted enquiry, met representatives of both India and Pakistan and finally submitted a report on December 11, 1948. This report contained the following recommendations aimed at ending the hostilities and holding of plebiscite. First, Pakistan should withdraw its troops from Jammu and Kashmir as soon as possible after the ceasefire, and that Pakistan should also try for withdrawal of tribesmen and Pakistan nationals who are not ordinary residents of Kashmir. Second, the territory thus vacated by Pakistani troops should be administered by local officials under the supervision of the Commission. Third, after these two conditions are fulfilled and India is informed about their compliance by the UNCIP, India should also withdraw substantial strength of its troops. Finally, pending a final agreement India should maintain only such limited troops as should be essential for law and order.

After initial reluctance, Pakistan accepted these proposals and a cease fire agreement was signed which was implemented by the two commanders on the midnight of January 1, 1949. The war ended and a cease fire became effective. A plebiscite was to be held in Jammu and Kashmir after all the conditions stipulated by UNCIP were met. The Indian army war in a position to push the invaders out, and liberate the whole of state when suddenly the cease fire was announced. If the army would have got some more time, the entire state would have become free from invaders.

The cease fire line (now called the Line of Control) was drawn where the fighting ended. An agreement on cease fire line was reached in Karachi on July 27, 1947. It left 32,000 sq. miles of Jammu and Kashmir territory in possession of Pakistan which is called Azad Kashmir by Pakistan. It had 7 lakh (out of a total of 80 lakh) population. The UNCIP had recommended that disagreements between India and Pakistan over implementation of cease fire agreement would be brought to the notice of the Plebiscite Administrator, Admiral Chester Nimitz. India refused and the whole issue fell back on the Security Council. As Nimitz could not ensure compliance of UN resolutions regarding withdrawal of Pakistan troops, he resigned.

The Crisis of Bangladesh: India-Pakistan War of 1971:

The crisis in India-Pakistan relations over the upsurge in East Pakistan and the emergence of Bangladesh has been described as the most critical crisis. The background of the crisis was essentially an internal matter of Pakistan, but its consequences became vital for Indo-Pak relations. When India was partitioned in 1947, the basis for partition was religion. The Muslim majority areas in the West as well as East constituted the new state of Pakistan. Eastern wing was carved out of Bengal. Between the two wings of Pakistan there was about 1200 miles of Indian territory. Professor Dutt wrote: "Psychologically, emotionally and even physically, East Bengal's participation in the Muslim League's concepts of politics even before partition and in the emergence of Pakistan was minimal." The demand of Pakistan was largely made by the Muslims of U.P. and Bombay. The majority of Pakistani population lived in the East, but the country's politics was largely controlled by leadership in the West, particularly Punjab. The notion that Islam would unite the two parts and that it was one nation proved to be a

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myth. Languages and cultural traditions in the two parts of Pakistan were different. Rather than bringing about emotional integration, Pakistan's bureaucratic-military rulers sought to dominate East Bengal. Imposition of Urdu was totally unacceptable to people of East Pakistan. The immediate cause of conflict was denial of the office of Prime Minister of Pakistan to the leader of Awami League, Sheikh Mujibur Rehman, even when his party had won 160 out of 300 seats in Pakistan National Assembly elections held in December 1970. Meanwhile, President Ayub Khan had been replaced, in March 1969, by another army general Yahya Khan. The new President, in connivance with Pakistan People's Party leader Z.A. Bhutto, opted to crush the voice and choice of the people. This denial of the right to govern to democratically elected leadership became the cause of civil war in Pakistan leading to its breakup.

The details of developments leading to the Bangladesh crisis and Indo-Pak war are explained in Chapter 7 dealing with India's with Bangladesh. In the present section it will be sufficient to deal with matters directly concerned with India-Pakistan relations, the war of 1971 and Shimla Agreement. The National Assembly of Pakistan, elected in December 1970, was to frame a new Constitution within 120 days, but the Assembly session scheduled for March 3,1971 was put off after President Yahya Khan realized that Mujib's six-point programme would be adopted and this would be a setback to Yahya-Bhutto team.

Sheikh Mujibur Rehman was arrested and detained, rather than allowed to form the government. Unprecedented violence erupted in East Bengal where Pakistani Security forces let loose a reign of terror. Hundreds of thousands of people were killed and wounded and women in very large numbers were raped. About one crore people arrived in India as refugees. This brought India into the picture. In April 1971, people of East Bengal declared themselves as belonging to Bangladesh, an independent country. India could not remain a silent spectator when there was violence on its borders and millions of Bangladeshis were pouring in as refugees. Pakistan decided to wage a war against India both in eastern and western sectors.

The Awami League leadership in East Pakistan declared independence of Bangladesh on April 12, 1971. But, no country granted formal recognition to Bangladesh. This was the success of Pakistani diplomacy. Even India did not recognize Bangladesh because it did not want to provoke Pakistan. The Deputy High Commissioner of Pakistan based in Calcutta and 70 members of his staff cut of their relations with Pakistan, and declared themselves to be mission of independent Bangladesh. The new High Commissioner of Pakistan was greeted in Calcutta with demonstrations against him. India wanted to pull out its staff from Dhaka, but Pakistan created many difficulties. As diplomatic tension mounted and Bangla youth established a force, for independent state, called Mukti Bahini, Pakistani charged that India was responsible for the rebellion, and that Indian troops were being sent in the garb of Mukti Bahini.

Indian Prime Minister Mrs. Gandhi established contacts with all major Powers of the world to pressurize Pakistan to stop massacre of people in East Bengal so that Bangla refugees could be sent back to their homes. Mrs. Gandhi's visits to western capitals were not fruitful. The United States made it clear that if a war broke out between India and Pakistan and even if China supported Pakistan, India should not expect any aid from the United States, Pakistan President Yahya Khan repeatedly said that if India continued to encourage Bangla rebels, a war would soon commence. He said that Pakistan would not be alone in such a war. In such a situation India had to seek some powerful friend.

The Shimla Accord: Zulfiqar Ali Bhutto assumed office of Chief Marshal Law Administrator and President on December 20, 1971. He was leader of Pakistan People's Party which had won 80 seats in the National Assembly elections held a year earlier. He inherited a mutilated Pakistan. As President, Bhutto made numerous promises including his 'determination' to reunite Bangladesh with Pakistan. Several army commanders held responsible for Pakistan's defeat were removed from services and passport of many industrialists were seized. Sheikh Mujibur Rehman was released on January 8, 1972.

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After diplomatic level negotiations for several months, India-Pakistan Summit was held at Shimla in the end of June 1972. Mrs. Indira Gandhi and Mr. Z.A. Bhutto, assisted by their high-level delegations, held complex and extensive discussions on various issues arising out of the war, as well as on general bilateral relations. The issues ranged from the repatriation of prisoners of war, the recognition of Bangladesh by Pakistan, normalization of diplomatic relations between India and Pakistan, resumption of trade and fixation of international line of control in Kashmir. After prolonged negotiations, Bhutto agreed on essentially a bilateral approach to Indo-Pakistan relations. The accord signed at the end of Shimla Conference provided that both the countries would work to end the conflicts and disputes between them and pledged to work for lasting friendship in the sub-continent. With these objectives in view Indira Gandhi and Bhutto agreed to (i) seek peaceful solutions to disputes and problems through bilateral negotiations, and neither India nor Pakistan would unilaterally change the existing situation, and (ii) not to use force against each other, nor violate the territorial integrity, nor interfere in political freedom of each other.

The Gujral Doctrine and Pakistan:

When India initiated the policy of taking unilateral action to improve relations with the neighbours, the then Foreign Minister Gujral had gone virtually out of the way in the interest of lasting peace. India was aware of the fasct that the sub-continent had been locked-up in a dangerous nuclear face off, amassed our armies on both sides of the border and drained our scarce resources. As Raj Chengappa wrote (India Today, April 15, 1997), "The continuing hostility is one of the main reasons why we find ourselves amongst the poorest of poor countries in the world." Numerous rounds of bilateral talks till 1994 had borne no fruits. A new initiated was taken when fresh Foreign Secretary-level talks were convened in March 1997. But a former Pakistan diplomat Abdus Sattar said that the same record had been played again and again. Similarly, India's former Foreign Secretary J.N. Dixit opined that it had been the dialogue of the deaf where both sides were talking at each other rather than to each other.

A number of vital points of disagreement persisted. Firstly, India insists that legally and constitutionally Kashmir is a part of its territory, but Pakistan continued to insist that it is a disputed territory, and only a plebiscite can determine its status. Secondly, Kashmir is also a "battle of antithetical ideologies". For Pakistan, it is the specimen of its two nation theory and that Muslims cannot live as equals in a Hindu-dominated India. For India, Kashmir is critical for maintaining its secular national character. Thirdly, at diplomatic plane, Pakistan defines Kashmir as the core issue and insists on its solution before any other bilateral dispute is taken up. However, India believes that normalization of relations, including better trade and insists on its solution before any other bilateral dispute is taken up. However, India believe that normalization of relations, including better trade and confidence-building measures, should precede discussion on Kashmir. A suggestion is at times made, which envisages Line of Control in Kashmir to become international border. This suggestion was also made by Kashmir Chief Minister Dr. Farooq Abdullah, but political leadership in both countries is allergic to this proposal for each of public revolt.

Commenting on Gujral Doctrine of "larger neighbor giving more", I.K. Gujral said (before he took over as Prime Minister) in March 1997 that, "I am willing to take concessions on anything, except the sovereignty or secular character of our nation. That is on-negotiable. There will not be another partition of India." Very high hopes were raised by the friendly meeting that Prime Minister I.K. Gujral had with his Pakistani counterpart Nawaz Sharif in May 1997 at Male during ninth SAARC summit. The two leaders appeared to be determined to work seriously to find a solution to all the outstanding disputes between India and Pakistan. The two Prime Minister carefully avoided mention of Kashmir in all public statements and comments.

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The Gujral Doctrine was clearly sought to be applied by India in order to ease India-Pakistan relations and promote people to people contact between the two countries when, as Foreign Minister, I.K. Gujral had announced certain measures unilaterally in March 1997. A series of measures easing visa restrictions for Pakistani nationals were announced as "unilateral gesture of goodwill."

Vajpayee's Second Gamble: Setting aside his opposition to talk to a military ruler, Vajpayee decided to invite General Parvez Musharraf to India for talks. This was "Vajpayee's second gamble in about two year on changing India's relationship with Pakistan." Musharraf, who was Chief Executive, in addition to being Chief of Army Staff, made the Pakistani President resign on the eve of his visit to India, and he assumed the Presidency of Pakistan himself. General Musharraf was warmly welcomed in India, with lot of media hype in the hope of the beginning of a new chapter in the bilateral relations. The talks between Vajpayee and Musharraf, assisted by their respective high power delegations, took place in Agra. The Pakistani President insisted on right of self-determination for the people of Jammu and Kashmir which, according to him, was denied by India. He talked of the "core issue" of Kashmir, and harped on "repression of the people of state by India." He refused to accept that there was any cross-border terrorism from Pakistani side. He told, not only his Indian hosts, but even the media in a directly telecast press conference, that the violence in Kashmir was nothing but "freedom struggle" by the suppressed people of the state. This was totally nature and unacceptable to India. The talks failed, and even a joint declaration could not be issued.

C. Raja Mohan summed up the outcome of Agra talks thus: "July 2001 is likely to go down as the cruelest month Atal Behari Vajpayee ever endured in his foreign policy endeavour … After two days and nights of negotiations at Agra, Vajpayee realized his attempt at finding a breakthrough with Pakistan has collapsed, yet again. Indian Prime Minister refused to sign the joint declaration. Whatever was contained in the draft declaration was destroyed by Musharraf in his press conference in the morning by publicly blaming India for 1971 events leading to independence of Bangladesh, blaming India for, so called, suppression in Kashmir and denial of self-determination, and by supporting Pak-sponsored jihadis as "freedom fighters". As Raja Mohan concluded, "Vajpayee's famous silence became even longer as the voluble general kept pushing the piece of paper in front of him. Vajpayee had made up his mind. The general had overplayed his hand and undermined the prospects for a broad agreement on initiating a comprehensive dialogue between the two nations."

Prime Minister Vajpayee's Lahore initiative had been, as already mentioned, destroyed by Musharraf as Chief of Army Staff of Pakistan. Vajpayee's second gamble again met with Pakistani leader's adamant and provocative attitude. The quote C. Raja Mohan again:

> Vajpayee thought he was being generous in his hospitality and the political substance that he was offering. The swaggering general saw this generosity as weakness, and he was determined to collect as much as he could for the investments his army had made in bleeding India for more than a decade in Jammu and Kashmir. Vajpayee's peace initiative turned to ashes …

While the then US President Clinton was opposed to the military dictatorship in Pakistan, his successor George W. Bush was placed in a situation in which he decided to befriend Pakistan and go out of the way to please the military ruler. A massive terrorist strike took place on the US territory on September 11, 2001. Well-trained suicide-bombers hijacked four American aircraft full of fuel and large numbers of passenger and crew. Two of these aircraft were struck against the 108-storied twin towers of the World Trade Center in New York. The Centre was fully destroyed and over 7000 innocent people were killed. This included hundreds of people of Indian origin. A third plane was struck, the same morning, against a portion of Pentagon building in Washington D.C. The fourth plane was saved by a vigilant lady passenger and made to miss its target, the US President's residence the White House. The US intelligence had completely failed, and the airport security proved to be totally ineffective. President Bush and his administration concluded that the unprecedented terrorist and

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supported by Pakistan, the Al Qaeda leadership were guests of the then Afghan fundamentalist rulers, the Taliban trained by Pakistan initially to fight against the Soviet forces, but later they had imposed severe rules, particularly on Afghan women, and were fighting against the government of President Rabbani. The Rabbani Government, recognized worldwide, had been forced to flee into the North with just five per cent territory left in its hands.

President Bush decided to organize an international coalition to attack the Taliban regime and its Al Qaeda supporters. Bush sought and got full support from Pakistan President Musharraf. Pakistan was the creator of Taliban and had been ignored by Clinton Administration. Musharraf grabbed the opportunity of winning over the support and friendship of the United States. Musharraf provided all assistance to Bush. Within short period of two months, beginning October 8, 2001, the Talibans were defeated, and their leaders as well as Obama were on the run. But the leaders could not be arrested. Afghanistan was apparently freed from terrorists. In the process Pakistan was the biggest beneficiary. It was emboldened and cross-border terrorism against India was increased so much that India had to prepare itself for a war against Pakistan.

Large number of innocent men, women and children, as also the men of security forces were killed in the renewed terrorism against India. Thus, on October 1, 2001 an attempt was made to destroy the Kashmir State Secretariat in Srinagar through a car-bomb explosion. The worst happened on December 13, 2001 when five very-well armed terrorists (all Pakistani nationals) tried to sneak into the Parliament House in New Delhi, when the Parliament was in session. Alert security men posted outside the Parliament House building challenged and engaged the terrorists in a big gun battle. Eventually all the five terrorists, including one human bomb, were killed. Seven of brave Indian security personnel lost their lives, but they save India's top political leadership and the Parliament House. Indian martyrs included one brave police woman.

There was clear proof of the terrorists being Pakistani nationals, yet Pakistan shamelessly called them Kashmiri freedom fighters. A number of persons arrested by police in Delhi as conspirators in this crime also gave evidence of Pakistani involvement. However, Pakistan refused to claim the bodies of killed terrorists just as many bodies of enemy killed in Kargil conflict earlier (1999) were not claimed. Indian could not tolerate this direct threat to its democracy. India withdrew its High Commissioner from Islamabad, and later asked Pakistan to recall its Deputy High Commissioner Gilani when his involvement in supplying money to terrorists was established after the arrest of a woman terrorist coming out of the High Commission of Pakistan in New Delhi. Soon after December 13 attack, India refused over flights of Pakistani aircraft, and cancelled its own flights using Pakistani airspace. The Delhi-Lahore bus service and Samjhauta Express were cancelled. India mobilized its troops on the international border as well as the Line of Control. India mobilized its troops. By the summer of 2002 a war between the two neighbours appeared imminent, but international concern and slight improvement in environment led India to withdraw its forces after they remained mobilized for almost ten months.

Even when the two armies stood face and international concern was being daily expressed Pakistan-sponsored terrorism kept bleeding innocent Indians. For example, terrorists managed to sneak into the famous Akshardham Temple in Ahmedabad. They fired indiscriminately, killing and wounding innocent Indians. Later, however, police managed to kill the terrorists. A similar incident took place in Raghunath Temple, in Jammu. One several occasions terrorists managed to take shelter in one mosque or the other. In practically all cases, the police had the last laugh as the security forces killed the terrorists without damaging the places of worship. In other incidents, the alert security forces killed two terrorists in the parking lot of New Delhi's Hans Plaza Complex before they could succeed in exploding the bombs and killing large number of shoppers. Their lives were saved. Intelligence sources were getting reports of terrorist plans to kill the Prime Minister and other leaders; and blow up places like the India Gate in Delhi, the Parliament House and the Gateway of India in Mumbai. In March 2003, Uttar Pradesh police arrested two terrorists in Muzaffarnagar after the intelligence

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report of their plan to make a bid on India Gate and other places in the capital through fidayeen attacks. A dreaded terrorist was killed in Noida on the outskirts of Delhi.

Meanwhile, free and fair elections were conducted in the State of Jammu and Kashmir in 2002. Pakistan carried out massive propaganda through its modules in the State in asking people to boycott the elections. Violence was also taken to high pitch. But, people of Jammu and Kashmir braved all threats and use of force and came out in large numbers to vote. International community all over acclaimed the fairness of the elections. People voted freely and without fear and changed the state government. Participation of people in the elections was universally recognized as willing participation of people in the elections was universally recognized as willing participation of people in democratic process, giving a lie to Pakistani propaganda that the right of self-determination was being denied to be people of the state. The Prime Minister Mr. Vajpayee highlighted this point at NAM Summit at Kuala Lumpur in February 2003 in reply to General Musharraf's parrot-like allegation of suppression of Kashmiri people by India, denial of their rights and freedom and torture by the Indian security forces. Vajpayee gave a fitting reply in very strong words to Pakistani President's false allegations even in the 58th sessions of the United Nations General Assembly in September 2003. Indian Prime Minister reiterated that the people of the state had confirmed the accession of the State way back in1956 through their freely framed Constitution, and frequent elections held including the Assembly election held in 2002. Prime Minister Vajpayee described this as proof of "determination and self-determination" of the people of Kashmir.

Meanwhile, the world leaders have been directly or indirectly condemning the cross-border terrorism. The Russian President Mr. Putin in December 2002, through the New Delhi Declaration, directly called upon Pakistan to end the cross-border terrorism. France, Germany, Vietnam are among many nations who see the reality of terror against India. The NAM Summit at Kuala Lumpur in February 2003 deplored the proxy war, and refused to endorse Pakistani President's argument that that freedom struggle must be distinguished from terrorism. The former US Ambassador to India Mr. Rober Blackwill (who returned home in mid-2003 to take up an important assignment in Bush Administration) made no secret of his conviction that militancy from across the border was continuing, and that it must end. Even President Bush was reported to have told Musharraf on the sidelines of UN General Assembly in September 2003 that he would have to stop terrorism both against India and Afghanistan. The Afghan President, Hamid Karzai, was very critical of the continued support to Taliban from certain quarters in Pakistan, though he did not directly blame the government of Pakistan.

India has always been keen for friendship with Pakistan. Even in April 2003, Prime Minister Vajpayee once again extended his hand of friendship during his visit to Kashmir. India agreed to exchange High Commissioners, encourage people of people contacts by liberating visa facilities, reintroduction of Delhi-Lahore bus service, and initiate dialogue for resumption of over-flights. But, Pakistan created difficulties in resumption of over-flights. As Pakistan did not stop harping on "denial of rights to the people of Kashmir", nor did the cross-border terrorism stop, India felt disgusted and disappointed. Vajpayee, therefore, told the international community in his address to the General Assembly in September 2003, that India would not talk to the terror. He said that the world did not talk to A1 Qaeda and Taliban before taking action against them, then why did the world expect India to talk to the sponsors of terrorism. He said that India would talk to Pakistan on 'other issues' after the cross-border terrorism ended or after 'we crush' this. Vajpayee's third peace initiative appeared to be heading to yet another road-block, but Vajpayee-Musharraf Joint Statement of January 6, 2004, on the sidelines of SAARC Summit, again pledged to renew the peace process.

The U.P.A. Government headed by Dr. Manmohan Singh not only pursued vigorously the normalization process, but also initiated several other measures for people-to-people contact, and for resolution of several outstanding problems between India and Pakistan, including, what Pakistan calls, the core issue of Kashmir. Dr. Singh and President Musharraf had a number of meetings, for example on the sidelines of UN General Assembly sessions, and when Indian Prime Minister invited President of Pakistan to watch the India-Pakistan one-day cricket in New

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Delhi in April 2005. Commenting on the discussion and the joint statement issued by the two leaders, Manmohan Singh told the Parliament that good progress had been made through "confidence building measures, people-to-people contacts, and enhancing areas of interactions …" The two countries had agreed on enhanced bilateral economic and commercial cooperation. India and Pakistan agreed to restore the rail link between Khokhrapar and Munnabai to facilitate people of Sind (Pakistan) and Rajasthan to visit their relatives and friends and improve trade and commerce.

Earlier, a Srinagar-Muzaffarbad bus service was started (April 2005) to link the capital of Jammu and Kashmir with the Pakistan Occupied Kashmir (POK).

Pakistan has always insisted on resolution of the problem of Kashmir, and President Musharraf even suggested division of the state on the basis of religion with Tehsil being the unit of determination of the future of a territory. The suggestion was to have the Muslim majority areas of Kashmir and Muslim Majority Tehsils of Jammu to constitute one unit, the Hindu majority tehsils of Jammu and Buddhism majority tehsils of Ladakh to be separate units. They yet another partition of the state on communal lines was totally unacceptable to India, and was rejected. Manmohan Singh made it clear to Musharraf that redrawing of boundaries was out of the question.

In an interesting development, former deposed Pakistan Prime Minister Nawaz Sharif alleged in 2006, that during Kargil conflict in 1999, when he was the Prime Minister, Parvez Musharraf (then Chief of Army Staff) had even deployed nuclear weapons to be used against India. This highly provocative action was taken by Musharraf without the consent, or even, knowledge of the then Prime Minister. The Former Prime Minister, living in exile, said that he did not know anything about deployment of nuclear weapons, by Pakistan army chief, till this information was given to him by the then US President Bill Clinton.

It is not easy to trust a person (Musharraf) who could plan a nuclear attack on India (in his own creation of Kargil crisis), and who could keep his own Prime Minister in the dark about it, and later depose and arrest him.

Meanwhile, despite commitment made to Vajpayee by Pakistan in January 2004 that the territories under its control would not be allowed to be used for the promotion of terrorism, cross-border terrorism has continued unabated both in Kashmir and elsewhere in the country line Delhi, Mumbai, Varanasi, and other places. The bombing in Delhi on Diwali eve in Delhi in 2005, and serial bombing in Mumbai on July 11, 2006 in the local trains had devastating effect on the peace process between India and Pakistan. Expulsion of an innocent Indian diplomat by Pakistan in August 2006 further aggravated the situation.

Surprisingly, President Musharraf and his foreign Minister Kasuri have been arguing that until the Kashmir dispute was resolved (meaning until Pakistan got Kashmir), militancy could not be checked. On the one land Pakistan kept on saying that it had no hand in terrorist activities in India, on the other it implies continuation of terrorism (and killing of hundreds of innocent people) against India would ends only if Kashmir issue is solved. This argument is enough to convince the impartial observes that terror in India had direct links and roots in Pakistan.

In mid-2006 Indo-Pak relations were in peculiar situation of formal peace process, including composite dialogue, not being abandoned, yet terrorism not being destroyed by Pakistan. After Mumbai serial bombing 11/7 India decided to postpone scheduled Foreign Secretary level talks, without calling off the peace process. Public anger forced the government in India to adopt tough stance on the question of terrorism.

The Pakistani President was asking proof its agencies' role in serial bombings in Mumbai in July 2006, yet on a number of occasions in the past India had provided proof of continued terrorist training camps in Pakistan and POK with no evidence of Pakistan taking any steps to end cross-border terrorism, killings of security forces'

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personnel and civilians in Jammu and Kashmir and repeated terrorist attack in other parts of the country including Delhi and Mumbai.

Meanwhile, composite dialogue at the officials' level to find solution to problems like Kashmir issue, peace and security, demilitarization of Siachin Glacier, demarcation of border of Sir Creek in Rann of Kutch, terrorism and militancy and, economic and commercial cooperation, border issues and Tulbul Project etc. was off and on going on. Just as Kashmir issue eluded a settlement, the other 'lesser important' problems also remained unsolved. Pakistan's insistence on the solution of "core" issue of Kashmir and its alleged support to terrorism were at the root of continued stalemate, in spite of confidence building measures and repeated attempts at peace process by India.

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TEST 3

Q.1. Role of International Bodies in resolving Indo Pak Disputes (200 words)

Q.2. Kishanganga Dispute Resolution (200 words)

Q.3. Recently announced Confidence Building Measures between India and Pakistan (200 words)

Q.4. Water woes: Indo-Pak (200 words)

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Chapter 4

India and Its Neighbours: China

Tibet:

Tibet touches the Indian borders in the north. Besides India, its southern borders touch Nepal and Burma, and in its north is Sinkiang, a province of China. It covers an area of about 47,000 sq. miles and is located so high in the Himalayas that it is often described as the roof, or terrace, of the world. Its political system was based on Buddhist faith. Its spiritual head, the Dalai Lama was also the temporal or political chief of the country. Tibet's social system resembled feudal order and its political connections with China were vague and varied from time to time.

Tibet was a powerful state for a long time. However, during the eighteenth century a conflict on the succession of the sixth Dalai Lama occurred between the Tibetans and the Mongols. China occupied Lhasa, the capital of Tibet and selected the seventh Dalai Lama of its choice. Tibet was recognized as part of China during most of the nineteenth century. In 1890, British rulers of India concluded a treaty with China demarcating the Indo-Tibetan border. This treaty was rejected by Tibetan rulers. Meanwhile, Russia had begun to interfere in Tibetan affairs with a view to bring it under its influence. Lord Curzon, who was Governor-General of India, sent British Indian troops, under the command of Young Husband, in 1904 to check Russian influence and bring Tibet under the British Husband, in 1904 to check Russian influence and bring Tibet under the British Umbrella. The Dalai Lama fled to China. In 1906 British India concluded a treaty with China whereby Britain accepted Chinese suzerainty over Tibet. This 'dictated' treaty also provided that a British Agent would be posted in Lhasa and India would construct postal system up to Gyangtse. India also acquire the right to maintain troops in Tibet for the protection of trade routes. Anglo-Russian differences pertaining to Tibet were sorted out by an Entente signed in 1907, whereby both Britain and Russia accepted Chinese suzerainty in Tibet. Both the Powers also agreed that they would deal with Tibet only through China.

After the Chinese revolution of 1911, led by Dr. Sun Yat-sen, Tibet forced the Chinese troops to leave the plateau. Subsequent attempts by China to reestablish its authority failed. A meeting was held at Shimla in 1914 which was attended by the representatives of Britain, China and Tibet. This meeting confirmed the Chinese suzerainty, but divided Tibet into two parts — Outer Tibet and Inner Tibet. The autonomy of Outer Tibet was accepted, and China agreed not to interfere in its internal affairs, nor give it representation in Chinese parliament, nor station its troops nor appoint its civil servants, nor to turn it into a Chinese colony. During 1933-39 KMT China made repeated attempted to regulate Tibet's foreign affairs and even to regulate its domestic policy.

At the end of the Second World War, Chinese were unable to exercise their control over Tibet. Tibet insisted that it was an autonomous country. India was interested in an autonomous Tibet, which could be treated as a buffer state between British India and China. As civil war began in China between the KMT and the communists, Tibet's status remained rather vague.

The government of newly established People's Republic of China (PRC) announced on January 1, 1950 that one of the basic tasks of People's Liberation Army would be to 'liberate' Tibet. This determination was later reiterated by prominent Chinese leaders. When the Indian Ambassador K.M. Panikkar met Chinese Premier Chou En-lai to seek clarification, the Chinese Prime Minister made it clear that the 'liberation' of Tibet was 'a sacred duty' of China, but this government would seek its goal through negotiations, not by military action. India was satisfied with this assurance and suggested direct China-Tibet talks, when Dalai Lama sought India's assistance.

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In October 1950, India learnt that China had launched a full scale invasion of Tibet. India protested and expressed 'surprise' and 'regret' at the Chinese action, particularly in view of Chinese assurance that the issue would be peacefully resolved. The Chinese Government rejected India's protest, and accused India of being influenced by the imperialist Powers. India, in turn, recognized Chinese suzerainty and said that it had no intention of interfering in China's internal affairs. The Dalai Lama left Tibet and then made unsuccessful attempts to raise the Tibetan issue in the United Nations. China refused to accept Tibetan autonomy. Eventually an agreement was signed by China and Tibet on May 23, 1951, which recognized full Chinese sovereignty over Tibet with limited Tibetan autonomy in certain matters. India's desire of full Tibetan autonomy within Chinese suzerainty was not fulfilled. The agreement promised Tibetan 'autonomy' but provided that China would regulate Tibet's external relations; that Chinese army would be posted in Tibet for its meaningful defence, for reorganization of the Tibetan army and to eventually merge it in the Chinese Army; that full respect would be given to the Dalai Lama who could return to Lhasa; that there would be full religious freedom in Tibet; that China would cooperate in Tibet's development; and that an administrative and military mission of China would be based in Tibet. Thus, Tibet became, for all purposes, a Chinese territory.

India was criticized in several quarters both at home and abroad for having abdicated its legitimate interests in Tibet and for having sacrificed Tibetan autonomy in order to please the Communist rulers of China. India's Tibet policy has still remained an item of severe criticism.

The Panchsheel Agreement: India was disappointed at China's Tibet policy. But, it did not allow its friendship with China to be adversely affected. India continued to support China's demand for representation in the United Nations, not only at this stage but even during and after China's aggression on India in 1962. During the latter part of Korean crisis (1950-53) China appreciated India's principled stand. Negotiations started for a comprehensive trade agreement between India and China. These resulted in the signing of an agreement by India and China concerning trade and intercourse between the "Tibet Region of China" and India. This agreement was signed on 29 April 1954, or a period of eight years. India surrendered its extra-territorial rights in Tibet, and accepted China's full sovereignty over Tibet. Thus, it was accepted that Tibet was a region of China. India gave up the right to station Indian army units in Yatung and Gyangtse, rationalised arrangement for border trade and pilgrimage. India also surrendered its control over post and telegraph administration in Tibet. The five principles of Panchsheel (see below) were also incorporated in the agreement. The Trade Agreement was followed by visits of Chinese Prime Minister Chou-En-lai to India in June 1954 and of Prime Minister Nehru to China in October. The two Prime Minister were warmly received in the host countries.

At the end of Premier Chou's visit to New Delhi (June 1954), the Prime Ministers of India and China issued a joint statement emphasizing the five principles to guide and regulate the bilateral relations between the two neighbours. If formalized the famous five principles popularly known as the Panchsheel. The five principles are:

1. Mutual respect for each other's territorial integrity and sovereignty;
2. Mutual non-aggression;
3. Mutual non-interference in each other's internal affairs;
4. Equality and mutual benefit; and
5. Peaceful co-existence.

Nehru and Chou, besides reaffirming their faith in the five principles of Panchsheel, agreed that Tibet was a part of People's Republic of China. The five principles of Panchsheel were adopted by the Bandung Conference (1955) with minor modifications. The principles were later adopted by many countries as the basis of their bilateral relations.

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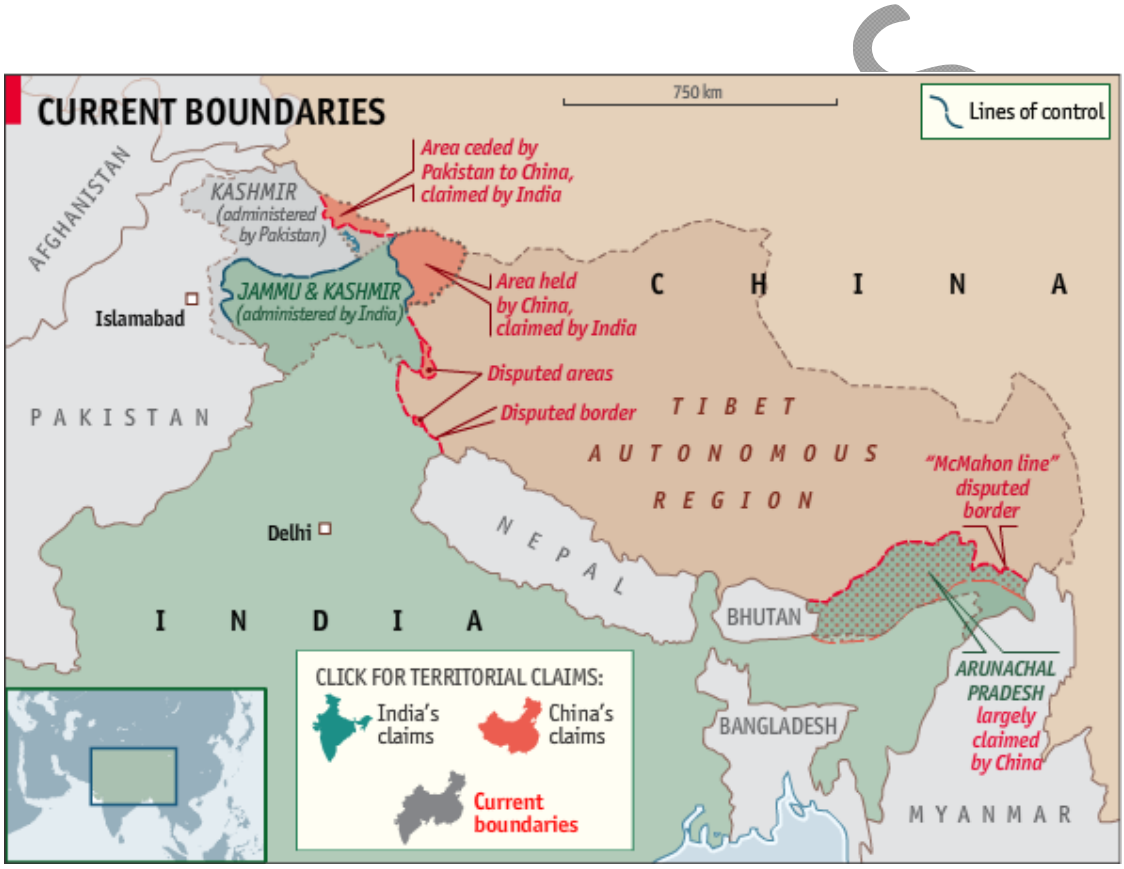
The Border Disputes:

The McMahon Line: This is the boundary line between the two countries, east of Bhutan, India has always treated the McMahon Line as the lawfully demarcated border between India and China. But, China condembed it as 'imperialist line'. The McMahon Line was determined in 1914 at a conference of the representatives of British India, Tibet and China, held at Shimla. The conference was held to sort out border difference between Nepal, Bhutan, Sikkim and Tibet. The Secretary of State for India (in British Cabinet) Arthur Henry McMahon represented India in the Shimla Conference. An agreement was concluded which divided Tibet into Inner Tibet and Outer Tibet (see above). The boundary between Outer Tibet and India was demarcated at the high mountain peaks. The line was drawn on the suggestion of McMahon who himself drew a line by a red pen on the map. The line so drawn came to be known as the McMahon Line. It is in a way natural boundary also as it passes through Tibet Plateau in the north and Indian hills in the South. The map was signed by representatives of British India, Tibet and China. But, the Chinese Government did not ratify it. Nevertheless, no government of China ever disputes this boundary line; India always accepted it.



Ladakh: Ladakh is, and has always been, a part of the State of Jammu and Kashmir. The State was under British paramountcy till independence and later acceded to India, as an integral part of this county. Although Ladakh-China border was not demarcated by any treaty, yet India and China have accepted the existing boundary for centuries. This boundary was always shown by India in its maps. The tourists who came to India from time to time also mentioned this border in their writings. It was made clear in a note sent by India to China in 1899 that Aksai Chin was a part of Indian territory. The revenue records of the State of Jammu and Kashmir also confirm that Aksai Chin was always a part of Ladakh region of Jammu and Kashmir.

Sikkim: There was another vexed problem. China had refused to accept Sikkim as a part of India right from the time the tiny Himalayan state had formally merged in 1975 and became one of the states of Indian Union. Beijing (Peking) had then castigated it. However, lately the Chinese had played down the question of Sikkim. Throughout mid- 1990s, China sent, in the words of C. Raja Mohan, "tantalizing signals that it was prepared to recognize the state as part of India" (see below). The state had been a part of India now for nearly three decades. It was expected that China wanted India to categorically declare that Taiwan and Tibet were integral parts of China, before the latter could prepare a roadmap for recognition of Sikkim as part of India. In fact India has never questioned China's claim over Taiwan. In regard to Tibet, India does recognize it as an autonomous region of Chin since the signing of Panchsheel Agreement in 1954. During Vajpayee visit, the Prime Minister put a new spin by stressing "Tibet autonomy" within China. A way out for Sikkim was found. The two countries agreed to a new trade route between them through Sikkim and Tibet, implying that China "accepted" Sikkim as an Indian state, without clearly saying so, and Tibet has always been accepted by India as a Chinese territory while emphasizing its autonomy. Thus, both on the question of the border and Sikkim, the Prime Minister said that India and China were moving in right direction. He said: "The road ahead is a long one, but a good beginning has been made."

A note on Indo-China Border Dispute:

INDIA and China, home to 40% of the world's people, are often unsure what to make of each other. Since re-establishing diplomatic ties in 1976, after a post-war pause, they and their relationship have in many ways been transformed. A war in 1962 was an act of Chinese aggression most obviously springing from China's desire for a lofty plain that lies between Jammu & Kashmir and north-western Tibet.

The two countries are in many ways rivals and their relationship is by any standard vexed as recent quarrelling has made abundantly plain. If you then consider that they are, despite their mutual good wishes, old enemies, bad neighbours and nuclear powers, and have two of the world's biggest armies with almost 4m troops between them this may seem troubling. One obvious bone of contention is the 4,000km border that runs between the two countries. Nearly half a century after China's invasion, it remains largely undefined and bitterly contested. The basic problem is twofold. In the undefined northern part of the frontier India claims an area the size of Switzerland, occupied by China, for its region of Ladakh. In the eastern part, China claims an Indian-occupied area three times bigger, including most of Arunachal. This 890km stretch of frontier was settled in 1914 by the governments of Britain and Tibet, which was then in effect independent, and named the McMahon Line after its creator, Sir Henry McMahon, foreign secretary of British-ruled India. For China which was afforded mere observer status at the negotiations preceding the agreement the McMahon Line represents a dire humiliation.

China also particularly resents being deprived of Tawang,which though south of the McMahon Line was occupied by Indian troops only in 1951, shortly after China's new Communist rulers dispatched troops to Tibet. This district of almost 40,000 people,scattered over 2,000 square kilometres of valley and high mountains, was the birthplace in the 17th century of the sixth Dalai Lama (the incumbent incarnation is the 14th). Tawang is a centre of Tibet's Buddhist culture, with one of the biggest Tibetan monasteries outside Lhasa. Traditionally, its ethnic Monpa inhabitants offered fealty to Tibet's rulers.

Making matters worse, the McMahon Line was drawn with a fat nib,establishing a ten-kilometre margin for error, and it has never been demarcated. With more confusion in the central sector, bordering India's northern state of Uttarakhand, there are in all a dozen stretches of frontier where neither side knows where even the disputed border should be. In these "pockets", as they are called, Indian and Chinese border guards circle each other endlessly while littering the Himalayan hillsides as dogs mark lampposts to make their presence known.

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Despite several threatened dust-ups including one in 1986 that saw 200,000 Indian troops rushed to northern Tawang district there has been no confirmed exchange of fire between Indian and Chinese troops since 1967. It would be best if the two countries would actually settle their dispute, and, until recently, that seemed imaginable. The obvious solution, whereby both sides more or less accept the status quo, exchanging just a few bits of turf to save face, was long ago advocated by China, including in the 1980s by the then prime minister, Deng Xiaoping. India's leaders long considered this politically impossible. But in 2003 a coalition government led by the Hindu-nationalist Bharatiya Janata Party launched an impressive bid for peace. For the first time India declared itself ready to compromise on territory, and China appeared ready to meet it halfway. Both countries appointed special envoys, who have since met 13 times, to lead the negotiations that followed. This led to an outline deal in 2005, containing the "guiding principles and political parameters" for a final settlement. Those included an agreement that it would involve no exchange of "settled populations" which implied that China had dropped its historical demand for Tawang.

Yet the hopes this inspired have faded. In ad hoc comments from Chinese diplomats and through its state-controlled media China appears to have reasserted its demand for most of India's far north-eastern state. Annoying the Indians further, it started issuing special visas to Indians from Arunachal and Kashmir. In fact, the relationship has generally soured. Having belatedly woken up to the huge improvements China has made in its border infrastructure, enabling a far swifter mobilisation of Chinese troops there, India announced last year that it would deploy another 60,000 troops to Arunachal. It also began upgrading its airfields in Assam and deploying the Sukhois to them. India's media meanwhile has reported a spate of "incursions" by Chinese troops.

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TEST 4

Q.1. India: A challenge to rising China (200 words)

Q.2. China: A challenge to rising India (200 words)

Q.3. India's border disputes with China (200 words)

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Chapter 5

India and its Neighbours: Nepal, Bangladesh and Sri Lanka

Indo- Nepal:

Indian strategists and policy makers consider Nepal as critical to India's security. The British Indian Empire saw Nepal as the buffer with China and after 1947 India continued with that policy. Any signs of close ties between Nepal and China are anathema to New Delhi.

While Nepal and India have close historical, religious and cultural ties, Nepal's strategic ties with India date to the Treaty of Sugauli of 1816 signed between the Nepalese monarch and the British East India Company. As per the treaty, large parts of the Nepalese kingdom (including parts of present day Uttaranchal, Himachal Pradesh and Sikkim) were annexed by the British empire, a British resident was stationed at Kathmandu, Nepal agreed to defer to the British with respect to its foreign policy and Gorkhas were recruited in large numbers by the British for military service. Nepal regained some of the lost territory when the monarch helped the British during the 1857 uprising. However, even today Nepal lays claim to certain parts of Indian territory, like Kalapani, along the India-Nepal border.

Modern day India and Nepal signed a Treaty of Peace and Friendship in 1950 which in addition to respecting each other's sovereignty and territorial integrity granted rights to Nepalese and Indian citizens to reside and work (and even obtain citizenship) in India and Nepal respectively.

Treaty of Peace and Friendship, 1950: India was keen to redefine Indo-Nepalese relations on the basis of sovereign equality and good neighbourly relations between the two. After about nine months of diplomatic activity and negotiations, a Treaty of Peace and Friendship was finally concluded between India and Nepal on July 31, 1950. It was clearly provided in the Treaty that, "neither government shall tolerate any threat to the security of the other by a foreign aggressor," and the two countries promised to "consult each other and device effective counter-measures" in case of any threat from a third country. Nepal would ordinarily purchase war equipment from India. The treaty provided that Nepal would consult India before buying war material from any other country. After such consultation Nepal would "import from or through the territory of India, arms, ammunitions, or warlike material and equipment necessary for the security of Nepal." Indo-Nepalese relations have been based on this treaty.

After the signing of the treaty, India established seventeen check-posts to watch the passes between Tibet and Nepal and Bhutan. These posts were jointly manned by Indian and Nepalese personnel. An Indian military mission was also established in Kathmandu for the organization and training of Nepalese army.

The special relationship between India and Nepal was further underlined by the conclusion of a Treaty of Trade and Commerce, signed on the same day; i.e., July 31, 1950. India agreed to make available to Nepal, to the maximum extent possible, commodities essential to its economy, also secure their routes and method of transportation which were the most convenient and economical. The arrangements were reciprocal, but India was keen to help develop the economy of Nepal. As Nepal's "full and unrestricted right of commercial transit of all goods and manufactures through the territory and parts of India." There were two other important provisions. The treaty provided for fixing the same level of import duties on items imported from third countries. Nepal also agreed to levy on ground produce in that country, for export to India, export duties at rates that would enable Nepalese goods to be sold in India at prices not lower that the prices on which goods produced in

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India were sold. Thus began an era of extensive economic cooperation and of economic assistance by India to Nepal.

Nehru was keen that Nepal must enjoy all the attributes of independence and sovereignty. Even during democratic movement against the autocratic regime of Ranas, India adopted the attitude of restrain and patience.Indian National Congress which had been in power at the Centre since 1947 was not only defeated and voted out of power, but even Prime Minister Indira Gandhi lost her seat in the Lok Sabha elections held in early 1977. The Janata Party Government that took over under the Prime Ministership of Morarji Desai pledged to give highest priority to friendly relations with India's neighbours. Foreign Minister Vajpayee reiterated India's revolve to improve relations with neighbours and forget the misunderstanding and tensions of the past. Without sacrificing India's national interests, Janata Government sought to undertake confidence-building measures with the neighbours.

The Desai Government tried to strengthen the cultural ties between India and Nepal. Prime Minister Desai's visit to Nepal opened the path for finding solution of the pending problems. Two trade agreements were concluded at the end of the visit. Nepalese Prime Minister Bista acknowledged in April 1978 that Indo-Nepalese relations had never been as cordial as they were at that time. India made no comments and took no action when movement for democracy began in Nepal. This was done to underline India's resolve not to interfere in the internal affairs of neighbouring countries.

The friendly relations with Nepal were further consolidated after Mrs. Gandhi returned to power in 1980. King Birendra visited India in 1981 and the visit was returned by President Sanjiva Reddy the same year. The King once again pressed for the acceptance of Nepal as the zone of peace but India stood for the entire sub-continent, or entire South Asia, as zone of peace. Being a big Power, and a neighbor of Nepal, China had been taking keen interest in Nepal. China had been trying to widen the rift between India and Nepal whenever tension developed in the bilateral relations. However, India continued to be Nepal's main trading partner. During 1984-85 Nepal's percent of total export-import trade was with India. Most of the goods produced in India and needed by Nepal are usually made available without much difficulty.

India and Nepal became founder-members of South Asian Association of Regional Cooperation (SAARC), set up in 1985. This further strengthened the bilateral trade and commerce. The decision to establish SAPTA to enable preferential trading within 7-nation SAARC was submitted lists of goods to be traded on preferential terms within South Asia and it was decided in 1997 that SAPTA would be replaced by SAFTA by 2001 AD to ensure for trading in the region.

When the Treaty of Trade and Transit expired in 1989 the Indo-Nepalese relations were once again strained. At that time Nepali Congress was engaged in struggle for multi-party democracy in Nepal. The King suspected that the Nepali Congress had the support of a good section of Indian people. The situation changed after the success of movement for democracy in April 1990.

The age-old system of absolute monarchy in Nepal was replaced by constitutional monarchy on April 8, 1990. King Birendra agreed to the demands for the people for putting an end to partyless Panchayat system. The King agreed to a new constitutional arrangement in which he would continue to be head of state, but the governance would be the responsibility of a Cabinet answerable to Parliament. Elections would be held on the basis of multi-party system. Even since B.P. Koirala-led Nepali Congress Government was dismissed in 1960, the agitation for restoration of democracy was going on. Eventually, partyless democracy was replaced by party-based parliamentary democracy. The King appointed the acting Chief of Nepali Congress K.P. Bhattarai as the Prime Minister and ordered general elections. Soon after assuming office as Prime Minister of India in December 1989, V.P. Singh expressed a desire to work sincerely for better Indo-Nepal relations. The process of normalized

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friendly relations was accelerated when Prime Minister of Nepal came to India in June 1990. Two new agreements were concluded and signed by the two Prime Ministers on June 10, 1990.

In December 1991, the then Prime Minister of Nepal G.P. Koirala visited New Delhi and held talks with Prime Minister Rao. India was concerned about frequent attempts by Nepal to balance between India and China, by often leaning towards the latter. Prime Minister Koirala assured India that Nepal no longer depended on China to meet its security concerns. The first even communist Prime Minister or Nepal Manmohan Adhikary visited India twice within a period of six months in 1995. Narasimha Rao Government told Adhikary in April 1995 that India was going to allow port facilities for Nepalese goods in Bombay and Kandla also, in addition to existing facility in Calcutta. However, one of contention remained in regard to certain changes demanded by Nepal in Friendship Treaty of 1950. For example, Nepal wanted to drop the requirement of reciprocity in matters of citizens of two countries. Nepal's contention was that India being a large country can afford to absorb Nepalese settling in India, while it finds it difficult to absorb Indians living in Nepal. The temporary tension of 1989-90 had ceased by 1991, even though the issue of reciprocity remained unsolved.

Economic relations between the two countries improved on account of liberalization of their economies since 1991. The Treaties of Trade and Transit of 1991, and their amendments in 1993 have also had positive results. During 1992-94 period, India's commitment to Nepal's economic development continued to be expressed through various programmes. This included up-gradation of the Jayanagar railway through the supply of new locomotives and carriages as also the supply of city sanitation equipment to Kathmandu Municipality. Boundary pillars in demarcated stretch of Indo-Nepalese border were repaired, and steps were taken to extend cooperation in the field of ecological, soil conservation and other cross-border problems.

India and Nepal signed a treaty on the development of Mahakali Project during Prime Minister Deuba's visit to India in February 1996. This project represents a major breakthrough in the harnessing of river waters for mutual benefit. The two countries are working through Joint Technical Level India-Nepal Boundary Committee on a time bound programme for identification of boundary.

India-Nepal relations generally remained cordial since introduction of multiparty democracy in 1990. In 2001 murder of King Birendra, with his family, by the Crown Prince who also later died, brought Ganendra (younger brother of Birendra) to the throne. He, like his late father King Mahendra, had ambition of becoming real ruler. His tilt was towards China. Several governments changed as Maoist violence kept increasing, and seven-party-alliance of non-Maoist parties spearheaded movement for restoration of democracy. The King tried to crush both Maoist and popular agitation for restoration of democracy. The Palace was in danger and security forces were unable to control surging mobs. Indian Foreign Secretary Shyam Saran played an important role and persuaded the King to restore democracy. Finally, in April 2006, King Mahendra bowed to public and international pressure, and revived the dissolved Parliament and appointed seven-party alliance leader Girija Prasad Koirala as Prime Minister. The revived Parliament accepted Maoist demand, in principle, to convene a new Constituent Assembly. It deprived the King of almost all his powers. He was no more supreme commander. He became a mere figure head. The Parliament amended the succession law and ladies became eligible for the ceremonial throne. The Parliament converted the Hindu Kingdom into a secular state. India welcomed these changes. CPI(M) leader Sitaram Yachuri brought Maoist in the mainstream.

Even if growing Sino-Indian relations would mean no threat to India's interest in Nepal, the presence of terrorists in that country are a good enough reason for India to adopt a policy that would strengthen our traditional friendship with Nepal and yet crush and eliminate anti-India militants using Nepal as a safe route.

India's hand of friendship remains extended to Nepal.

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India contributes to the development efforts of Government of Nepal (GoN) by undertaking various development projects in the areas of infrastructure, health, rural and community development, education, etc. The grant assistance extended to Nepal during 2009-10 under 'Aid to Nepal' budget was ` 161 crores. In addition, GOI has extended considerable economic assistance to the ongoing peace process in Nepal. The overall quantum of India's assistance to Nepal is approx. ` 3600 crores which includes the Small Development Projects scheme

offered by the Embassy of India delivers development assistance at grass-roots level in sectors identified with the local population. It now covers over 370 projects with an outlay of approx. ` 402 crores. As part of India's effort to assist with capacity building and development of Human Resources in Nepal, over 1500 scholarships are offered annually for Nepalese students to pursue various courses in India and Nepal.

India continues to be Nepal's largest trade partner, source of foreign investment and tourist arrivals. Bilateral trade between India and Nepal has increased substantially since the signing of the Trade Treaty in 1996 and received further impetus after the signing of the revised Trade treaty in 2009 which has provisions that allow Nepal greater access to the Indian market. According to figures for the Nepalese fiscal year 2066 (July 2010), bilateral trade with India accounted stood at ` 16129.7 crores which accounted for for 58.7% of Nepalese total external trade. India and Nepal have a treaty of transit, which confers transit rights through each other's territory through mutually agreed routes and modalities. The treaty was last renewed for seven years in March 2006. The two countries have concluded a Rail Services Agreement (RSA) and a revised Air Services Agreement (ASA) to enhance bilateral connectivity. A Motor Vehicles Agreement (MVA) for passenger vehicles is awaiting formal signature. India also remains Nepal's largest source of foreign investment and Indian investments in Nepal amount to ` 1586 crores with 462 FDI projects. India accounts for 44% of the total foreign investments in Nepal**.**

India had played a leading role in helping the Nepal Army (NA) in its modernization through provision of equipment and training. More than 180 training slots are provided every year for training of NA personnel in various Indian Army training institutions. The Chief of Army Staff of the Indian Army is given the honorary rank of a General in the Nepal Army and a reciprocal honour is conferred on the Chief of the Nepal Army. India has always been proud to have Nepalese as soldiers in her Forces and has made every effort to ensure that they are looked after and cared for in their twilight years. As of now (in 2011), we have over 1.23 Lakh ex-servicemen residing in Nepal. In 2010-11 the payments of pensions to the Indian ex-service men in Nepal amounted to ` 1100 crores. The Government of India has made every effort to ensure that these exservicemen, their families and dependents are looked after in the best possible manner. To ensure this, the Government of India has established "The Indian Ex-Servicemen Welfare Organisation in Nepal (IEWON)".

India and Bangladesh:

India's links with Bangladesh are civilisational, cultural, social and economic. There is much that unites the two countries – a shared history and common heritage, linguistic and cultural ties, passion for music, literature and the arts. With Bangladesh, India shares not only a common history of struggle for freedom and liberation but also enduring feelings of both fraternal as well as familial ties. This commonality is reflected in multi-dimensional relations with Bangladesh at several levels of interaction. High-level exchanges, visits and meetings take place regularly alongside the wide ranging people-to-people interaction. India's Missions in Bangladesh issue about half a million visas every year and thousands of Bangladeshi students study in India on self-financing basis and over 100 annual GOI scholarships.

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Indo-Bangladesh Treaty of Friendship and Peace: Sheikh Mujib's visit to Calcutta was returned by Mrs. Indira Gandhi's official tour of Bangladesh in March 1972. At the end of Indo-Bangla summit talks the Treaty of Friendship and Peace was signed on March 19, 1972. It was stated in the joint declaration that the treaty was conclude "to give concrete expression to the similarity of views, ideals and interests." It was inspired by the ideals of peace, secularism, democracy, socialism and nationalism. Mrs. Gandhi assured Bangladesh of India's full support and cooperation in securing its admission to the United Nations. The two Prime Ministers declared that the Indian Ocean should be kept free of great power rivalries and competition, and that they would work for making Indian Ocean a nuclear-free zone. Indira Gandhiand Mujibur Rehman also decided to establish a Joint Rivers Commission on permanent basis to carry out a comprehensive survey of the rivers shared by the two countries and to formulate projects concerning both the countries in the field of flood control. They also promised consultations at official level for exchange in science and technology so as to promote speedy social and economic development.

Sharing of Ganga Waters: The most difficult and nagging problem between India and Bangladesh relates to sharing of Ganga waters. River Ganga originating at Gangotri flows in south-eastern direction through India and reaches Bangladesh. Ganga mainstream bifurcates 38 km south of Farakka in Murshidabad district of West Bengal. One of the two streams called Bhagirathi-Hoogly flows in the lower reaches of West Bengal, and the other called Padma flows along the India-Bangladesh boundary and then joins Brahmaputra. It meets River Meghna before it reaches the Bay of Bengal.

The Ganga water dispute between India and Bangladesh is mainly concerned with sharing of waters lean season, January to May, particularly mind-March to mid-May, when the flow of Ganga reduces to minimum level of 55,000 cusecs. "The fortunes of Calcutta port dependent on flow of river Hoogly have dwindled because of its decreased flow … 40,000 cusecs is the barest minimum required to flush Hoogly to save Calcutta port. The crux of the problem is that if India withdraws 40,000 cusecs. Bangladesh receives only 15,000 cusecs which is highly insufficient to meet its needs. The extraction of this larger amount of water by India gives rise to multifarious problems in Bangladesh. Thus, the water by India gives rise to multifarious problems Bangladesh. Thus, the dispute between India and Bangladesh relates to equitable sharing of Ganga waters by the two countries.

The Farakka Barrage was built by India, during 1962-71 when Bangladesh was still East Pakistan. The barrage is situated across Ganga on the Bengal-Bihar border near Farakka about 400 km north of Calcutta. The primary season for the construction of this barrage was the preservation and maintenance of the Calcutta port and navigability of Bhagirathi-Hoogly. All the studies since mid-nineteenth century had concluded that safety of Calcutta port dependent on increase in the headwater supply through diversion of water, which could not be done except through a barrage. Thus, India's national interest and safety of Calcutta port demanded the proper utilization of water through Farakka barrage. The Calcutta port is not only vital for India's international trade, but also it was the only port (till recently) that Nepal and Bhutan used for their overseas trade. Once the barrage was constructed, Calcutta port was saved, but diversion of water for the port became an issue of international discord and misunderstanding.

In 1972 a Joint Rivers Commission was set up in accordance with Mujib-Indira agreement. It conducted detailed survey and identified weak point which could be strengthened and gaps that could be closed by further embankments. After Mujib's 1974 visit to India, an agreement was concluded on temporary basis for allocation of Ganga waters. It was signed in 1975 ad was called a 'breakthrough'. India agreed to allow about 80% of water to Bangladesh in six weeks of lean period. This was a gesture of goodwill in the part of India. But, with the assassination of Mujibur Rehman in August 1975, India's attitude became hard, more so because anti-Indian forces had become active and vocal in Bangladesh. When the temporary agreement expired in May 1975, and till a new agreement was signed in 1977. India kept on drawing its normal requirement of 40,000 cusecs. Meanwhile, Maulana Bhashani of Bangladesh began mobilizing public opinion on alleged "devastation and

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desertification" 'caused by reduced flow of Ganga water. In May 1976, Bhashani led a "Farakka Peace March" but no damage was done to the barrage because of vigilance by authorities. Bangladesh kept on raising the issue at international fora.

The 1977 Agreement: The Government of Morarji Desai in India accorded a high priority to the improvement of relations with India's neighbours. After negotiations between the two countries, an agreement for five years was concluded on sharing of Ganga waters in November 1977. It was a bilateral agreement signed at a time when Zia-ur-Rehman was working for stability of Bangladesh and regional cooperation in South Asia. The 1977 agreement offered partial solution as it dealt with only the sharing of water during the lean period. Attempt was made to regulate flow of Ganga at Farakka during five month period, January to May each year. Sharing of water was to be regulated for every 10-day period. Thus, for example, from January 1 to 10, out of a total flow of 98,000 cusecs, India would draw 40,000 cusecs and Bangladesh would share 58,000 cusecs. At the peak of lean period April 21 to 30, India share would be 20,500 cusecs and Bangladesh would get 34,500 cusecs. This was the best that India could offer to Bangladesh. Prime Minister Desai described this agreement as an achievement of India diplomacy. He emphasized that the agreement underlined the fact that developing countries are competent to resolve their bilateral disputes through negotiations. Mrs. Gandhi, however, felt that the national interest of India was being compromised. Critics pointed out that Farakka was constructed for safety of Calcutta port, and provision of less than 40,000 cusecs for India at any time was against the interest of India. West Bengal Chief Minister Jyoti Basu pointed out to the Prime Minister that steps should taken to ensure 40,000 supply to West Bengal. He emphasized the need for augmentation of water at Farakka.

The agreement of 1977 expired on May 30, 1982. Fresh agreement had to be concluded. A meeting between Gen. H.M. Ershad, the then President of Bangladesh and Prime Minister Indira Gandhi opened new horizons in the bilateral relations. A fresh Memorandum of Understanding (MoU) was signed in 1982. The 1977 agreement was extended for 18 months. Meanwhile, MoU called for augmentation of water supply so as to reach a long term solution. But, the minimum availability of water during a 10-day period was higher or lower, then it would be shared proportion applicable to that period. The agreement was renewed in 1983 and again in 1986. In finally lapsed in 1988 and India began releasing water on ad hoc basis.

It was realized by both the countries that augmentation of water was essential for a permanent solution of the problem. India suggested diversion of Brahmaputra river waters to the Ganga above Farakka for limited discharge to Bangladesh during dry season. The proposal was to link Ganga with Brahmaputra through a link canal. India's argument was that the waters of Ganga basin are insufficient to meet the requirements of the two countries, whereas Brahmaputra and Meghna have surplus water which could be properly utilized. Bangladesh rejected Indian proposal describing it as "legally unjustifiable, technically impractical, economically and ecologically disastrous." Bangladesh put up its own scheme of building reservations in the upper reaches of the Ganga in India and Nepal, as there are no storage sites in Bangladesh. This would bring Nepal in the picture. The issue of Ganga waters could be easily resolved only if countries concerned rose above narrow political considerations.

India time and again reiterated its commitment to holding a constructive bilateral dialogue for arriving at a long-term comprehensive arrangement on sharing of Ganga waters. But, Bangladesh continued to raise the issue at international for a. Thus, in October 1974, the Foreign Minister of Bangladesh made a reference of the subject in a statement in the UN General Assembly. Again in October 1995, Prime Minister Khaleda Zia of Bangladesh raised the issue in General Assembly. However, India remained committed to finding a negotiated settlement to this bilateral problem. Earlier during SAARC summit at New Delhi in May 1995 Prime Ministers Rao and Khaleda Zia discussed various issues including sharing of rivers waters. It was decided by the foreign secretaries of the two countries to reconvene the Joint Rivers Commission at ministerial level as a confidence building measure.

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From 1988 to 1996 India was releasing water on ad hoc basis. A fresh negotiated agreement was formally concluded in December 1996.

The New Moore Island Dispute: There have been tensions between India and Bangladesh over certain territorial claims also. These include the dispute over New Moore Island, the problem related to Teen Bigha corridor, and the clash in Muhuni Char in the Belonia Sector. Of the three, the dispute over New Moore Island persisted as a major problem.

Towards the end of 1979, India and Bangladesh got engaged in firing at the border town of Belonia in Southern Tripura. Tripura is a state of Indian Republic. The dispute arose over about 45 acres of land which emerged largely as a result of shifting of the course by river Muhari which forms the border between Bangladesh and Tripura (India). Here, security forces of the two countries clashed but the tension soon cooled down.

New Moore Island covering an area of 2 to 12 sq. km, depending on rising and receding tied, is located in the Bay of Bengal. It is about 5200 meters from the nearest Indian coastal point and about 7000 meters from Bangladesh coastal point. It emerged in the sea some years ago was built by millions of tons of silt swept down the Ganga. The Island was first noticed by India in 1971. It was notified to the British Admiralty for recording. The Admiralty chart included it a 'New Moore Island'. In 1974 during Indo-Bangladesh maritime talks India brought the existence of the Island to the notice of Bangladesh. Till 1979 Bangladesh did not question the Indian ownership of Island. The West Bengal Government did not question the Indian ownership of Island. The West Bengal Government named the Island as Purbasha (Hope of the East) and Bangladesh called it as South Talpatty. Indian flag was hoisted on the Island on March 12, 1980. It is at that stage that Bangladesh claimed its ownership and said that New Moore was a disputed territory. Bangladesh threatened to take the issue to the United Nations. In March 1980 there was a massive demonstration in front of Indian High Commission in Dhaka questioning India's hosting of its flag in New Moore. The situation became explosive in May 1981 when Bangladesh raised serious objections to the arrival of Indian ship I.N.S. Sankdhyak in the Island waters. The dispute has remained unresolved though it has been discussed at different levels.

The reason behind the dispute is that the entire maritime boundary between India and Bangladesh has not been demarcated. The Island is not clearly located in the territorial waters of either country. It is in the Bay situated at the mouth of rivers Haribhanga. The bay beings where the mainland masses of the two counties are joined by a line. It is situated 2 km away from the Redcliffe Line that marked the India-Pakistan border in 1947. Indian claim is based on the 'Median Line Principle'. This means as equidistant line drawn on plotted points on the sea from the nearest shores of the contending counties. It is on this basis that India's maritime boundary with Sri Lanka, Thailand and Indonesia has been demarcated. New Moore Island has become as Chandrika Gulati says, "a source of fear for Bangladesh, of India's domination over her." This is not a serious dispute. If both the sides are willing, a negotiated settlement can be easily found. As S.C. Gangal wrote in 1982, "When we are seeking to build a structure of peace, security and harmony in the region, we should not be playing tough when moderation or accommodation would seem the preferable alternative."

Indo-Bangla relations were adversely affected on account of dispute regarding Tin Bigha corridor also. Dahagram and Angorpota, the two enclaves of Bangladesh are separated from district Rangpur of Bangladesh by small patch of an acre of Indian territory called Tin Bigha. This is the nearest point between Bangladesh mainland and her two enclaves. The prolonged dispute regarding transit of Bangladeshis via Tin Bigha was sought to be settled when Mrs. Indira Gandhi and Bangladesh President H.M. Ershad signed an agreement in 1982. It confirmed permanent lease of Indian territory of Tin Bigha to Bangladesh. The rent for leased territory was fixed at Bangla Taka one per annum. But, India agreed not to charge the lease money. Bangladesh was given full possession of the area given to her on lease. People and security personnel of Bangladesh would have the right to free and unfettered movement and they would not be required to carry travel documents of any kind. Movement of

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Indians across the leased area would also be free. The people of Dahagram and Angorpota welcomed the signing of the agreement. But, people of West Bengal had strong reservations. The agreement could not be implemented as leasing out an Indian territory required a constitutional amendment. The leasing out of Tin Bigha became an emotional issue for many Indians. A petition was filed in the Calcutta High Court challenging the leasing of Tin Bigha corridor. It was argued that leasing of Tin Bibha would not only make India's border insecure, but about 5000 Indian residents of 28 adjoining villages would be reduced to the level of refugees in their own country.

Other Bilateral Issues: Among other problems in India-Bangladesh relations in the problem of Chakma refugees who have mostly taken shelter in Indian state of Tripura. Negotiations during 1994 led to the repatriation of Chakma refugees from Triputa to Chittagong Hill tracts in Bangladesh. By August 1994 nearly 5100 such refugees were repatriated. Discussions for repatriation of nearly 50,000 more Chakma refugees were going on till 1996. Most of them were awaiting repatriation in Tripura camps. All repatriation has been on voluntary basis.

India is facing another problem concerning Bangladeshi nationals. A very large number of Bangladeshis, mostly belonging to economically weaker section, have been illegally entering India. It is difficult to distinguish between Indians belonging to West Bengal and Bangladeshi migrants. They have come in search of employment and have settled down mostly in slums. Some non-Muslims have been illegally coming as refugees because of occasional communal tensions. There are about 4 lakh such illegal migrants in Delhi alone. Their arrival without valid travel documents is made easy by the lack of any natural border between two countries. India's proposal to do fencing of the border with barbed wires was opposed by Bangladesh. India had made it clear to Bangladesh that it wanted barbed wires as a preventive measure against illegal migration. It was not contrary to 1975 treaty of friendship. Still, Bangladesh Rifles fired at the workers engaged in fencing in April 1984. This caused tension. India does not seem to be in a position to identify illegal entrants and to repatriate them.

Indo-Bangladesh Joint Business Council has been exploring possibilities for expansion of economy and commercial cooperation and for setting up of industrial projects and joint ventures. Bilateral trade has been gradually increasing. India's exports to Bangladesh in 1993-94 were valued at nearly Rs. 350 crores, and imports from Bangladesh were of the value of Rs. 56 crores. India has reduced tariffs on selected items of export in the interest of Bangladesh.

The Annual Report of India's Ministry of External Affairs for 1995-96 claimed that, "Relations with Bangladesh continue to be close and stable with regular interaction between the two Governments". Bangladesh, however, continued to internationalise the river water issue and occasionally raised it even in UN General Assembly, though India firmly believed that it could be solved through bilateral efforts. During 1994-95 India's exports to Bangladesh had increased to over Rs. 2000 crores. A Rs. 30 crore credit agreement and an agreement on avoidance facilities to Bangladesh personnel under the Technical Assistance Programme. SAARC has become an important forum for economic cooperation in South Asia. The decision to have preferential trading through SAPTA was likely to further increase economic cooperation between India and Bangladesh. The election of Sheikh Hasina Wajed (daughter of Bangabandhu Mujibur Rehman) as Prime Minister of Bangladesh in 1996 was likely to help in the improvement of India-Bangladesh relations. Soon after taking over as Prime Minister she had said that she would not allow anti-Indian activities on Bangladesh soil. She had taken strong exception to Pakistan intelligence agency, ISI's activities in Bangladesh. The Awami League Government led by Sheikh Hasina could give India a chance to turn the tide of anti-India rhetoric that had been spewing out of Dhaka in the past.

Sheikh Hasina Wajed visited New Delhi in December 1996, and signed an accord with India on the sharing of Ganga waters for next 30 years. India's difficulty is that it needs enough water for flushing the Hoogly to save future of Calcutta. The India-Bangladesh accord of 1996 was signed after the 1977 accord lapsed in 1982. Since then, India had been releasing water on ad hoc basis. The new accord can be utilized by both the countries in

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finding solution of other bilateral issues such as integral economic development of the region, augmentation of water supply, transit facilities and efforts to end insurgency. Besides, the two countries will have to apply their mind to the problem of illegal migrants.

Thirty-Year Water Sharing Agreement, 1996: The India-Bangladesh treaty on sharing of Ganga waters signed in 1977 for five years expired in 1982, but was extended and remained operational with mutual consent till 1988. Since then India was releasing water on ad hoc basis. During 1988-96 period, several tensions developed as pro-Pakistan elements in Bangladesh kept on encouraging anti-India sentiments. Sheihk Hasina Wajed, daughter of Bangabandhu Mujibur Rehman, took over as Prime Minister in 1996. Although general environment in Bangladesh did not change, Hasina Government negotiated with India a treaty for sharing of Ganga waters for 30 years. The Treaty was signed n New Delhi December 12, 1996 by the two Prime Ministers, H.D. Deve Gowda and Sheikh Hasina Wajed. The treaty has a provision for mandatory review every five years. The review may take place even after two years with scope for adjustments, if required. The treaty may be renewed with mutual consent. Deve Gowda described the signing of the treaty as a "landmark event in Indo-Bangladesh relations". He told the Lok Sabha that it was "a fitting tribute to the special quality of our relations". However, general anti-India climate in Bangladesh was likely to take time to change. That would also be possible only if Sheikh Hasina could convince her people that there was no ill-will in India against that country.

The Treaty of 1996, like to one signed in 1977, recognized the period from January 1 to May 31, every year as the lean period, though the period from April 21 to 30 is the leanest period. Under the 1977 treaty, during ten-day period from January 1 to 10, out of a total flow of 98,000 cusecs, India was to draw 40,000 cusecs and Bangladesh was to be allowed 98,000 cusecs. But, during the leanest period (April 21 to 30), India's share was only 20,500 cusecs per day and Bangladesh received 34,500 cusecs. Bangladesh was given a much larger share of waters than India, although the minimum requirement to flush Hoogly and save Calcutta Port is 40,000 cusecs. When the treaty was renewed for 18 months is 1982, the clause guaranteeing fixed share to Bangladesh was allowed to lapse. Under the 1996 Treaty, during the leanest period Bangladesh would get 35,000 cusecs and India would have to contend with 25,992 cusecs.

The main features of 30-year treaty signed in 1996 are that sharing of Ganga water at Farakka would be determined by 15 blocs of 10-day period from January 1 to May 31 every year. The agreed formula gives India a constant 40,000 cusecs for first two months (January-February), whereas the share of Bangladesh would gradually come down from 67,516 cusecs to 39,106 cusecs during the same period. During March 1 to May 10 (excluding the leanest period of April 21-30) there will be six blocs of 10 days each. Three of these blocs will provide assured 35,000 to India, and three of these would give guaranteed 35,000 cusecs to Bangladesh. The two countries will have assured share in alternate blocs of 10 days. The country that gets less water in one bloc will be compensated in the next bloc. However, during leanest period Bangladesh would get 35,000 cusecs while India's share would be only 25,992 cusecs.

India's Economic Assistance to Bangladesh

On the economic assistance side, India has extended a line of credit of US$1 billion to Bangladesh for a range of projects, including railway infrastructure, supply of BG locomotives and passenger coaches, procurement of buses, and dredging projects. The Line of Credit Agreement was signed in Dhaka on August 7, 2010 between EXIM Bank of India and Government of Bangladesh. India has stood by Bangladesh in its hour of need with aid worth over Taka 250 crore (over US $ 37 million) to help it cope with natural disasters and floods in 2007-08 including supply of 1,000 MT of skimmed milk powder, and 40,000 MT of rice. India is constructing 2,800 core shelters in the affected villages in Bagerhat district in southern Bangladesh. The first batch of core shelters have been handed over to Bangladesh at Sharonkhola, Bagerhat on July 9, 2011 thus facilitating rehabilitation of over

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1600 families. Technical Cooperation. Scholarships and training programmes under ITEC, TCS of Colombo Plan, ICCR, AYUSH, Commonwealth, SAARC and IOR-ARC scholarships/fellowship schemes are being offered to Bangladesh nationals.

India offers 100 slots under ITEC and 35 slots under Technical Cooperation Scheme of Colombo Plan every year to Bangladesh. In the last three years (2006-07 to 2009-10), 414 participants from Bangladesh have undergone training in India under ITEC Programme and Technical Cooperation Scheme of Colombo Plan. Muktijoddha Scholarship Scheme extended by the Government of India to Higher Secondary-level students(200 scholarships) and Graduate-level students (478 scholarships). So far three Bangladesh Diplomats have been imparted training at Foreign Service Institute, New Delhi in 2011.

Cultural Exchanges:

Given the shared history and commonality of language, cultural exchanges form an important bond of friendship between the people of two countries. Special emphasis has been laid on promotion of exchanges in the fields of music, theatre, art, painting, books, etc. A bilateral Cultural Exchange Programme (CEP) 2009-2012 provides the framework for such exchanges. To promote bilateral cultural exchanges, the Indira Gandhi Cultural Centre (IGCC) of Indian Council for Cultural Relations was inaugurated at Dhaka on March 11, 2010. Secretary, Ministry of Culture visited Bangladesh from December 19-22, 2010 and Bangladesh Culture Secretary visited India on April 6-8, 2011 for holding talks on joint celebrations of 150 th anniversary of Rabindranath Tagore.

The joint inaugural ceremonies were held in Dhaka on 6 May and New Delhi on 7 May 2011 and year-long celebrations are underway. In order to promote people to people exchanges, hundred (100) scholarships are being granted by ICCR every year to students from Bangladesh for pursuing general courses in arts, sciences, engineering and also specialized courses for culture, drama, music, fine arts and sports, etc. During Bangladesh PM Sheikh Hasina's visit in January 2010, India has offered to provide 300 scholarships annually for five years to students from Bangladesh for studying and training in Universities and training institutions in India.

Trade relations with Bangladesh:

It is an important trading partner for India. The two-way trade in FY 2010-2011 was US$5.099 billion with India's exports to Bangladesh accounting for US$ 4.586 billion and imports US $ 0.512 million. The trade between the two countries in the last 5 years is as follows:

(Figures in US$ million)

	05-06	06-07	07-08	08-09	09-10	10-11
India's exports	1864.70	2268.00	3364.00	2841.06	3202	4586.8
India's imports	241.96	289.42	358.08	276.58	305	512.5
Total trade	2106.70	2557.40	3722.08	3117.64	3507	5099.3

Source: Bangladesh Bank/EPB *Note: FY is July to June*

India-Sri Lanka Relations:

India is Sri Lanka's closest neighbour. The relationship between the two countries is more than 2,500 years old and both sides have built upon a legacy of intellectual, cultural, religious and linguistic intercourse. Relations

between the two countries have also matured and diversified with the passage of time, encompassing all areas of contemporary relevance. The shared cultural and civilizational heritage of the two countries and the extensive people to people interaction of their citizens provide the foundation to build a multi-faceted partnership. In recent years, the relationship has been marked by close contacts at the highest political level, growing trade and investment, cooperation in the fields of development, education, culture and defence, as well as a broad understanding on major issues of international interest.

India-Sri Lanka relations have generally been cordial, though there have been tensions caused mainly because of ethnic conflict between people of Indian origin—mainly Tamils—living in Sri Lanka and the Sinhalese. Usually a small country is suspicious of a big neighbor. But, India has never tried to play the role of a dominant big neighbor. India's foreign policy has always been based on friendship with all its neighbours. Despite ethnic problems of Sri Lanka, India has never sought to impose its will on Sri Lanka.

Nehru-Kotelawala Agreement, 1953: the earliest efforts made for finding a solution to the ethnic problem was an agreement signed in 1953 by the two Prime Minister Nehru and Kotelawala. The main features of the agreement were:

1. The Sri Lankan Government would register the names of all those people of Indian origin who desired to stay permanently in Sri Lanka.
2. Those who did not wish to become citizens of Sri Lanka would be sent back to India.
3. Illegal migration from India to Sri Lanka was to be effectively checked.
4. Sri Lanka was to quickly dispose off the applications for citizenship pending for two years or more.
5. A separate electoral register was to be maintained for people of Indian origin to enable them to elect their representatives proportionately.
6. Those persons of Indian origin who desired, but could not be granted, Lankan citizenship would be allowed to stay on as aliens.

Tamils alleged that Nehru-Kotelawala Agreement was not implemented sincerely. Consequently, large number of persons of Indian origin could not get citizenship of Sri Lanka and they became "stateless persons". This caused serious tension in India-Sri Lanka relations which was aggravated by the 1956 language disturbances. Sri Lankans blamed India for these disturbances. India-Sri Lanka relations were normalized during the Prime Ministership of S.W.R.D. Bandaranaike (1956-59). He, like Nehru, believed in non-alignment and worked for closer friendship between the two countries. During Mrs. Bandaranaike's leadership steps were taken to maintain friendly relations.

Shastri-Sirimavo Agreement: Mrs. Sirimavo Bandaranaike visited India in October 1964. After prolonged negotiations (at diplomatic level) an agreement was signed on 24 October 1964 by Prime Minister Lala Bahadur Shastri and Mrs. Bandaranaike. It sought to solve the problem of about 9 lakh 75 thousand stateless persons in Sri Lanka. About 3 lakh of these people were to be granted Sri Lankan citizenship, and about 5 lakh 25 thousand persons were to be given citizenship of India. These people were allowed 15 years time during which period they were to shift to India in installments. The late of the remaining 1 lakh 50 thousand stateless persons was to be decided in future. During her second tenure as Prime Minister, Sirimavo Bandaranaike visited India in January 1974 and her talks with Prime Minister Indira Gandhi resulted in a fresh agreement, whereby half of these persons were to be given citizenship of Sri Lanka and the rest would become Indian nationals. Thus, his issue of stateless persons was sought to be peacefully settled.

The Kacchativu Dispute: A territorial dispute arose in regard to the ownership of a square mile uninhabited island, called Kacchativu, off the Jaffna coast in the Palk Straits. Pilgrims from both India and Sri Lanka used to go to Kacchativu Island every year in the month of March during the four-day St. Anthony's festival for worship at the local Roman Catholic Church. India protested over the presence of Sri Lankan police during the festival in

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1968. This caused conflict. Both India and Sri Lanka were keen to avoid a serious situation. The Prime Ministers of India and Sri Lanka met twice and pending a final decision on the issue of island's title, resolved to maintain status quo in and around the island. Neither India nor Sri Lanka would send its policemen in uniform or custom officials, or resort to aerial reconnaissance or naval patrolling of adjacent waters during the St Anthony's festival.

It took another five years to conclude a final agreement in regard to Kacchativu Island. A whole range of issues involving territorial, navigational and fishing rights in the Palk Bay were discussed between the two countries. Finally, in June 1974 Mrs. Bandaranaike and Mrs. Gandhi concluded a comprehensive agreement on the demarcation of maritime boundary. Accordingly, India accepted Sri Lanka's ownership of the Kacchativu Island. The Joint communiqué issues after the India-Sri Lanka summit made it clear that there were no longer any serious road blocks in the bilateral relations. The major concern of the two countries now was enlarging the area of economic cooperation and coordinating the efforts of the two countries for a better deal for their marketable raw materials particularly tea.

Leftist Revolt and the Bangladesh Crisis: The developments of 1971 deserve brief mention at this stage. A serious insurgency, led by leftist youth, took place in Sri Lanka in March-April 1971. The Government of Sri Lanka was unable to handle the crisis all by itself. In response to request for help, India was the first to offer assistance to curb the insurgency. Although it was claimed that no Indian personnel would be involved in the operations, yet it was reported that some helicopters were supplied to Sri Lanka, and a small flotilla of Indian naval ships patrolled Lankan waters on the request of Sirimavo Bandaranaike. This was done to prevent the flow of illicit arms to insurgents from abroad. It was later reported that Indian military assistance was worth 55 million US dollars. This was the first time that India got involved in a neighbour's troubles. Government of India was criticised as it had no stakes in the Sri Lankan civil strife. However, it was dome because Indira Gandhi Government felt that violent takeover of Sri Lankan government by radical leftist youth would be highly injurious to the national interest, stability and security of India. Interestingly even Chinese Government pledged support to the government of Sri Lanka, condemning the violent uprising.

During the Bangladesh crisis later in 1971, Sri Lanka observed total neutrality between India and Pakistan. Sri Lanka "did considerable, tight rope-walking, but its real sympathy lay with Pakistan". Sri Lanka itself was faced with ethnic conflict. Any indiscreet step on the part of Sri Lankan Government could have sent wrong signal to its ethnic minorities. Therefore, it turned blind eye to the suppression of the majority of population of East Pakistan by the military regime of Yahya Khan. The signing of Indo-Soviet Treaty of Friendship in August 1971 was criticized by some elements in Sri Lanka in the ground that it compromised with India's non-aligned position.

Sri Lankan approach was cautious. It was not until March 1972 that Sri Lanka recognized Bangladesh, although other neighbours including Burma and Nepal, besides Bhutan and India had already granted recognition.

Economic cooperation between the two countries began rather later. Both countries are major exporters of tea. Therefore, their relationship for sometime was competitive. China had established itself as an important factor in Sri Lanka's economy by offering stable prices for its rubber in return for rice shipments. India's economic relationship with Sri Lanka began expanding since 1966 when India extended a Rs 2 crore loan to enable Sri Lanka to import food products from this country. Dried fish, textiles and dried chilies were to be imported from India. India extended in 1967 another credit of Rs. 5 crores to finance the purchase of some electrical and telecommunication equipment, commercial vehicles, machines and machine tools, railway coaches and wagons, etc. Trade with India was improving.

The Ethnic Conflict: The ethnic conflict in Sri Lanka between Tamils and Sinhalese assumed serious proportions in 1983. It was described as "ethnic explosion" and the "Sri Lanka Carnage". It has already been explained that Tamils in Sri Lanka belong to two categories: the Ceylon Tamils whose forefathers had gone to Sri Lanka centuries ago. They are estimated to be about one million. The second category is of Indian Tamils whose

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forefathers were taken by the British as plantation workers in the nineteenth century. They are another one million. The Ceylon Tamils are mostly concentrated in Jaffna and on the northern and eastern coast, while the Indian Tamils live mostly in the districts of Colombo, Kandy and Triconmalee in the traditional tea garden areas. The relations between Sinhalese majority and the minority have been gradual.

Rajiv-Jayawardene Agreement, 1987: An attempt was made by Prime Minister Rajiv Gandhi to help Sri Lanka find a solution to the ethnic violence. The Tamils were very hostile to the Sri Lankan security forces who were allegedly trying to eliminate them. It appeared that as a confidence building measure Indian troops would succeed in handling the situation. On the invitation of Sri Lankan Government, Rajiv Gandhi paid a two day visit to Colombo. He and President Jayawardene signed an agreement to provide for Indian Peace Keeping Force (IPKF) to be posted in Sri Lanka to restore normalcy in the strife-torn areas. The agreement provided that

1. An autonomous unit comprising northern and eastern provinces would be constituted. The proposal was to be submitted to a referendum by December 31, 1988. The referendum was to be supervised by a committee headed by the Chief Justice of Sri Lanka.
2. Elections to the provincial councils were to be completed by December 31, 1987 in the presence of Indian observers.
3. Emergency was to be lifted in the northern and eastern provinces by August 15, 1987.
4. Tamil, Sinhalese and English would be official languages in Sri Lanka.

In accordance with Rajiv-Jayawardene agreement hundreds of thousands Indian troops were sent to Sri Lanka for maintenance of peace. However, the agreement was vehemently opposed by the Sri Lankans. So much so that Sri Lankan Prime Minister Premadasa did not attend official functions, held in honour of Indian Prime Minister and an attack was attempted on Prime Minister Rajiv Gandhi when he was inspecting a guard of honour at the Colombo Airport before leaving for New Delhi. This agreement could not be effectively implemented as both Tamil and Sinhalese extremists were opposed to it.

The posting of IPKF proved to be very costly for India. Crores of rupees were spent on Indian troops trying to restore order. Hundreds of Indian soldiers were killed in clashes with the Tamil extremists. Presidents Jayawardene later said that the Sri Lankan troops were no more fighting the battle which was waged by Indians. Had IPKF not gone to Sri Lanka, the economy of the Island would have been adversely affected. India gained nothing. India lost its several hundred soldiers in Sri Lanka. Even then ethnic conflict could not be brought under control. Having realized the futility of IPKF, India decided to pull its troops out. By March 1990 all the Indian troops were recalled. Very effective political measures and will to implement them was required on the part of Sri Lankan authorities so that the strife could be ended and normalcy restored.

The separatist movement in Sri Lanka had an adverse effect on India-Sri Lanka relations, although India had taken all positive steps to ensure that Indian territory was not used for anti-Sri Lanka activities. In 1993, S.D. Muni had opined that, “The separatist movements or insurgencies have a tendency to reinforce India’s own sectarian polarities… Sri Lanka’s ethnic war is raging today with as much intensity as even before, and this presents a strange dilemma to India’s policy; for India cannot be comfortable with the outright victory of either the LTTE or the armed forces of Sri Lanka. Whichever side wins, it will only reinforce Tamil alienation in India’s state of Tamil Nadu.”

In 1991 during the run-up to the Lok Sabha election, former Prime Minister Rajiv Gandhi was assassinated in an alleged human bomb explosion. The murder of Rajiv was allegedly the result of a conspiracy by certain elements involved in the Sri Lankan ethnic conflict. Later, U.N.P. candidate for presidency of Sri Lanka, Gamini Dissanayake fell victim to a terrorist attack.

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Mrs. Chandrika Kumaratunga, daughter of S.W.R.D. and Sirimavo Bandaranaike, became Prime Minister and then the President of Sri Lanka in 1994. She visited India in March 1995. A better understanding was reached between the two countries on the handling of ethnic violence and terrorism. Sri Lanka continued to face secessionist movement led by Liberation Tigers of Tamil Eilam (LTTE). The Government of India assured President Chandrika that India would continue to support all efforts for a peaceful settlement of the ethnic issue. Sri Lanka's Foreign Minister Kadirgamar stressed his country's keenness for sound and cordial relations with India. Government of India fully reciprocated these sentiments. It was agreed in 1995 to strengthen and diversify bilateral economic cooperation. It was also decided that matters such as the security of Indian fisherman and the release of boats of Sri Lanka's refugees should be soon resolved.

India continues to favour a peaceful solution to ethnic crisis in Sri Lanka within the framework of sovereignty and territorial integrity of that country, through negotiation and without outside interference. India welcomed the proposal of Sri Lanka for devolution of power to secure some element of autonomy to the areas largely inhabited by Tamil minority. Problems pertaining to fishermen of the two countries straying into each other's territorial waters continued to draw the attention of the two governments.

Indo- Sri Lanka Trade and Cultural Cooperation in current context:

Trade and investment Relations: India and Sri Lanka enjoy a robust trade and investment relationship, with bilateral trade growing rapidly in the last decade and a number of leading Indian private sector companies investing in Sri Lanka and establishing a presence in this country. Sri Lanka is India's largest trade partner in SAARC. India in turn is Sri Lanka's largest trade partner globally. Trade between the two countries grew particularly rapidly after the entry into force of the India-Sri Lanka Free Trade Agreement in March 2000. Over the next eight years, bilateral trade multiplied nearly five-fold. Following a downturn in 2009 on account of the global economic recession, trade has rebounded and, according to Sri Lankan statistics, bilateral trade during in 2010 has reached 3.04 billion USD compared to 2.07 billion USD in 2009. The Indian exports to Sri Lanka stands at 2.57 billion USD compared to 1.73 billion USD in corresponding period in 2009 registering a growth of 32 %. The Sri Lanka exports to India stands at 471.23 million USD compared to 333.54 million USD in corresponding period in 2009 registering a growth of about 30%. Indian companies have also established a strong investment presence in Sri Lanka with FDI approvals of nearly $500 million. India was the largest FDI contributor in 2010, contributing US $110 million out of total US $ 516 million received by Sri Lanka. Indian names such as IOC, Tatas, Bharti Airtel, Piramal Glass, LIC, Ashok Leyland, L&T and Taj Hotels are present in Sri Lanka. In recent months, the two countries have also resumed discussions on a Comprehensive Economic Partnership Agreement and steps to finalize the Agreement are expected to be taken in the near future.

Cultural cooperation is a very important aspect of the bilateral relationship and the Cultural Cooperation Agreement signed by the Government of India and the Government of Sri Lanka on 29 November, 1977 at New Delhi forms the basis on which the periodic Cultural Exchange Programmes (CEPs) between the two countries are signed and implemented. A Programme of Cultural Cooperation (PCC) for 2010-2013 was signed during the June 2010 State visit of President Rajapaksa. The PCC seeks to enhance the level of cooperation in a wide variety of fields such as performing arts, visual arts, libraries, museums, archives & cultural documentation, archaeology, handicrafts, sports and youth affairs, publications and professional exchanges and mass media. The Indian Cultural Centre in Colombo actively promotes awareness of Indian culture by offering classes in Indian music, dance, Hindi and Yoga. Every year, cultural troupes from both countries exchange visits. India is also committed to the restoration of important icons of cultural heritage of Sri Lanka and is setting up an Indian Gallery at the International Buddhist Museum in Kandy and working on the restoration of the Thirukeeteswaram Temple in Mannar.

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Education is a core area of cooperation between India and Sri Lanka. Both countries agreed to launch an India Sri Lanka Knowledge Initiative during the visit of President Rajapaksa to India in June 2010. Under this programme, India proposes to double its programme of scholarships offered to Sri Lankan students for undergraduate studies in Indian universities. A significant number of scholarships are also offered by India in Sri Lanka itself to support needy and deserving students pursue 'A' Level as well as university education. In addition, under the Indian Technical and Economic Cooperation Scheme and the Colombo Plan, India offers nearly 200 slots annually to Sri

Lankan nationals for short and medium term training courses in a wide variety of technical and professional disciplines. Tourism also forms an important link between India and Sri Lanka and India is the largest source market for Sri Lankan tourism. More than 125,000 Indian tourists visited Sri Lanka in 2010, making up nearly 20% of the total tourist inflow into Sri Lanka. Sri Lankan tourists too are among the top ten sources for the Indian tourism market. In 2010, nearly 200,000 visas were issued by the High Commission in Colombo to facilitate travel between Indian and Sri Lanka. It is expected that two-way tourism and connectivity will get a further fillip with the commencement of ferry services between Colombo and Tuticorin, as well as Talaimannar and Rameswaram, an agreement on which has been signed recently between the two countries.

Today, the India-Sri Lanka relationship is strong and poised for a quantum jump by building on the rich legacy of historical linkages and strong economic and development partnerships that have been forged in recent years.

Indian Assistance to Sri Lanka for Rehabilitation and Reconstruction:

Students of contemporary South Asian history are aware of the fact that the Government of India has responded favourably and spontaneously to any appeal for assistance by the Sri Lankan Government to tackle its domestic problems. Two illustrations are in order.

Faced with the internal security threat posed by the Janatha Vimukti Peramuna (JVP) in April 1971 Prime Minister Sirimavo Bandaranaike asked for external assistance from India, United Kingdom, United States, Yugoslavia, Soviet Union and Pakistan. India was the first to respond sending five frigates to seal off approaches to Colombo. In addition, Indian assistance included military equipment for 5,000 troops, six helicopters with pilots for non-combat duties and 150 Indian troops to guard Katunayake airport. The revolt was crushed and the first long spell of emergency was proclaimed in Sri Lanka. The question may be legitimately asked, how did Colombo respond to Indian assistance? During the East Pakistani crisis, the Government of Sri Lanka provided refueling facilities for Pakistani air crafts on their way to East Pakistan to carry on savage reprisals against the Bangladeshi nationalists. It may be recalled that in February 1971, India withdrew landing and over flying facilities to the Pakistani International Airlines (PIA). To the shock and dismay of Indian observers, Sri Lanka granted these rights to the PIA. In March 1971, 16 east bound and 15 west bound Pakistani Air Force planes landed at Katunayake airport. Indian writers, especially Late K Subrahmaniam, India's foremost defence analyst, has maintained that these flights involved Pakistani soldiers and war materials. The incident illustrated complicity between Sri Lanka and Pakistan against India.

When the Tsunami struck Sri Lanka in December 2004, the Indian response was spontaneous. Though a victim of Tsunami itself, the Government of India immediately mobilized its resources and extended timely help to its maritime neighbours - Sri Lanka, Maldives, Thailand and Indonesia. India was the first country to send assistance to Sri Lanka – within hours – after the tsunami, which claimed over 30,000 lives in the coastal districts spread across northern, eastern, southwestern and southern parts of the island. Indian relief workers were involved in a range of operations, including emergency medical aid, setting up of relief camps, restoring ports and

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reconstructing damaged bridges. The magnificent role played by the Indian Navy is one of the golden chapters in recent diplomatic history. It included the mapping of the bed of Colombo harbour, which was completed very effectively and swiftly. One difference between the Sri Lankan and Indonesian experience should be highlighted. The tsunami also brought havoc to Indonesia, but it triggered off a series of initiatives which paved the way for a settlement of the Achenese separatist problem. Hopes entertained by the Indian observers that a similar denouement will take place in Sri Lanka did not materialize due to the intransigence of both sides – the Sri Lankan Government and the Tigers. As a result Indian assistance extended to Sri Lanka did not reach the Tamils in the north and the east to the extent that we would have liked.

It is not our major focus in this essay to describe India-Sri Lanka co-operation during the Fourth Eelam War, but few points are in order. The Sri Lankan Government was deeply sensitive to the fact that if the war had to be pursued to its logical end, the Government of India should be on its side. In an address to the John Kotelawala Defence University few days ago, Prof. GL Peiris claimed that the conduct of international relations was done with "great finesse" with particular reference to India-Sri Lanka relations. It did not require much persuasion to convince New Delhi about the "justness of war against terrorism". Colombo used to point out that in fighting the terrorist Tigers, Sri Lanka was, in many ways, fighting India's battle against terrorism. But what New Delhi did not appreciate was the fact that the war against the Tigers was degenerating into a war against Tamil civilians. Thus a major change in India's Sri Lanka policy took place. Unlike the pre-1987 period when New Delhi was determined not to permit a "military solution" to the ethnic problem, during the Fourth Eelam War India not only endorsed the war, but also provided assistance to Colombo in several ways.

It is well known that the Indian intelligence agencies provided vital information regarding the movement of Sea Tigers and the Sri Lankan Air Force was able to destroy the LTTE ships bringing arms supplies to the LTTE controlled areas. It may be recalled that when the Fourth Eelam War began, the Sea Tigers were in complete control of the Sri Lankan side of the Palk Bay, except the island of Mannar and the outer islands in the Jaffna peninsula. From 2006, the Sri Lankn armed forces began to extend its control from Mannar to Jaffna. One consequence was the umbilical cord which united the Tamil areas of Sri Lanka with Tamil Nadu was cut. Refugees could not escape from army atrocities and escape to Tamil Nadu as they used to do before. What is more, the Indian Coast Guard also extended a helping hand to Sri Lanka by undertaking co-ordinated patrolling in the Indian seas.

Because of pressure from Tamil Nadu, New Delhi understandably could not supply war materials to Sri Lanka, but it continued to supply non-lethal weapons. India gave vital radar equipments to the Sri Lankan defence forces and also undertook the modernization of the Palaly airport. The training of the Sri Lankan military personnel in the Indian military establishments continued unabated. According to the Annual Report of the Ministry of Defence, 2005, a total of 201 officers and 130 sailors from friendly countries were undergoing training in Indian naval establishments, of which147 officers and 102 sailors were from Sri Lanka. We have not been able to get the latest statistics, but it is unlikely there is any major change in the overall situation. In other words, if we go by 2005 statistics, India provides training to more Sri Lankan naval personnel than all other countries put together.

And above all, the centre-state political dynamics in India worked to Sri Lanka's advantage. The Dravida Munnetra Kazhagam (DMK), which was in power in Tamil Nadu, was more interested in fostering its political equation with the Central Government than in demanding that New Delhi should immediately take steps to halt the ongoing war. Because of the competitive nature of Tamil Nadu politics, Chief Minister Karunanidhi had to indulge in certain "political gimmicks", like the famous hunger strike, which started after breakfast and concluded before lunch, so that he gave the impression that he continued to be the "saviour" of the Tamils. The Central Government understood the rationale behind these gimmicks and allowed the Chief Minister considerable leverage to pursue his political goals. The end result was that Tamil Nadu could not bring

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about any change in New Delhi's Sri Lanka policy. A perceptive Sinhalese academic told Prof. Suryanarayan few months ago that Sri Lanka would remain eternally grateful to New Delhi for "checkmating" the DMK.

When a deep humanitarian crisis engulfed Sri Lanka at the end of the Fourth Eelam War, with nearly 300,000 Tamils herded in relief centres as Internally Displaced Persons (IDPs), India established an emergency medical unit in the IDP camps, which treated about 50,000 IDPs and carried out about 3000 surgeries. Medicines worth Indian rupees 9.2 crores were provided. Prime Minister Manmohan Singh announced an immediate grant of Indian Rupees 5 billion for relief and rehabilitation of the Tamils.

Since land mines were a major problem confronting the IDPs in returning to their original homes, India dispatched seven defining teams; they did commendable work in various parts of Sri Lanka. India also provided shelter assistance by way of supplying 10,400 tons of galvanized iron sheets for constructing temporary housing for the IDPs. In addition, 70,000 starter packs of agricultural implements have been supplied. The Government of India also supplied 400,000 bags of cement to assist IDPs rebuild their shelters.

One tragic dimension of the IDP situation in Vavuniya unfortunately has not attracted the attention of New Delhi and Colombo. When Prof. Suryanarayan did field work in Vavuniya in 2004 he found that majority of the IDPs in Poomthottam were people of Indian origin. These people were encouraged to migrate to the northern parts as agricultural labour following the ethnic riots in the plantation areas after 1977 elections. NGO's like the Gandhiyam were in the forefront championing integrated living between the Sri Lankan Tamils and the Estate Tamils. What is more, more and more land was being brought under the plough by Tamil landlords in Vavuniya area. Since the Sri Lankan Tamil middle class were unaccustomed to hard physical work, the Indian Tamil labourers filled the void. Whatever might have been the intentions of the NGO's like Gandhiyam the Indian Tamils soon became the cannon fodder in the fratricidal conflict between the Sinhalese Lions and the Tamil Tigers. Finally, after several trials and tribulations, they landed in Poomthottam camp as IDPs. In the course of Prof. Suryanarayan's conversation with them it became apparent that they did not have any roots in the hill country, therefore, the question of returning to the central province did not arise; they were also not keen to go back to Kilinochi and other places because they had no land to cultivate. Prof. Suryanarayan brought the tragic plight of these people to the attention of the leaders of the Ceylon Workers Congress (CWC), but they did not evince any interest in the subject. We feel that two remedial steps could be immediately initiated; first, the Government could start vegetable farms on a big scale and these people could be employed as labourers. Second, the Government should undertake a study of manpower requirements necessary for the rehabilitation and reconstruction of the north and the east, and after that these people could be provided with necessary skilled training and employed meaningfully. These unfortunate people deserve greater understanding and sympathetic attention from the Indian High Commission and the Government of India. A silver lining in the situation is that Amb. Ranjan Mathai, Foreign Secretary, having worked in Sri Lanka in the early 1980's, is not only familiar with their problems, but is also committed to their welfare. These people could be employed as labourers when construction of houses, to which the Government of India is committed, begins. The Indian High Commission should also impress upon the Sri Lankan Government the necessity to give citizenship papers and identity cards to those who do not have them.

The unfortunate side of the story is that many Indian projects, which were wholeheartedly welcomed by the Sri Lankan Tamils, have not been implemented due to bureaucratic bungling, red tapism and callous attitude of the concerned Sri Lankan authorities. In order o facilitate the resumption of agricultural operations, the Government of India gifted 95,000 agricultural starter packs, seeds and 500 tractors. The TNA members of Parliament have alleged that most of the tractors have not been sent to the Tamil areas, but to the southern parts for the benefit of Sinhalese farmers. The same holds true of 50,000 houses which the Government of India promised to construct for the benefit of the Tamil people. The land for the construction of the houses has not yet been allotted by the Government and the whole programme is proceeding at a snail's pace. Recently a parliamentary

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panel of the Ministry of External Affairs has criticized the delay in the utilization of the allotted funds and has suggested the drawing of a time table for its speedy implementation. The same holds true of the of the railway line from Vavuniya to Jaffna and the development of the Kankesenthurai harbour. The joint venture project to produce coal powered electricity between the National Thermal Power Corporation (NTPC) and the Government owned Ceylon Electricity Board (CEB) also ran into difficulties. At long last the clearance was issued and an Agreement was signed few days ago.

The blame game that India is dragging its feet in the development of Sri Lanka goes on and the critics compare the "tardy" Indian performance with the speedy progress of the projects undertaken by the Chinese Government. Whether it is the development of the Hambantota Port or the highway between Colombo and Kandy, the work sanctioned to China, according to them, gets completed swiftly and smoothly. They ignore the fact that the development of the Hambantota port was undertaken without proper environmental audit. In hindsight it could be said that if a proper study was undertaken the rock formations which act as a hindrance to the passage of ships to the port could have been detected. According to media reports, these rocks can be removed only by basting them. Will blasting the rocks pose ecological hazards to the southern province in general and Hambantota port in particular?

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TEST 5

Q.1. Indo- Bangladesh recent exchanges on Border Dispute (200 words)

Q.2. India's interest in a peaceful Nepal (200 words)

Q.3. Indo- Nepal- China Triangle (200 words)

Q.4. India's effort in rebuilding Sri Lanka (200 words)

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Chapter 6

India and the United Nations

India's Role in the United Nations:

India has actively cooperative with various principal organs and specialized agencies of the United Nations. India has served a number of 2-year terms as a agencies of the United Nations. India's Mrs. Vijay Lakshmi Pandit was elected as President of the eighth session of the UN General Assembly. The grace and dignity with which she conducted the proceedings of the General Assembly received all-round acclaim. India's association with the Economic and Social Council is almost permanent and it has offered such assistance in numerous social-economic activities as it is capable of Eminent Indian jurists, such as B.N. Rau and Nagendra Singh, have served with distinction as judges of the International Court of Justice. Dr. Nagendra Singh was also President of the Court. Various specialized agencies have helped India overcome shortages and solve problem such as of health, malnutrition, food, child care etc.

Commenting on India's commitment to the UN ideals, Charles H. Heinsath and Suljit Mansingh wrote: "…after independence, the Charter became Nehru's most consistent criterion for judging international conduct and a compendium of ideals to which his Government could subscribe. He felt that if there was hope in the world for a new dispensation that might lessen conflict and promote international justice, it might lie in the reconstructive efforts that the UN could undertake". Nehru's faith in the United Nations and its reconstructive efforts remained the underlying principle of India's policy towards the United Nations, and seeking solution to various international problems through this organization. A brief discussion on India's contribution to the UN efforts is given below.

The issue of membership of several newly independent countries was one of the earlier issues that attracted India's concern. India fully supported the cause of admission of those sovereign states which were being denied admission. Their membership was being blocked, in the context of Cold War, by one Super Power or the other. These included Japan and a number of socialist countries. India led a group of developing countries whose support proved valuable in getting 16 countries admitted in 1956. India forcefully pleaded for representation of Communist China in the United Nations. The question of Chinese representation remained unresolved from the end of 1949 till October 1971 when finally the US allowed the expulsion of KMT China and its replacement by the People's Republic of China. India supported Chinese admission even after India was attacked by China in 1962. India argued that China as a large sovereign country could not be logically kept out of the world body.

India pleaded strongly for speeding up the process of de-colonisation in Asia and Africa. In such cases as Indonesia where imperial Powers tried to block their independence, India helped build public opinion in favour of independence and quick de-colonisation of Afro-Asia.

India came out strongly against the maintenance of colonial system. Prime Minister Nehru had argued that colonialism had to disappear so that the world could achieve peace, and "a friendly relationship" could develop between Asia and Europe. He believed that colonialism was obsolete in the contemporary world. Under Nehru's leadership "India decided to create a historic process which, by the very fact of India's independence, was known to be well under way." The first major campaign that India initiated in the United Nations was aimed at forcing the Government of the Netherlands to give up its control over Indonesia. The attention of the Security Council was called by India and Australia, 'under Articles 34 and 39 of the Charter, to the fighting which had broken out in July 1947 between the Netherlands and Indonesian nationalist forces. Although the Government of the Netherlands sought to invoke provisions of domestic jurisdiction clause saying that Indonesia was its internal

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matter, yet the Security Council took up the matter, called for an end to hostilities, and asked the parties involved to settle their dispute by peaceful means. Thus, the Security Council rejected the Dutch Contention that UN did not have competence to deal with the case. The Conference on Indonesia convened by Prime Minister Nehru in New Delhi in January 1949 made significant contribution to the cause of Indonesia's Independence which became a reality by the end of 1949.

India, along with other like minded countries, played a significant role in the release of French colonies of Tunisia, Algeria and Morocco. India supported the cause of freedom of Cyprus. The Indian efforts in support of national self-determination in the General Assembly resulted in an overwhelming vote in favour of a resolution calling upon member countries to recognize the sovereign right of the peoples of non-self governing territories. The resolution against colonialism declared that "all peoples have an inalienable right to complete freedom, the exercise of their sovereignty, and the integrity of their national territory." By 1960s most of the colonies had achieved independence, and in the remaining areas the process of de-colonisation was nearing completion. As more and more erstwhile colonies emerged as independent states, India played a leading role in bringing them together in the non-aligned movement, which was based on India's policy of non-aligned movement, which was based on India's policy of non-alignment and was initiated as a movement by Nehru along with Egyptian' President Nasser and Yugoslavia's Tito. Professor Satish Kumar points out that, "The Non-aligned Movement, while articulating the political and economic aspirations of its member states at its various conferences, assumed the role of an organized pressure group in the United Nations Conference on Trade and Development (UNCTAC). Later, it was on the initiative of NAM that the United Nations General Assembly adopted a resolution (1974) calling for the creation of a New International Economic Order (NIEO).

An interesting case that came up in the UN in its infancy pertained to controversy between the United States and other Powers such as Britain, Australia and Canada interested in the Pacific. A number islands in the Pacific which were made mandate territory after First World War and placed under Japan were now the subject of dispute as the mandatory to acquire these islands as the US Navy was insisting on their outright annexation, Britain proposed and Australia supported that all victorious Powers of Pacific War should be consulted on any trusteeship decision regarding these islands. Australia was keen to acquire islands south of Equator. India was not a member of the Security Council, but UK and Australia demanded that India and New Zealand should also be invited. The US reluctantly agreed. Thus in a matter pertaining to mandates trusteeship India came in the picture. US desire was against "democracy and justice" in the eyes of Canada and New Zealand. They said that US plea was not in conformity with international law. However, India disagreed with other Commonwealth members. Sir Ramaswamy Mudalior taunted: "Law can be very pedantic and that this very pedantry can sometimes bring law into contempt". US was very adamant and it ultimately had its way.

India had cut-off diplomatic relations with South Africa in 1949. The Government of South African was not only in the hands of white minority and it denied the majority coloured people their legitimate right to govern, but it also continued to maintain its hold on Namibia (the former German Colony of South West Africa) which was made a mandated territory in 1919. India fully supported the cause of independence of Namibia and co-sponsored resolutions in the United Nations calling upon South Africa to grant independence to Namibia. The freedom fighters of Namibia recognized India's contribution in the cause of their struggle when they finally won their statehood in 1990.

India is a strong supporter of the UN efforts for protection of human rights. Even since the United Nations General Assembly adopted the Universal Declaration of Human Rights in December 1948, India has cooperated in implementation of human rights related decisions and resolutions. The two human rights covenants have received India's whole-hearted support. The Constitution of India, enacted in 1949, incorporated most of the human rights either as fundamental rights or as directive principles of state policy. Wherever there is violation of human rights, India has raised its voice against such violation. The human rights violation in South Africa is one

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such case in which India played a leading role in demanding end of all such violations. India either sponsored or, at least, supported resolutions passed by the General Assembly condemning apartheid in South Africa. Apartheid was declared to be a crime against humanity. South African Government was excluded from the General Assembly since 1974. Mandatory arms embargo was imposed against South Africa in 1976 by a unanimous resolution of the Security Council. Led by the UN, several countries had applied comprehensive economic sanctions against South Africa and many did not maintain diplomatic relations with the racist regime. India's role was highly appreciated by Dr. Nelson Mandela who became the fist non-white President of South Africa in May 1994, after an all-party election returned him to power. Thus, India led the movement against apartheid both in the United Nations and outside it. India has constituted its own National Human Rights Commission, chaired by a former Chief Justice of India. This Commission is expected to ensure that there are two human rights violations in India. It also suggests measures to check violations and protect human rights in India.

India has played a consistently positive and energetic role in UN efforts for disarmament and arms control. India stands committed to total nuclear disarmament. India pleaded the cause of disarmament and arms Control in Eighteen Nations Disarmament Committee, special sessions of the UN General Assembly and finally in Conference on Disarmament (CD). India had signed the Partial Test Ban Treaty, but firmly resisted all pressures to sign the Non-Proliferation Treaty and blocked the Comprehensive Test Ban Treaty in 1996.

India has always actively supported peace-keeping activities of the United Nations. Peace-keeping as a concept, though not spelt out in the Charter, has evolved over the years as an internationally acceptable way of controlling conflicts. UN directed forces have not been used to wage wars, but to control and resolve conflicts between states or communities within states. During the first 50 years of UN existence about 35 peace-keeping forces, and in others military observer missions. One of the first assignments given by the UN and accepted by Indian was Chairmanship of Neutral Nations Repatriation Commission (MNRC) for Korea. It was charged with the custody of the prisoners of war entrusted to its armed forces in 1953. Earlier, in its first action under collective security, the UN Security Council had asked member-nations of UN to resist North Korean aggression against South Korea, and India had responded with a token assistance by sending its army medical units. As Chairman of MNRC, India performed the difficult task of repatriation of the prisoners of Korean War.

India also acted as Chairman of the International Commission for Supervision and Control in Indo-China under the Geneva Agreement of July 1954.

Another important assignment was peace-keeping operations in the Congo by the Indian Independent Brigade during 1960-63. As in case of Korea, the Congolese assignment involved the use of Indian troops. The Republic of Congo (later the Republic of Zaire) became independent from Belgian rule in June 30, 1960. Soon afterwards disorder broke out and Belgian troops were sent 'to protect and evacuate Europeans'. On the Congolese request, the Security Council authorized the Secretary General to provide military assistance to the Congo. In less than 48 hours, UN forces made up of several Asian-African countries began arriving in the Congo. As situation became complex after the assassination of former Prime Minister Lumumba in Katanga province and attempted secession by Katanga, the UN forces at one time reached 20,000 troops. After Katanga was reintegrated in February 1963, phased withdrawal of UN troops began. The role of Indian peace-keepers was greatly appreciated.

Peace-keeping in West Asia after Anglo-French-Israeli aggression on Egypt, over the Suez Canal nationalization issue, was another case of India's contribution to the UN. Immediately after the cease fire on UN Soviet initiative, a United Nations Emergency Force (UNEF) was raised to supervise the observance of cease fire. The UNEF was constituted by a resolution of the General Assembly Soviet Union, Israel as well as Egypt abstained, as the USSR argued that only the Secretary Council could set up such a force. The UNEF included contingents from Canada, Denmark, Finland, Norway, Sweden, Brazil, Cambodia, India, Indonesia and Yugoslavia. All of them, like

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India, were considered neutral in the Suez-related crisis. The UNEF ensured observance of cease fire, evacuation of Sinai area and Gaza strip from Israel and patrolled the 273-km long Egypt-Israel border.

The strife-tom former Yugoslavia presented a serious challenge to the UN and its ideal of international peace. The break-up of erstwhile Yugoslavia soon after the end of Cold War, and disintegration of USSR in 1991, resulted in unprecedented ethnic conflicts mainly between Serbs and Bosnian Muslims. The Serbs talked of ethnic cleansing and killed large numbers of Bosnians or made them homeless and orphans in over three years of conflicts. The United Nations Protection Force for Yugoslavia was constituted in February 1992. It had a difficult task of maintaining peace in erstwhile Yugoslavia. The Force was headed by an Indian Army General. India, as usual, tried to make significant contribution to the cause of peace in the Balkans.

India and the UN Security Council Reform:

U.S. President Barack Obama's surprise announcement of support for India's permanent membership in the United Nations Security Council (UNSC) is a bold foreign policy stroke. Beyond deepening the U.S.-India strategic partnership launched by the Bush administration, it may help break the logjam that has kept the UNSC's permanent membership mired in the world of 1945.

The rationale for India's candidacy is obvious. The world's largest democracy with more than 1.2 billion people, India has a dynamic, fast-growing economy, the world's fifth-largest navy, and an impressive army with a distinguished role in international peacekeeping. India is increasingly at the forefront of efforts to police the global commons and combat transnational terrorism and, although not a member of the Nuclear Nonproliferation Treaty regime, has established a strong record over the past decade in combating nuclear proliferation. India, simply put, has the assets to become a bulwark of world order.

Indians, who have long regarded permanent UNSC membership as the holy grail of Indian foreign policy, are naturally ecstatic. What Obama did not provide, however, was any strategy for bringing UNSC reform about. The president should follow up on his dramatic announcement by launching a comprehensive plan for Security Council enlargement, based on clear criteria for permanent membership.

The rationale for expanding the UN Security Council's permanent membership is powerful. To be effective and legitimate, the world's premier watchdog for international peace and security must reflect the contemporary distribution of power, so that it enjoys the political support (and draws on the resources) of the world's most capable states. The current list of "permanent five" members--the United States, Russia, China, the United Kingdom, and France--is notable for its omissions.

The United States has geopolitical interests in expanding the UNSC's permanent membership. The time for a globally dominant state to cede some power to rising ones is when it can still dictate the terms of the shift. As noted in a recent CFR workshop in New Delhi, the United States can help relieve its strained resources (PDF) by sharing some of the privileges and burdens of global leadership.

Because immediate UNSC enlargement would be a gamble, Obama should declare U.S. support for a gradual approach to expanding UNSC membership**,** based on clear criteria for membership (advocated in a forthcoming Council Special Report I co-authored with Kara McDonald: *UN Security Council Enlargement and U.S. National Interests*). These criteria would include a demonstrated capacity to contribute to international peace and security, including contributions to the UN and membership in good standing with major international security regimes.

Based on these criteria, the most logical candidates for permanent membership, in addition to India, would be Japan, Germany, and Brazil--four great democracies. By setting such criteria, and winning support among the veto-wielding P5 for their application, the United States can help ensure that candidates for UNSC permanent membership are prepared to accept not only the privileges, but the weighty obligations of membership.

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TEST 6

Q.1. India's role in UNPKF (200 words)

Q.2. India's bid for a UNSC reform (200 words)

Q.3.India's performance as the UN Security Council member (200 words)

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Chapter 7

India and the United States of America

Indo-US Relations During the Cold War Period:

To put relations between India and the United States in perspective it is no longer necessary to go over the five decade-long estrangement between the world's most populous and most powerful democracies. This divergence, often sharp, but never so sharp as to drive the relationship to the breaking point, is a thing of the past. Its principal cause, the Cold War is over. Consequently, Indo-Us relationship, good, bad or indifferent, has become the most important in the entire gamut of our relations with the outside world. It may not be a multi-polar world just yet but is surely a perycentric one. Even so, American remains unquestionably the mightiest military power and has the world's largest economy at a time when globalization has become almost the universal economic creed.

The emergence of free India coincided with the emergence of the United States and the Soviet Union as two Super Powers. Both these powers with faith in their respective ideologies and way life looked with suspicion towards each other and set up military blocs like NATO, CENTO, SEATO, ANZUS, and the Warsaw Pact to meet the possible threat from the other. When India gained independence, there was the option of joining either of the two power blocs. However, India decided to keep away from both these blocs and follow an independent foreign policy.

Nehru opted for the policy of friendship with all, but enmity with none; the policy of seeking help, without strings for India's economic development; and the policy employing freedom to decide all issues on merit. This policy came to be known as the policy of non-alignment.

The adoption of policy of non-alignment did not imply that India declined to play a positive role in international sphere. It expressed positive opinion on the issues facing the world on the basis of merit. Though India has always wanted to have balanced relationship with both the Super Powers, it has not always succeeded in this mission.

India's relations with the USA have followed a zig-zag course during the First 50 years (1947-97). India's relations with three of the important neighbours — Pakistan, China and the Soviet Union in particular and the policy towards Asia and Africa, in general, have been the most significant determining factors in the Indo-US relations. Soon after independence, India developed very friendly relations with the USA. The Indian leaders acknowledged with gratitude the positive role played by America in exerting pressure on the British Government to expedite the grant of independence to India. The democratic ideals of America fascinated the Indian leaders. However, they decided to follow non-alignment, not favoured by America and hence considered as an unfriendly posture. Also, the refusal of India to join the military alliances sponsored by USA, and different stands taken by it on various international issues like the grant of independence to Indonesia and recognizing the communist regime of China were quite annoying to the American leaders.

India did not approve of the American policy of containment of communism against Soviet Union and China through a system of military alliances, and sought to promote a climate of peaceful co-existence and cooperation. Nehru's mild stand on the Chinese invasion of Tibet, disassociation with American not to brand China as an aggressor in Korea and opposition to the US sponsored Uniting for Peace Resolution of November 1950, irritated the United States. India's attitude towards the Peace Pact between the US and Japan also caused

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bitterness. She did not even attend the conference convened by the US for the conclusion of US-Japan peace treaty.

The relations between the two countries in the economic, cultural and educational spheres continued to grow and the US provided valuable assistance to India under the Technical Cooperation Agreement of 1951. The US also made available to India huge quantities of food grains to tide over the problem of food shortage. India received enormous assistance from various private foundations, like the Ford Foundation, Rockefeller Foundation and Carnage. Earlier, when Nehru visited the United States in 1949 he was given warm welcome. Indo-US relations were friendly and cordial during the period 1951-54. When Britain, France and Israel launched an aggression on Egypt in 1956, because Suez Canal had been nationalized, the three aggressor countries were bitterly criticized by most countries. India did the same. India fully supported the US efforts to end the Suez conflict. But, India did not support the call to Soviet Union to end its military action in Hungary, also in 1956.

Indira Gandhi and Indo-US Relations: The Tashkent Agreement was signed in January 1966 by Prime Minister Lal Bahadur Shastri and Pakistan President Ayub Khan to normalize Indo-Pak relations. Within few hours of the signing of this agreement Shastri died at Tashkent. He was succeeded by Mrs. Indira Gandhi.

When Mrs. Indira Gandhi became the Prime Minister in January 1966, her first foreign policy move was to visit the US in March 1966. She was received warmly by President Johnson, who put pressure on India in regard to this country's relationship with the Soviet Union. This effort to pressurize India at a crucial moment for a major turning away from her policies left and undoubted mark on subsequent developments bringing about a resolve in New Delhi to urgently strive for self sufficiency in food grains. As V.P. Dutt opined, on the one hand India appeared to be going around with a begging bowl on the verge of an economic disaster, in need of American help and investment which was put in the context of shared values of democracy and human freedom, and on the other hand she had to point out and carry conviction about the basic health of the Indian economy and the strength of Indian democracy, a potentially major country plagued by temporary difficulties. Mrs. Gandhi welcomed foreign investments. She drew attention towards China's aggressive policies. Relations with Pakistan were also discussed. India moderated its stand on Vietnam. Mrs. Gandhi emphasized the need for a political solution and the helpful contribution that a cessation of US bombing of North Vietnam would make in the search of political solution. Mrs. Gandhi's visit in 1966 was perhaps the most serious, the most extensive and the most determined bid to establish and promote a close state of Indo-US relations. The new international situation, the US-Soviet détente, the Sino-Soviet split, the conflict with China and common opposition to Chinese policies, US economic and military assistance, it was believed by many in India, would justify the relationships and ensure a long spell of friendly relations with America.

India devalued its currency (rupee) apparently under the US pressure in 1966. The economic assistance to India that was suspended by the US during 1965 Indo-Pak war, was now resumed, though it was much less than the original assistance. Early Indira Gandhi period was marked by a major effort at aligning Indian and US policies are closely together as possible. The first formal bilateral talks were held in 1968. Talks took place in a changing international environment and political situations in the two countries. America was becoming heavily preoccupied with the war in Vietnam and, therefore, had to considerably cut short aid to India which affected India's five year plans also. America's consistent support to Pakistan on Kashmir issue and its decision to provide shelter to the Naga rebel leader Phizo in the US in 1967 caused strain in our bilateral relations but US Ambassador Chester. Bowles was keen that talks should take place, hence he felt that America's preoccupation with war in Vietnam had led to a neglect of India during a critical period of political and economic transition. This was for the first time that an important American delegation had come to New Delhi without telling the Indians to settle the Kashmir problem. But differences remained wide. Johnson Administration was replaced by Nixon in 1969. Nixon stood for assistance to India. He visited India in August 1969. It was the first trip of a US President after Eisenhower's visit of 1955. While the visit helped clear some air, and narrow differences, it also underlined

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the existence of differing approaches and the problems thus created. Indo-American relationship reached a low point during the June, 1967 war in West Asia when Mrs. Gandhi supported the Arabs. This had irked not only President Johnson but also Jewish members of the US Congress. President Nixon did not try to inject US into the seemingly unresolvable Kashmir question.

India and the US could not resolve their differences. Sharp differences remained on US arms supplies to Pakistan, the West Asian conflict and the war in Vietnam. The perception of the two countries of their interests in Asia in particular, and the developing countries and the world in general had for most of the time, been fairly divergent. Whether it was Kashmir, the Indian Ocean, the question of colonialism or international political and economic order, their outlooks have been wide apart.

The Crisis of Bangladesh: Indo-American relations were never as bad as they turned in 1971. The crisis in Bangladesh had started as domestic problem of Pakistan. But, it soon developed into a major uprising and resulted in India-Pakistan war in December 1971. Although President Nixon of the US had indicated that US might intervene on the side of Pakistan, yet in practice it refrained from doing that. Pakistan had always been at the root of Indo-American differences. Initially, Pakistan was not America's first choice. It is only after India declined to join the US sponsored SEATO that Pakistan was invited to join the Western alliance system. Pakistan had been receiving military assistance from the United States since 1954. Despite assurances given to India, Pakistan used the American weapons against this country both in 1965 and 1971. Pakistan was more openly supported by the United States in 1971 that during the 1965 war. There was a strange cooperation in 1971 between Pakistan, China and the United States of America. Pakistan was receiving massive military supplies from the US even before the Bangladesh Crisis began. America had decided in 1968 to sent to Pakistan, via Turkey, 100 tanks of M-47 category. India had made it clear at that time itself that the supply of these tanks would make Pakistan stronger and India more vulnerable. But, US Administration was not bothered.

It was formally announced by the United States on October 7, 1970 that it would provide to Pakistan B-57 bomber aircraft and other lethal weapons. The then US Ambassador in India Keating said at a press conference that the purpose of providing this "limited" supply to Pakistan was to restrict Pakistan's dependence on China and the Soviet Union. India's protest was ignored. Unfortunately, at that time China, the United States and even India's friend Soviet Union were competing with each other for providing armaments to Pakistan. This caused anxiety in India, and could not convince this country that US assistance to Pakistan was meant to be used against communist countries. It was in this situation that the then East Pakistan became an area of serious domestic politics of Pakistan.

The Bangladesh crisis of 1971 created a big divide between India and the United States. We have explained the events leading to the 1971 crisis and its consequences in Chapter 5 and 7. President Nixon of the United States had adopted a clearly anti-India policy. A strange combination to Pakistan, China and the United States had emerged. Pakistan had been liberally receiving armaments from the United States. As the Pakistan President adopted stiff attitude and refused to appoint Sheikh Mujibur Rehman (whose party had won clear majority in Pakistan's National Assembly) as the Prime Minister of Pakistan, Bangla people launched agitation for an independent Bangladesh. President Yahya Khan was then acting on the advice of ambitious Z.A. Bhutto. When Mrs. Indira Gandhi visited Washington, she was told by President Nixon, of the US resolve to support the position of Pakistan. Encouraged by US support, President Yahya Khan launched military action on December 3, 1971. Meanwhile Indo-Soviet Treaty of Friendship and Cooperation had been signed which acted as a deterrent. US threatened intervention in the 1971 war, but did not carry out the threat. Meanwhile, for several months before the commencement of war, millions of Bangla refugees were arriving in India. It was a big burden on India to look after 10 million Bangla refugees. The Bangla struggle for freedom was sought to be suppressed by Yahya regime. Bangla youth set up their army called Muktibahini. But, Pakistan alleged that in fact it consisted of Indian troops which were fighting in the grab of Muktibahini. The Bangla crisis eventually led to India-Pak war in which

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Pakistani army surrendered unconditionally in the Eastern sector. Thus, despite American support to Pakistani designs, Bangladesh emerged as an independent sovereign state.

Indo-American Relations Since the end of Cold War:

The Cold War that had commenced soon after the termination of Second World War ended in 1989. The two Super Powers gave up the path of confrontation, but the Soviet Union soon began to collapse. It finally disintegrated in December, 1991. India, like rest of the world, was not prepared for this development. This left the United States as the only Super Power. It, therefore, became essential for most of the countries to review their foreign policies and diplomatic activities. It was natural that India's relations with the United States must also undergo substantial change.

Writing about the Indo-American relations in the post-Cold War period, Professor B.K. Shrivastava said that, "A new world much more chaotic than ever before and much more prone to violence emerged at the beginning of 1990s. "The world is no longer divided into two power blocs." Professor Shrivastava added: "With the end of the Cold War, the ideological confrontation between East and West has also ended. There are not many countries left in the world today which do not swear by democracy". Centrally controlled economies have moved towards market economies. With the disintegration of the Soviet Union and emergence of the US as the sole Super Power, India's relations with the United States have undergone significant changes.

Until 1996, when under the Gujral Doctrine relations were sought to be improved by India with all its neighbours. India viewed both Pakistan and China as threats to its security. The intensity of this perception has, however, varied from time to time. But India has never regarded the United States as a Power posing direct threat to its security. India has always regarded that the threat from the United States is indirect through its military alliance with Pakistan. For a long time since 1960s India had depended on the Soviet Union for its defence requirements. The United States saw India's special relations with the Soviet Union in the context of the Cold War as strengthening the Soviet position in South Asia. This view, as US perception, had taken particular exception to the Indo-Soviet relationship which had led India to support the Soviet policy in Afghanistan and opposed the United States even when India's interests were not directly involved. There was a particular interlocking of relationships as during the "Soviet invasion of Afghanistan." American provided huge military aid to Pakistan. This, according to India, constituted a clear threat to its security.

This inter-locking of relationships was done away with at the end of the Cold War. The Soviet forces were withdrawn from Afghanistan late in 1980s. After the disintegration of USSR, the closer cooperation and integration with the West became Russia's top priority. As Russia and America moved closer to each other there was a clear neglect of Russia's traditional relations with long-standing friends like India. The decline of Indo-Russian ties was clearly reflected in the trade relations of the two countries. For example, India's exports to Russia came down from 16.1 per cent of its total exports in 1989-90 to 9.1 per cent during 1991-92. India's long-standing defence relations with Russia also came under strain.

In April 1993, US Secretary of State Warren Christopher had said, of the US assistance to Russia that the programme of assistance, "will support Russia's long term transformation to the market and most importantly… directly serve US interest by reducing the former Soviet nuclear arsenal and opening new markets for our workers, farmers and businesses. The sudden improvement in relationship between Russia and America in the post-Cold War period had a profound impact on America's relations with India and Pakistan. After Soviet withdrawal from Afghanistan, importance of Pakistan in US strategic thinking had considerably declined. With the end of the Cold War the United States insisted that the goal of its policy in South Asia was promotion of

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peace and stability in the region. It is in this background that the Americans brought the issue of nuclear proliferation to the top its list of priorities in Asia.

The Problem of Nuclear Non-Proliferation: India's decision not to suspend, or terminate, its nuclear programme was a major irritant in the Indo-American only if all the nuclear programme only if all the nuclear weapon states (NWS) made a commitment that they would, in course of time, bring about complete nuclear disarmament. This commitment should be time-bound so that the world knows by what time it would be free of nuclear weapons. But, India's views were not taken seriously by the United States. Meanwhile, India had not conducted any nuclear test since its only explosion in 1974. The United States believed that India's security could be ensured only if it gave up its nuclear programme.

The United States had always wanted that both India and Pakistan should sign Nuclear Non-Proliferation Treaty. This policy was vigorously pursued by Presidents Carter through Clinton. Pakistan had made it clear to Bush as well as Clinton that it would sign NPT only after India signed it. India consistently refused to sign the NPT because it regarded it as discriminatory. India has always argued that three countries in its neighbourhood had nuclear weapons and, therefore, it could not give up its nuclear option unilaterally. The United States went on putting pressure on India not only to sign NPT but also not to develop its missile programme. India's decision to test Prithvi and Agni missiles provoked serious criticism in American and elsewhere. India made no compromise on its stand on the question of signing of NPT and later on the proposed Comprehensive Test Ban Treaty (CTBT). India succeeded in blocking the CTBT in the Conference on Disarmament at Geneva in 1996 and voted against it even in the UN General Assembly. Thus, by 1997 Indo-Us differences persisted on the question of NPT, CTBT, the missiles programme as also the whole issue of Kashmir and human rights. However, for the first time in September 1997, President Clinton told Pakistan Prime Minister Nawaz Sharif that Kashmir question must be bilaterally tackled by India and Pakistan, and that the US had no intention of mediating between the two countries. This was a welcome development. India's Prime Minister Inder Kumar Gujral also met President Clinton, on the latter's initiative, during UN General Assembly session in September 1997. In accordance with Gujral's wishes, President Clinton did not raise the issue of Kashmir. As mentioned above, US position now is that Kashmir question should be bilaterally dealt with by India and Pakistan. Later, during a visit to India and Pakistan, US Secretary of State Ms. Albright also said that US had no intention of mediating in the Kashmir question.

Although a clear shift in the American position in Kashmir was noticed yet, unlike India, the United States still regarded Kashmir as a disputed territory. But the changed US position on Kashmir did not permit Pakistan to raise the Kashmir question in the Security Council although it continued to support secessionist forces in Kashmir.

The Clinton Administration admitted that it considered the whole of Asia as an important region. It was of the view that it was willing to discuss the common interests of India and Pakistan. It was claimed on behalf of the Clinton Administration that the US wanted to ensure stability in India-Pakistan relations, so that the tension of the past could be eased. The United States was keen to strengthen friendship with all the countries of South Asia.

America felt that the Gujral Doctrine would be highly beneficial to the entire Asian region. The agreements that were concluded in 1996 between India and Nepal, and India and Bangladesh were appreciated by the United States and credit was given to the doctrine of developing good neighbourly relations with smaller nations advocated by the then Foreign Minister I.K. Gujral.

The Question of Human Rights: There have been serious differences between India and America and the question of human rights also. The world community, according to Prof. Srivastava "is not very sensitive to any serious violation of human rights". The organizations like Amnesty International and Asia Watch, focused attention on violation of human rights by India's security forces. Not only these organizations have demanded

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repeal of laws like TADA, passed by Indian Parliament, but even the US Congress had expressed its concern over the violation of human rights time and again. India did not permit representative of Amnesty International for nearly 14 years to investigate cases of alleged violations of human rights. This provoked, in June 1990, the introduction of a bill in the American House of Representatives calling for suspension of developmental aid until India allowed Amnesty International — to investigate the cases of alleged violations of human rights. But a member of Bush Administration, Jennet B. Mullins opposing the bill had said, "India is a vigorous democracy and human rights are monitored there in much the same way as they are monitored in the US". Meanwhile, under the pressure of public opinion both inside and outside the country, a National Human Rights Commission was set up in India. This Commission functions under the chairmanship of a retired judge of the Supreme Court, and examines the allegations of violations of human rights. Even then, the United States always appears to be bothered about human rights in India.

Some of the pro-Pakistan members of American Congress have been making efforts to prevent India from getting US economic assistance on the ground of alleged violation of human rights. In this process, a prominent India-baiter Congress member Dan Burton performed his "annual duty" when he moved an amendment in the Foreign Operations Appropriation Bill. The purpose of this amendment moved in the House of Representatives was to punish India by preventing continuation of development assistance given by the United States. Burton suggested the stoppage of aid to India "Until it improves its human rights records." Such efforts are regularly made by a small coterie of "Pro-Pakistan" members of House of Representatives. Their aim is to harass India. A similar proposal made by Burton in 1996 was defeated as a result of vigorous efforts made by pro-India members of the US Congress. Once again in 1997, Kashmiri militants and Khalistan supporters started the campaign to stop or reduce the developmental aid to India. The members of the House of Representatives, including Chairman of the Rules Committee Gerald Solomon, wrote a letter to other members of the House in which they asked them to help them in sending a message to India that the United States "will not tolerate such a friend who has its own people killed." This false and baseless allegation was leveled only to defame India. The background of Burton Amendment was that Clinton Administration had proposed (1997) to provide an additional aid for economic development of over four and a half million dollars to India. While proposing their cut Burton and others said that they would not be able to justify this increased aid to India in view of its dismal human rights record. They argued that American people are sending a part of their hard-earned income to a country (India) that does not share their moral values. Despite support by some prominent members, Burton Amendment was rejected by the US Congress. Only 82 members of the House voted for the amendment and 342 voted against it. Thus, Dan Burton's "annual duty" failed once again.

US Assistance to Pakistan after the Cold War: We have mentioned above that the Pressler Amendment of 1985 had made it obligatory to certify that Pakistan did not possess nuclear bomb, so that US grant could be released. Not only Pakistan did not get assistance after President Bush refused to certify, but even aircrafts for which Pakistan had made payment were not certify, but even aircrafts for which Pakistan had made payment were not delivered. Pakistan had started campaign against the Pressler Amendment since 1991, and it suggested that South Asia might be declared a nuclear free zone. Pakistani Prime Minister Nawaz Sharif proposed in 1991 convening of 5 – nation conference to consider nuclear free zone of South Asia. Pakistan has always tried to raise the question of threat from India to her security. This is done to keep receiving US assistance. Bill Clinton, during presidential campaign of 1992 had hinted at pro-India approach. But, during his first tenure President Clinton took hardly any step to better ties with India. Pakistan was helped in 1995 when Brown Amendment authorized the US Administration to release assistance to Pakistan as well as make supplies for which Pakistan had made payment. India's Ambassador S.S. Ray had said at that time that the Brown Amendment was likely to adversely affect the Indo-US relations and economic cooperation. India's security was once again threatened because, as in the past, Pakistan could easily use the US weapons against India in any future conflict. Large scale US supplies to Pakistan were against India's national interest.

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Pakistan was not satisfied with one-time waiver allowed by the Brown Amendment of 1995, which became law in 1996. Therefore, Pakistan lobby in the US prompted senators Tom Harkins, John Warner and others to propose in the Senate to provide for limited economic assistance and military training for Pakistan on regular basis. This would virtually negate the Pressler Amendment. The American multinational companies operating in Pakistan would be able to secure funds from the Overseas Private Investment Corporation. Also, Pakistan defence forces' officers would become entitled to advanced training in the United States under the International Military Education and Training Programme. The new arrangement, according to Senator Warner, would enable "constructive cooperation with Pakistan". He described Pakistan as a country with which US has had a long history of friendship. Thus, the US Government, (in any case, some of its leaders) had been constantly trying to strengthen Pakistan and weaken India.

These are sharp differences of opinion among for foreign policy experts as to actual US policy-intentions regarding India. In fact, the United States itself has given contradictory signals. P.K. Panigrahi had written in 1996 that there were enough indications of Washington trying to gradually move closer to India. He was of the opinion that India being better placed than Pakistan, economically, politically and strategically, US felt that India could play useful role as a leading third world nation. We do not feel that the US has actually opted for India, because (a) wherever possible, the United States has always tried to equate India and Pakistan, and (b) according to US strategic planning Pakistan has been more useful and important. Somewhat similar views were expressed by eminent journalist and a nominated member of Rajya Sabha (1997) Mr. Kuldip Nayar. In his opinion there were indications that the united States was likely to modify its policy, and improve Indo-US relations. The South Asian US experts have been busy evolving strategy for improvement in Indo-Us relations without sacrificing their traditional friendship with Pakistan. Although it was realized in several US quarters that Pakistan was a "failed state", yet it must realized in several US quarter that Pakistan was a "failed state", yet it must continue to receive US military assistance, so that it does not develop into a pure military dictatorship. Thus, US would continue to provide assistance to Pakistan even after the collapse of communism in the post-Cold War period, yet she would try to "accommodate" India to the extent it is possible.

Economic Liberalisation in India and the United States: The United States has been very appreciative of the economic liberalization programme. Initiated in 1985, but vigorously pursued since 1991 by the Government of P.V. Narasimha Ro. The American government strongly supported India's case for financial assistance from the institutions like the World Bank and IMF. The Second Clinton Administration asserted that it would continue to work for better economic ties with India. According to the Secretary of State Mrs. Madeline Albright, the Clinton Administration, "will encourage US trade and investment with India as it continues to carry out path-breaking economic reforms." In the growing environment of interdependence of nations, greater capital investment will make for faster economic growth. According to US Secretary of Commerce, Ronald Brown trade agreements to the tune of 4 billion dollars had been concluded by 1995 and negotiations were going on for bilateral trade of about 16 billion dollars. It is generally believed that India urgently required US investments in this country, rather than the US wanting to invest in India. But, trade relations are normally for the benefit of both the countries. The Brown Delegation had accepted that, in the post-Cold War period, India, rather than China, was America's destination in respect of capital investment. Clinton Administration was of the opinion that India was one of the top ten emerging markets. As Secretary of State Ms. Albright had said in 1997, the US was likely to encourage commerce with Indian and increased investments in this country. Later, a senior State Department official Thomas pickering also enthusiastically acknowledged that India had the potential to be an important pattern in the region. But, in view of the large size and potentials of India, the US assistance was still far from adequate.

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George W. Bush and Indo-US Relations:

The Bush Administration rapidly befriended Pakistan after September 11, 2001, as its leader Parvez Musharraf promised to join hands with the US and its allies in the fight against Taliban and other elements in international terrorism. It is well-known that the Taliban were largely created by Pakistan, but George W. Bush needed Pakistan and the latter needed him to change the US attitude of Clinton period. After September 11, 2001, the US gave up the not-so-friendly attitude towards China. Like most other countries, India promised support to the US in its struggle against terrorism, reminding the US that India had been a victim of cross-border terrorism for over two decades.

For the first time in September 2002, the Bush Administration put India in the category of great powers, and, according to C. Raja Mohan (Crossing the Rubicon), the US "suggested an Indian role in Asian balance of power and contrasted a positive approach towards India with a more critical one toward, China." The Transformation in the US-India relations was based on the conviction that the US interest required a strong relationship with India. The then US Ambassador to India, Robert Blackwill declared in late 2002 that, peace within Asia was an objective that a transformed US-India relationship would help advance. Thus, both India and the United States began working to strengthen their relationship in various spheres. As Ambassador Blackwill said, "A strong US-India partnership contributing to the construction of a peaceful and prosperous Asia binds the resources of the world's most powerful and most populous democracies in support of freedom, political moderation, and economic and technological development.

The process that was initiated by Clinton and Vajpayee was carried forward by Prime Minister Mamohan Singh and President George W. Bush. The two leaders met in Washington D.C. in July 2005 and in March 2006 in Delhi. In 2005 the two leaders declared their resolve to transform the relationship of US and India "to establish a global partnership". As both are committed to values of human freedom, democracy and rule of law, the two countries will promote stability, democracy, prosperity and rule of law, the two countries will promote stability, democracy, prosperity and peace throughout the world." The two countries pledged to create an international environment conducive to promotion of democratic values, and to combat terrorism relentlessly. The pledge was also to support and accelerate economic growth through greater trade, investment and technology collaboration. They also resolved to strengthen energy security.

What was highly significant was the signing of an Indo-American Nuclear Agreement to separate India's civil and military nuclear facilities. The US Hoped that this would lead to prevention of proliferation of weapons of mass destruction.

Indo-US Nuclear Deal:

An agreement of far-reaching consequences was concluded between India and the United States, during Manmohan Singh's visit to the US, on July 18, 2005. The agreement known as Indo-Us Nuclear Agreement aimed at separation of India's civil and military nuclear facilities and at US resuming civil nuclear cooperation that was suspended after our first test conducted in 1974. This agreement provides for civilian nuclear cooperation on India fulfilling certain conditions, and on US Congress approving changes in their domestic laws to enable the cooperation.

It was announced on behalf on the US that President George W. Bush committed himself to work to achieve "full civil nuclear cooperation with India" on the ground that "as a responsible state with advanced nuclear technology India should acquire the same benefits and advantages as other states." The main points in the deal were spelt out as under:

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India will assume same responsibilities as other countries with advanced nuclear programmed, and that Indian agreed to:

- Identify and separate civilian and military nuclear facilities and programmes and file an IAEA (International Atomic Energy Agency) declaration regarding its civilian facilities;
- Place voluntarily its civilian nuclear facilities under IAEA safeguards.
- Sign and adhere to an Additional Protocol with respect to civilian nuclear facilities;
- Continue its unilateral moratorium on nuclear testing.
- Work with the US for the conclusion of a multilateral Fissile Material Cut Off Treaty;
- Refrain from the transfer of enrichment and reprocessing technologies to states that do not have them and support efforts to limit their speed; and
- Secure nuclear materials and technology through comprehensive export control legislation and adherence to the Missile Technology Control Regime and Nuclear Supplies Group.

The United States reciprocally promised that the Administration will:

- Seek agreement from Congress to adjust US laws and policies.
- Work with friends and allies to adjust international regimes to enable full civil nuclear energy cooperation and trade with India; and
- Consult with partners on India's participation in the fusion energy consortium ITER and support India's part in work to develop advanced nuclear reactors.

To significant points must be highlighted. These are: (a) the United States refuses to accept India as a nuclear weapon state, and refers to it's as a state with 'advanced nuclear technology'; and (b) India agreed to separate its military nuclear facilities from civilian facilities which are to be placed under the International Atomic Energy Agency (IAEA) safeguards. Both these points are contrary to the national interest of India. The critics in India justifiably object to this country not being described as a nuclear weapon state, which is the status this country had acquired and announced in May 1998. India, as Prime Minister Vajpayee had declared, is indeed a nuclear weapon state, whether the world recognizes, that or not. In fact all the countries know that India possesses nuclear weapons, and that it would maintain only minimum nuclear deterrence. Vajpayee had also declared in 1998 that India would not conduct any more nuclear tests. Interestingly, this has been recognized by the Americans when they hoped India would continue its unilateral moratorium on nuclear testing. Secondly, why should India agree to separate its civil and military facilities? This was strongly criticized by former Prime Minister Atal Behari Vajpayee in July 2005 soon after the Deal was signed.

During President Bush's visit to India in March 2006, separation plan was announced, ignoring the sharp criticism of the deal. Indian leadership appeared to be happy that the USA would cooperate with India's civil nuclear programme, and ensure supplies for this programme from 44-nation Nuclear Suppliers Group (NSG). It was agreed under the Deal that out of 22 thermal power reactors in India, 14 civilian units would be identified and placed under the IAEA safeguards beginning in 2006. The process in a phased manner would be completed by 2014. However, India would not place its prototype Fast Breeder Reactors under the IAEA safeguards.

The deal required certain changes in American domestic laws to permit civilian nuclear cooperation. This was approved by the US Congress in November, 2006 but it did not fully address India's concern. The law enacted by US Congress is known as Hyde Act.

Under the agreement US promised to sell nuclear materials and equipment to India and also to involve it in 'advanced' areas research. In an article titled "US, India Open Can of Nuclear Arms", leftist commentator Praful Bidwal wrote "…this could add a role for India in the International Thermonuclear Experimental Reactor … In return India would "assume the same responsibilities "and" acquire the same benefits and advantages as other

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leading countries with advanced nuclear technology." This in effect means India as one of the nuclear weapon states, though the US is shy of admitting that India is a nuclear weapon state, but it treats us as such a state. India is sought to be brought into the non-proliferation regime even if it does not sign the NPT. Meanwhile a view was being expressed in India that it would be better to formally join the NPT rather than adhere to the Indo-US nuclear deal. India would be free to walk out of NPT, but cannot terminate its commitments under the Bush-Manmohan agreement.

Meanwhile, Russia and the US committed themselves to expand nuclear energy cooperation with India. Russia appeared to have fallen in line with the US Bush and Russian President Vladimir Putin said in a joint statement at St. Petersburg on the sideline of G-8, meeting in July 2006, "We look forward to reinforcing our partnership with India." According to Secretary of state, Condoleezza Rice, "Our civilian nuclear agreement is a critical contributions" to new US-India partnership.

Criticism of the Nuclear Deal: Former Prime Minister Vajpayee was the first to express concern at the separation of civil and military nuclear facilities. Former Foreign Minister Jaswant Singh later told the Time of India that the Indo-US agreement was likely to be the only achievement of Bush in matters of foreign policy, but India should be conscious about it. He added, "The signal achievement of 1998 was to give India strategic autonomy", but if India's U.P.A. Government diminishes that autonomy or squanders its gains" then this could not be condoned.

Even defence analysts and scientists expressed concern at the deal and said in July 2006 that the Indian Government still had time to "rethink" about it. They were of the opinion that the government was not paying sufficient attention to the "pitfalls and weaknesses" of the deal. According to defence analyst Bharat Karnad, "The kind of things mentioned in the Preamble of the deal has all things like the Nuclear Non-Proliferation Treaty, the Comprehensive Test Ban Treaty, Iran Issue, which we cannot ignore." Former Chairman of Atomic Energy Commission, P.K. Iyengar said, "It is now obvious that in spite of the exemptions to be approved by the US Congress, the American President will have to certify every year" … that he is satisfied with the behaviour and programmes of India in nuclear field…" He was of the opinion that it would cap India's strategic programme for a minimum credible deterrent. This was also the opinion of Siddharth Vardarajan, and was even echoed by the B.J.P.

The nuclear scientist Homi Sethna went to the extent of suggesting that India would be better off signing the discriminatory NPT because we "Will still be allowed to exit whereas the Indo-US will remain bound in perpetuity." Eight top nuclear scientists urged the Indian Parliament (August 2006) not to allow lowering of the flag of Indian sovereignty in regard to scientific research and strategic policy-making. The conditionalities proposed by US House of Representatives were aimed at limiting our freedom, and "to restrain in perpetuity our nuclear strategic (arms) programme." The scientists included three former Chairmen of India's Atomic Energy Commission H.N. Sethna, M.R. Srinivasan and P.K. Iyengar. Their view was that external (IAEA) safeguards should be limited only to the facilities imported by us not to all our civilian facilities. It would be contrary to our national interest to agree to the conditionalities propounded by the US Congress.

The 123 Agreement envisaged to implement the nuclear deal was being negotiated for over two years. It is called 123 Agreement as an agreement to supply nuclear fuel etc. is essential under Article 123 of US Atomic Energy Act. The hopefuls argued that it had taken 10 years for US-Japan 123 Agreement to be concluded after prolonged negotiations. India was not willing to accept conductionalities of the Hyde Act providing that US would stop civilians' nuclear cooperation if India conducted another test. Accepting this condition would be a compromise with India's sovereignty. In any case, India has a self-imposed voluntary moratorium on further nuclear tests. Secondly, India was not willing to accept the condition that it cannot reprocess the used fuel. In 2007, the agreement (123) and seeking approval of Nuclear Suppliers' Group (NSG) were being awaited. India would seek safeguards from International Atomic Energy Agency (IAEA) only after conclusion of Agreement 123.

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INDO- US COOPERATION AREAS IN THE CURRENT CONTEXT:

(Covered till 31st May 2011- Add remaining from Current Affairs Notes)

India-US relations have become increasingly broad based covering cooperation in areas such as trade and economic, defence and security, education, science and technology, high-technology, civil nuclear energy, space technology and applications, clean energy, environment and health.

People to people interaction provide further vitality and strength to bilateral relationship. There have been regular contacts at political and official levels and a wide-ranging dialogue architecture on bilateral, regional and global issues has been put in place.

The visit of Prime Minister Dr. Manmohan Singh to Washington from 22-26 November, 2009 as the first State Guest of President Barack Obama reaffirmed the global strategic partnership between India and the United States. President Obama's visit to India from 6-9 November 2010, imparted further momentum to bilateral cooperation and helped establish a long-term framework for India-US global strategic partnership. President Obama characterized India-US relationship as one of the defining partnerships of the 21st century.

Major areas of cooperation A "Strategic Dialogue" was established in July 2009 during the visit of US Secretary of State Hillary Clinton to India with the objective of strengthening bilateral cooperation across diverse sectors. The first round of the Strategic Dialogue was held in Washington DC in June 2010, followed by the second round in New Delhi in July 2011. The Minister of External Affairs led the Indian delegation for the Dialogue; US Secretary of State led the Dialogue from the US side.

Trade and Economic Relations

The trade and economic partnership between the US and India has been a key component of the bilateral relationship. A new US Financial and Economic Partnership to strengthen bilateral engagement on macroeconomic, financial, and investment-related issues was launched in New Delhi in April 2010 by the Finance Minister Mr.Pranab Mukherjee and US Treasury Secretary Timothy Geithner. The Agreement on Framework for Cooperation on Trade and Investment was signed during the visit of Minister for Commerce & Industry, Mr. Anand Sharma to USA in March 2010. Bilateral trade has diversified and encompasses a wide range of products, services and technology. An expanding & vibrant architecture of dialogue on commercial, economic and technology related issues has given a fillip to this cooperation. India-US total merchandise trade was US $ 48.75 billion in 2010.

The two way services trade was US $ 38 billion in 2008. The two governments plan to resume technical-level negotiations on a bilateral investment treaty. A totalization agreement has also been under discussion for some time.

Bilateral Investments

US is the third largest source of foreign direct investments into India. The cumulative FDI inflows from the US from April 2000 to March 2011 amounted to about $ 9.44 billion constituting nearly 7.28 percent of the total FDI into India. During the financial year 2010-11 (from April 2010 to March 2011), the FDI inflows from US into India were $ 1.17 billion contributing 7% of the total FDI inflow during this period. In recent years, growing Indian

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investments into the US, estimated by independent studies to be around US$ 26.5 billion between 2004-2009, has been a novel feature of bilateral ties.

Clean Energy and Climate Change Initiative

An Agreement for Cooperation on Joint Clean Energy Research and Development Center (JCERDC) was signed between India and US in November 2010. The Center aims to help development of critical technologies for renewable energy, energy efficiency, clean coal, including carbon capture and storage, and other areas of clean energy. It has been announced that the two Governments would provide US$ 5 million each annually for next five years towards their share of research cost under the Agreement while an equivalent cost will be borne by the Consortia which will carry out the research. The first joint Funding Opportunity Announcement for the JCERDC was made in May 2011 seeking research projects on consortia mode under PPP model of funding in the initial priority areas of solar energy; second generation biofuels; and energy efficiency of buildings. In response to the first call for proposals, 21 joint proposals from different consortia have been received. Maiden awards are expected to be announced by end 2011.

Counter-terrorism Cooperation

Cooperation in counter terrorism has seen considerable progress over the last few years. A new India-US Counter-Terrorism Cooperation Initiative was signed in 2010 to expand collaboration on counter-terrorism, information sharing and capacity building. Separately functional level cooperation on counter-terrorism is being pursued through a Joint Working Group (JWG) on Counter Terrorism that was established in January 2000. The 12th meeting of the JWG was held in New Delhi in March 2011. A new Homeland Security Dialogue was also announced during President Obama's visit to India in November 2010 to further deepen operational cooperation, counter-terrorism technology transfers and capacity building. The US Secretary of Homeland Security Janet Napolitano visited India in May 2011 to hold the first round of this dialogue with Home Minister Mr. P. Chidambaram.

Defence Cooperation

The 'New Framework for India-US Defence Relationship' was signed between the two sides on June 28, 2005. Both sides have agreed to pursue mutually beneficial defence cooperation through the existing security dialogue, servicelevel exchanges, defence exercises and defence trade and technology transfer and collaboration. India's defence orders from U.S. companies have reached a cumulative value of over USD 8.0 billion in the last decade. Defense Secretary Robert Gates visited India in January 2009. Raksha Mantri Shri A.K. Antony visited Washington in September 2010. Apart from the Ministerial level exchange, there are exchanges between each of the Services, with regular joint exercises.

Civil Nuclear Initiative

The bilateral civil nuclear cooperation agreement was finalized in July 2007 and signed in October 2008 by EAM and then Secretary of State Condoleezza Rice. During the visit of President Obama to India in November 2010, the two Governments announced completion of all steps to begin implementation of the Civil Nuclear Agreement. Indian and US companies are now working towards early commencement of commercial

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cooperation in this area. This initiative has been strengthened by the regular meeting of the Indo-US Civil Nuclear Working Group (CNWG). The 4th joint CNWG Meeting was held at Oak Ridge National Laboratory in July 2011. At the sideline of the recently held 2nd meeting of the India-US Strategic Dialogue, Department of Atomic Energy and US Department of Energy signed an Implementing Agreement on 'Discovery Science' that provides the framework for cooperation in accelerator and particle detector research and development with Fermi National Accelerator Laboratory, Stanford Linear Accelerator Laboratory, Thomas Jefferson National Accelerator Facility and Brookhaven National Laboratory.

Space Cooperation

The two sides have had long history of cooperation in Civil Space arena. A bilateral Joint Working Group on Civil Space Cooperation has been established as a forum for discussions on joint activities in space. The Group had its 3rd meet at Bangalore from 13-14 July 2011. Both the sides have agreed to continue and expand their joint activities in the area of civil space cooperation. Major areas include: (i) exchange of scientists; (ii) OCM2, INSAT3D collaboration; (iii) future mission definition workshops; (iv) nanosatellites; (v) carbon /ecosystem monitoring and modelling; (vi) feasibility of collaboration in radio occultation: (vii) CSLA: (viii) international space station; (ix) global navigation satellite systems; (x) formation flying; (xi) space exploration cooperation; (xii) space debris mediation.

Education sector

India-US Education Dialogue was announced by the two Governments in July 2009 during the visit of US Secretary of State to India. Both Governments have launched the "Singh-Obama 21st Century Knowledge Initiative" in November 2009 with funding of US$ 5 million from both sides to increase university linkages and junior faculty development exchanges between US and Indian universities. The first joint request for proposals under the initiative has been published recently. India and the US have signed a new bilateral Fulbright Agreement that supersedes the Fulbright Agreement operating since 1950 with US funding. Under the Agreement, the Government of India and the United States will implement the scholarship programme as full partners. The amount has been increased to US $7.06 million (from US $ 5 million) from the financial year 2010-11. In the 2009/10 academic year, more than 100,000 students from India were studying in the US

To further boost our cooperation in this field, the First India-US Higher Education Summit is proposed to be held in Washington D.C. in October 2011.

Cooperation in Science & Technology

India and the US signed a Science & Technology Agreement in October 2005 that encourages joint research and training, and the establishment of public-private partnerships. As a component of this agreement, the first meeting of the Joint Commission was held on 24-25 June 2010 in Washington D.C. A $30 million Science & Technology Endowment for jointly promoting science & technology research, development and innovation was established in July 2009. The first call inviting Letter of Intent under the two priority areas namely, 'Healthy Individual' and 'Empowering Citizens' was made in May 2011. Out of 381 Letter of Intents received in response, 32 have been shortlisted for inviting full project proposals. The Indo-US cooperation in S&T is catalyzed by the bilateral Science and Technology Forum, which has enabled more than 10,000 scientists, technologists and students from the US and India to interact, established 24 virtual joint research centers and organized more than 30 training programmes and numerous bilateral conferences.

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Collaboration between the Ministry of Earth Sciences and NOAA has been strengthened by signing of three Implementation Arrangements for collaboration in October 2010 on Tropical Cyclone Research; Tsunami Science - detection, analysis, modeling & forecasting; and INSAT 3D satellite data applications. In November 2010, a 'Monsoon Desk' has been established in NOAA for enhancing monsoon forecasting. This will also help in building India's capacity in developing and using a coupled ocean-atmosphere modeling system for strengthening the "National Monsoon Mission".

Cooperation in the Health Sector

In July 2009, a 'Health Dialogue' was established between the two countries. To date, four working groups have been constituted viz. maternal and child health, non-communicable diseases, infectious diseases and health system strengthening. A Global Disease Detection - India Centre has been established vide a MoU between US Centers for Disease Control & Prevention and National Center for Disease Control. Recently, Department of Biotechnology and the National Institutes of Health have launched new bilateral cooperation on Low Cost Health Diagnostic Tools; Brain Research Collaborative Partnership on neuroscience; and International Cancer Genome Consortium.

Cultural cooperation

There is considerable interest in Indian music, dance, art and literature in the United States. The Indian American community is also active in promoting Indian culture. In March 2011, the Kennedy Centre in collaboration with Indian Council for Cultural Relations and the Embassy hosted a three-week long mega festival "maximum India", that showcased the work and talents of renowned Indian artists, including Dr. L. Subramaniam, Ustad Zakir Hussain, Malavika Sarukkai, Naseeruddin Shah, Shabana Azmi and several others. The Embassy also regularly hosts cultural events, highlighting the work of Indian and Indian-American authors and artists. The Consulates too are active in organizing Indian cultural events, including in collaboration with local cultural institutions.

Indian PressPTI and IANS have their representatives in Washington DC. Several leading dailies [Times of India, Telegraph, Economic Times, The Hindu, Hindustan Times] have correspondents based in Washington DC. The Pioneer, Indian Express and New Indian Express, The Bengal Post, Outlook and The Week are also represented in US. The TV channels represented in the US are AAJ TAK, Headlines Today, Times Now, CNN-IBN and ZEE TV [through a tie-up with VOA]. NDTV has their full-time correspondent based in New York.

People-to-people ties

As per the 2010 census figures of the United States, the Indian American community has grown to 2.84 million and is the second largest Asian community in the country. The Indian American community, which includes a large number of professionals, educationists and entrepreneurs, has been increasing its sphere of influence and gaining in political strength. With two Indian Americans occupying high level posts of Governor, a Congressman and several Representatives of State Legislatures and in the Federal Administration, the Community has thus assimilated into their adopted country and acting as a catalyst to forge closer and stronger ties between India and USA.

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TEST 7

Q.1. Indo- US cooperation in Education (200 words)

Q.2. US as a major role player in South Asia (200 words)

Q.3. US – China- India Triangle (200 words)

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Chapter 8

India and the Soviet Union

Indo-Soviet Treaty, 1971: The war that was actually forced upon India by Pakistan in December 1971 resulted in clear victory of India. Pakistani forces surrendered unconditionally to Indian army on December 16, 1971. The decisive defeat of Pakistan resulted in the birth of an independent sovereign state of Bangladesh. When Pakistan was determined to wage a war, and was preparing for it, India was left with no alternative but to seek the help of the Soviet Foreign Minister Andrei Gromyko to visit Delhi. As a result of urgent consultations between Indian and Soviet leaders, a Treaty of Peace, Friendship and Cooperation was signed on August 9, 1971. It was signed by the Foreign Minister s of two countries Sardar Swaran Singh and Gromyko. The provisions of the Treaty, in brief, are mentioned below. But, the gist of the treaty was that both India and the Soviet Union would respect each other's policy, and work for peace in the world. The two countries agreed to hold periodic consultations, and not to enter into any alliance against each other. The two countries agreed to hold reciprocal consultations in case either India or the USSR was subjected to external aggression. The conclusion of Indo-Soviet Treaty of Friendship acted as a deterrent and neither the USA nor China intervened on the side of Pakistan. The treaty was concluded for a period of 20 years.

New Warmth in Indo-Russian Relations:

In the aftermath of September 11, 2001 terrorist attack in New York and Washington D.C., Russia, like India, fully supported international struggle to defeat terrorism, though neither of the two countries contributed troops to the US-led coalition.

Meanwhile, as indicated above, Putin's emergence as President of Russia had heralded a positive phase in Indo-Russian relations which, for some time had come under strain when Yelstin had tried to befriend the West even at the cost of warmth in Russian relations with India. Russia and refused to apply sanctions against India after Pkhran II. By 2001, Russian policy in regard to India's nuclear programme had become very cooperative. It was based on the premise that, as Raja Mohan opined (Crossing the Rubicon), "India was already a nuclear weapons power and denying it advanced" technologies in the name of preventing proliferation of nuclear weapons made no sense." Moscow decided to sell the enriched uranium to India in 2001, ignoring its western criticism in this regard. Both Russia and France argued that the restrictions against nuclear technology transfers must be relaxed. During his visit to India in 2000, President Putin visited the Bhabha Atomic Research Centre at Trombay, and the two countries moved ahead in cooperation in nuclear sector. During his next visit to India, in December 2002, Putin reaffirmed the Russian commitment to expand nuclear cooperation with India by selling additional nuclear reactors, but, he said, this would be within the framework of Russian obligations in the nuclear field.

By December 2002, when Putin paid another visit to India, both countries had clearly expressed themselves in favour of a multi-polar world. India was trying to normalize relations with China and further improve relations with the United States. Even border dispute between India and China was being dealt with by special representatives of two countries named in June 2003 during Vajpayee's China visit. They were required to examine the question from political perspective. At the same time, Russia was engaging not only China for further cooperation, but even Pakistan. Putin was of the opinion that despite these efforts India and Russian could continue to strengthen their cooperation, including strategic and nuclear cooperation. Putin had said in December 202 on the eve of his visit to India that, "The collapse of the Soviet Union changed the ideological foundation of our state. The communist ideology no longer dominates in Russia." He said that Russia did not any

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more consider the United States as an enemy or opponent. The US was now a partner of Russia. Therefore, he had said that, "So, we welcome the fact that India is developing its relations with all countries, including the US."

Earlier, when Prime Minister Atal Behavir Vajpayee went to Russia in November 2001, the two countries had issued a declaration condemning international terrorism and they had also issued a joint statement on strategic issues, calling for the establishing of a new "cooperative security order." The two countries were laying the foundation of a world order based on multi-polarity. During his December 2002 visit to India, Putin and Vajpayee signed a Delhi Declaration to enhance strategic cooperation and set up a join working group on combating terrorism. The two countries committed themselves to strengthening economic, scientific and cultural cooperation. Both the countries opposed double standards in fighting terrorism. They favoured strengthening the United Nations' central role in promoting international security in a multi-polar world.

Later, both Russia and India deplored unilateral military action taken under the leadership of the United States in March 2003 against Iraq, without authorization by the Security Council, for "regime change" and recovery of alleged weapons of mass destruction in Iraq. Earlier, both Russian and France had refused to support a UN Security Council resolution moved by the US, UK and Spain for Military action against Iraq, without waiting any more for the weapons inspectors to complete their work.

Russian has been promoting the ideal of greater cooperation between India, China and Russia in the interest of regional security and world peace. Every year since 2001, the Foreign Ministers of the three countries have been meeting in New York on the sidelines of the sessions of the UN General Assembly. This trilateral cooperation, or, as the media described, "the strategic triangle" will go a long way in promoting all-round cooperation, and may go an extra mile in sorting out the border dispute between India and China.

Indo-Russian friendship was demonstrated in May 2003 also when Prime Minister Vajpayee was invited, as one of the world leaders, to participate in the festivities connected with the 30th founding of the city of St. Petersburg. The bilateral dialogues that Vajpayee then had not only with Putin but also with President Bush of the US and Chinese Prime Minister Wen Jiabao were indicative of the increasing role of India in the new emerging world order.

The warmth in Indo-Russian relations has been maintained and sustained. The annual meetings between the Russian President and Indian Prime Minister appeared to have been institutionalized. At the end of their meeting in 2005, President Putin and Prime Minister Manmohan Singh called for a multilateral approach to address contemporary challenges. They said, "Multilateralism is an instrument to work towards the objective of multi-polar world." Both sides emphasizes the need for comprehensive reforms in the UN system. The Russian Federation reaffirmed its support to India "as a deserving and strong candidate for the permanent membership in an (expected) expanded UN Security Council." However, President Putin was not enthusiastic about "tools" such as Veto power enjoyed by P-5 to be modified or expanded.

Trade between two countries continued to grow. Russia stood firmly with India in its fight against terrorism caused by externally supported militancy as in cases of bomb blasts in Delhi in 2005, and serial bombing in Mumbai in 2006.

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INDO- RUSSIA COOPERATION AREAS IN THE CURRENT CONTEXT:

(Covered till 31st May 2011- Add remaining from Current Affairs Notes)

Bilateral ties with Russia are a key pillar of India's foreign policy. India views Russia as a time-tested, trustworthy and reliable strategic partner. Since the signing of the 'Declaration on the India Russia Strategic Partnership', in October 2000 (during the visit of then President Vladimir Putin to India), there has been a qualitative strengthening of the relationship. During the visit of President Dmitry Medvedev to India in December 2010, it was mutually decided to elevate the bilateral relationship to the level of a "Special and Privileged StrategicPartnership". The two countries closely cooperate in diverse spheres, including defence, civil nuclear energy, space, science and technology, hydrocarbons, trade and investment, cultural and humanitarian fields, etc. To consolidate and advance the multifaceted bilateral ties, several dialogue mechanisms, operating both at the political and official levels have been instituted to ensure regular interaction and follow up on our cooperation activities.

Annual Summits

The system of Annual Summit meetings between the Prime Minister of India and the President of the Russian Federation is the highest and most important mechanism for bilateral interaction, with meetings held alternately in India and Russia. Since the year 2000, eleven Summits have taken place.

The 11th Summit was held in New Delhi in December 2010 between Prime Minister Manmohan Singh and President Dimitri Medvedev and 29 bilateral documents were signed at it. The 12th Annual Summit is likely to be held in late 2011 in Moscow.

Defence Cooperation

India is one of the largest buyers of Russian military equipment and systems. Indo-Russian cooperation in this sphere has transformed from a simple buyer-seller framework to a more elaborate and advanced cooperation involving joint R&D and joint production and marketing of state of the art defence technologies and systems. During the 11th Annual Summit in New Delhi the two sides signed an agreement to jointly develop the Fifth Generation Fighter Aircraft. BrahMos missile system is another shining example of this collaboration. Several other joint projects for co-development of cutting edge technologies are being pursued under the aegis of the bilateral defence cooperation. The India-Russia Inter Governmental Commission on Military Technical Cooperation (IRIGC-MTC), co-chaired by Raksha Mantri and the Russian Defence Minister is the main institutional mechanism for interaction in this area; the 10th and the latest meeting of the IRIGC-MTC took place in New Delhi in October 2010. The next IRIGC-MTC meeting is scheduled to take place in Moscow in the second half of 2011.

Cooperation between the NSCS and the Russian Security Council

Regular contacts are maintained between the National Security Advisor to the Prime Minister of India and the Secretary of the Russian Security Council. An institutionalized mechanism for interaction between NSCS and the Russian Security Council known as the "Joint Coordination Group" is also in operation at the Deputy National

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Security Advisor level. The last meeting of the JCG took place in New Delhi from 22-24 November 2010. Deputy National Security Advisor visited Moscow from 24-26 July 2011 for regular consultations.

Foreign Office Consultations

Under the Declaration of Strategic Partnership of the year 2000, a system for regular consultations between the Foreign Offices was instituted which provides for adoption of Protocol for consultations which is adopted by the

Foreign Ministers and identifies specific subjects for closer bilateral Consultations. Once adopted the Protocol is valid for two years. The present Protocol covers the period of 2011-2012. In addition, regular consultations between the Foreign Secretary and the First Deputy Foreign Minister are held; the last round of such consultations was held in Moscow from 2-3 August 2010. Next round of Foreign Office Consultations are expected to be held in the later half of 2011 in New Delhi.

Nuclear Cooperation

Russia has been trusted partner for India in the field of nuclear energy, the Kudankulam Nuclear Power Project is a fine example of this cooperation. Units 1&2 of the KKNP (VVER 1000 units) built with Russian collaboration are currently undergoing pre-commissioning testing and are expected to be commissioned in the near future. Negotiations for the start of construction work for Units 3&4 at Kudankulam are at an advanced stage and the construction work is likely to begin soon. During the visit of Prime Minister Putin to India in March 2010, an Inter Governmental Agreement on Cooperation in the Field of Use of Atomic Energy for Peaceful Purposes and a Road Map" for our future bilateral nuclear cooperation were signed.

Russia recognizes India's status as a country with advanced nuclear technology and vast industrial potential in the nuclear field, and also acknowledges India's clean track record in non-proliferation. Russia supports India's candidature to all export control regimes, including the NSG. In June 2011, the two countries signed a MoU on Russian cooperation in India's 'Global Centre for Nuclear Power' initiative.

Space

India and Russia have been collaborating in several high-technology based space projects. Under the aegis of Inter Governmental Agreement signed in 2004, Russia and India cooperated in the Chandrayan-1 project and are currently involved in the joint development of the Chandrayan-2 project that will place an Indian rover-craft and a Russian lander-module on the surface of Moon.

Additionally the two countries have been cooperating on the Human Space Flight Project (HSP). On 20th April 2011, the jointly developed Indian-Russian Student Satellite "Youthsat" was successfully launched by India with its PSLV rocket. During the 11th Summit in New Delhi in December 2010 a formal agreement for provision by Russia to India of access to the high precision signals of the Russian GLONASS navigation system was signed. Simultaneously, the two countries have been cooperating on the civilian applications of GLONASS with programmes for joint development and launch of satellites, and joint manufacture of receiving equipments.

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Economic Cooperation

Bilateral trade in the year 2009 amounted to USD 7.46 billion and USD 8.535 billion in 2010, registering a growth of approximately 15 percent. During the year 2010 Russian exports to India amounted to USD 6.392 billion and imports from India to Russia amounted to USD 2.142 billion. The two-way investment between the two countries stood at approximately USD 7.8 billion. However, there is realization on both sides that there is a vast potential for substantial increase in the volumes of trade and investment, given the size of the two economies. In 2009, it was decided to set a target of USD 20 billion worth of bilateral trade by 2015. Both sides also realize that considerable potential exists for cooperation in the fields of modernization, energy, pharmaceuticals, IT, aerospace, agriculture etc.

The Indo-Russian Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC), co-Chaired by External Affairs Minister on the Indian side and the Deputy Prime Minister of Russia Sergei Ivanov on the Russian side, is the main institutional mechanism supervising cooperation in the area of economic cooperation. The IRIGC-TEC integrates inputs from six working groups on economic and trade cooperation, mines and metallurgy, energy, tourism and culture, science and technology, and IT. The sixteenth meeting of the IRIGC-TEC took place in New Delhi in November 2010 and its 17th meeting is to be held later this year in Moscow.

Indo-Russian Forum on Trade and Investment (established in 2007 amd co-Chaired by the Commerce and Industry Minister of India and the Russian Minister for Economic Development) and the India-Russia CEO's Council (established in February 2008, co-chaired by Shri Mukesh Ambani, Chairman Reliance Industries Ltd. and Vladimir Yevtushenkov, CEO of AFKSISTEMA) are the two primary mechanisms for promotion of direct business to business contacts between the two countries. In addition, mechanisms such as the India-Russia Business Council (in partnership with FICCI of India and CCI of Russia) established in 2007; the India-Russia Trade, Investment and Technology Promotion Council (in partnership with CII of India and RUIE of Russia) established in 2007; and the India-Russia Chamber of Commerce (focusing on 4SMEs) supplement these efforts. In June 2011, 2nd India-Russia Business Dialogue was held within the framework of the St. Petersburg Economic Forum. Next meeting of the Forum is to be held in the 4th quarter of 2011.

Science and Technology

The Working Group on Science and Technology under the aegis of IRIGCTEC, and the Integrated Long Term Programme (ILTP) are the two principle institutional mechanisms for S&T cooperation between India and Russia. The Working Group focuses on collaboration activities in mutually agreed priority areas of biotechnology, building materials, industrial realization of technologies, medical research, metrology & standardization, meteorology, oceanology and seismology. The ILTP programme focuses on the collaborative research in the basic sciences and on inter-academy exchange programmes.

Cultural Cooperation

There is a strong tradition of Indian studies in Russia. Several prominent Russian academics involved in Indian studies have been given Padma awards. Jawaharlal Nehru Cultural Center (JNCC) of the Embassy maintains close links with six Russian institutions:-the Institute of Philosophy, Moscow, that has a Mahatma Gandhi Chair on Indian Philosophy; the Institute of Oriental Studies, Moscow; the Institute of Asian and African Studies of the Moscow State University; the School of International Relations, St. Petersburg University; the Kazan State University; and the Far Eastern National University, Vladivostok. ICCR is setting up Chair of Modern Indian

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Contemporary Studies in leading Russian Universities and Institutions. There are also about 20 Russian Institutions, including leading universities and schools, where Hindi is taught to over 1500 Russian students at various levels. There are also many Russian experts in diverse Indian languages, including Tamil, Marathi, Gujarati, Bengali, Urdu, Hindi, Sanskrit and even Pali.

The year 2008 was celebrated as the Year of Russia in India, while 2009 was celebrated as the Year of India in Russia. Currently, as part of the celebrations of the 150th anniversary of Rabindranath Tagore, the JNCC has been organizing various cultural events around Russia. A mini Festival of Indian Culture in Russia is also being organized in Russia during the second half of 2011. On similar lines the Festival of Russian Cultural will be organized in India during 2012.

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TEST 8

Q.1. Indo – Russia Defence ties (200 words)

Q.2. Post-cold war Indo Russia ties (300 words)

Q.3. Indo- Russia Space Cooperation (200 words)

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Chapter 9

INDO- EU RELATIONS

India-EU relations go back to the early 1960s. India was among the first countries to establish diplomatic relations with the (then) European Economic Community (EEC).

The 1994 cooperation agreement signed between EU and India took bilateral relations well beyond trade and economic cooperation. The 5th India-EU Summit at The Hague in 2004 endorsed the EU's proposal to upgrade its relationship with India to a 'Strategic Partnership'. The two sides also adopted a Joint Action Plan in 2005 which provides for Strengthening Dialogue and Consultation mechanisms; Deepening political dialogue and cooperation; Bringing together People and Cultures; Enhancing Economic Policy Dialogue and Cooperation; and Developing Trade and Investment.

Visit of the President of India:

Rashtrapatiji visited Strasbourg from 25-26 April 2007 at the invitation of the President of the European Parliament (EP). During the visit, he addressed the Parliament and met with the President of the European Parliament. Members of the India Delegation of the EP, Vice President of the European Commission and Commissioner of enterprise and Industry called on him. It was the first ever visit by a President of India to the EP.

Political Dialogue:

The 11th India-EU Summit was held in Brussels on 10 December 2010. This was the first Summit after the entry into force of the Lisbon Treaty. India was represented by Prime Minister Dr. Manmohan Singh and the EU was represented by Mr. Herman Van Rompuy, President of the European Council and Mr. Jose Manuel Barroso, President of the European Commission. From the EU side, this was the first time that the President of European Council conducted the meeting along with President Barosso and not the head of the state or government of the rotating Presidency of the EU reflecting the changes brought about by the Lisbon Treaty. The Summit reviewed India-EU Relations: stressed the importance of an ambitious and balanced conclusion of the India-EU Broad-based Trade and Investment Agreement (BTIA) in the spring of 2011; welcomed the increasing cooperation in the field of security and defence; and issued a Joint Declaration on International Terrorism.

An India-EU Joint Declaration on Culture was also signed during the Summit. In the Joint Statement issued by the two leaders, it was agreed to present the results of the 2008 Joint Work Programme on Energy, Clean Development and Climate Change at the next India-EU Summit in 2011. The Joint Statement also called for an early conclusion of the India-EU Agreement for Research and Development Cooperation in the Peaceful Uses of Nuclear Energy; a swift finalization of the agreement on satellite navigation initialed in 2005; and an early implementation of the civil aviation agreement.

India and the EU also interact regularly at the Foreign Ministers level. The 21st India-EU Ministerial Meeting took place in New Delhi on 22 June 2010. External Affairs Minister Shri S.M. Krishna led the Indian delegation. The EU side was led EU High Representative Ms. Catherine Ashton. India-EU Relations, regional issues both around Europe and India and global issues including climate change, terrorism, global financial crisis and energy security were discussed at the Ministerial Meeting.

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There is a regular mechanism of Senior Officials Meeting (SOM) between India and the EU. Nineteen SOMs have been held till date. The last meeting took place on 21 October, 2010 in Brussels.

Parliamentary Interaction:

The European Parliament (EP) has established a India Delegation in the European Parliament which has 20 members and 20 substitute in the delegation. Mr. Graham Watson, British MEP is the current Chairperson and an EP India Delegation led by him visited India at the end of April, 2010.

India-EU Business Links:

The EU, as a bloc of 27 countries, is India's largest trading partner while India was EU's 8th largest trading partner in 2009. The total bilateral trade increased by 28% to Euros 67.78 billion in 2010 compared to Euros 53.03 billion in 2009 (Indian exports of Euros 32.99 billion and Indian imports of Euros 34.79 billion). In 2010, total Indian exports to the EU in different services sector were Euros 8.1 billion whereas total Indian services imports from the EU were Euros 9.8 billion.

The EU is one of the largest sources of FDI for India. FDI inflows from the EU to India declined from Euro 3.4 billion in 2009 to Euro 3.0 billion in 2010. India's investment into EU has also seen a marginal decline from Euros 0.9 billion in 2009 to Euros 0.6 billion in 2010. The most important countries in the EU for FDI into India are Germany, UK, France and Italy.

Institutional Interactions:

India and the EU have held thirteen rounds of negotiations for a bilateral Broadbased Trade and Investment Agreement. Negotiations commenced in 2007 and cover Trade in goods, Sanitary & Phyto-sanitary Measures and Technical Barriers to Trade, Trade in services, Investment, Intellectual Property Rights and Geographical Indications, Competition Policy, Customs and Trade Facilitation, Trade Defence, Dispute Settlement.

The last round of negotiations took place in New Delhi from 31 March to 5 April 2011. The India-EU Joint Commission and its three sub-commission on trade, economic cooperation and development cooperation meets annually. The Sub Commission on Trade had its last meeting in Brussels on 12 July 2011; the Sub Commission on Economic Cooperation had its last meeting in Brussels on 13 July 2011; and Sub Commission on Development Cooperation met in New Delhi on 4 May 2011. India and EU have set up an Energy Panel which also meets annually, the last meeting having been held in Brussels on 6 October 2009. In addition, both sides have set up Joint Working Groups/ Joint Committee on Counter Terrorism, the last meeting of which was held in New Delhi on 11 June 2009; Consular Issues, which met last in New Delhi on 25 May 2009; Agriculture and Marine Products, Energy, which had its last meeting in New Delhi on 19 May 2011; Coal, which met last in New Delhi on 5 April 2011; Environment, which last met on 4 Dec 2009 in Brussels; Technical Barriers to Trade and Sanitary and Phyto-sanitary Issues, which met last through video conferencing on 7 July 2011; Information Technology & Communications, which met last on 26-27 Mar 2009 in Brussels; Textiles, which met last on 22 November 2005 in Brussels; Pharmaceuticals & Biotechnology, which met on 21-22 Sept 2009 in New Delhi; Food Processing Industries, which had its last meeting in Brussels on 24 November 2006; and Customs Cooperation, which met last in New Delhi on 12 November 2009.

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Both sides also have regular dialogues on Security (last dialogue held in New Delhi on 18 June, 2011), Human Rights (last dialogue held in New Delhi on 22 March, 2011), Macro-economy (last meeting held in New Delhi on 16-17 May 2011) and Science and Technology (last meeting held on 1 April 2011 in Brussels).

Bilateral Agreements:

India and the EU have signed bilateral agreements which includes cooperation in the field of Science & Technology in 2001 which was renewed in 2007; Joint Vision Statement for promoting cooperation in the field of information and communications technology in 2001; customs cooperation agreement in 2004; Memorandum of Understanding on Cooperation on Employment and Social Affairs in November 2006; Horizontal Civil Aviation Agreement in 2008; Joint Declaration in field of Education in 2008; Joint Declaration on Multilingualism in March 2009 and Agreement in the field of nuclear fusion energy research in November 2009 and Joint Declaration on Culture in December 2010. As mentioned earlier, India and EU are also currently negotiating the Broad-based Trade and Investment Agreement, the last round of negotiations held in New Delhi on 31 March – 5 April 2011.

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VISION IAS

DISASTER AND DISASTER MANAGEMENT

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What is a Disaster

Disaster is an undesirable occurrence resulting from forces that are largely outside human control, strikes quickly with little or no warning, which causes or threatens serious disruption of life and property including death and injury to a large number of people, and requires therefore, mobilisation of efforts in excess of that which are normally provided by statutory emergency services.

Definition for Indian official purposes: Disaster means a catastrophe, mishap, calamity or grave occurrence in any area, arising from natural or man-made causes, or by accident or negligence which results in substantial loss of life or human suffering or damage to, and destruction of, property, or damage to, or degradation of, environment, and is of such a nature or magnitude as to be beyond the coping capacity of the community of the affected area

Disaster is assessed on the basis of the following features:

- Disruption to normal pattern of life. Such disruption is usually severe and may also be sudden, unexpected and widespread.
- Human effects such as loss of life, livelihood and property, injury, hardship and adverse effects on health
- Effects on Social Structure such as destruction of or damage to infrastructure, buildings, communications and other essential services.
- Community needs such as shelter, food, clothing, medical assistance and social care.

AGGRAVATING FACTORS OF DISASTERS

Poverty

All disaster studies show that the wealthy among the population are less affected and also able to recover quickly. However, poverty generally makes people more vulnerable to all the impacts of disasters. It is only due to poverty that poor people are forced to live in more vulnerable areas such as flood plains of rivers.

Population Growth

If there are more people and structures where a disaster strikes, there will be more impact. Increasing number of people will compete for limited resources (e.g., employment opportunities) which can lead to crisis-induced migration. This aggravates the disasters in developing countries.

Rapid Urbanisation

Rapid and unplanned urbanisations make the poor people to live at unsafe places and with least resources at their disposal. Many of the landslides or flood disasters are closely linked to rapid and unchecked urbanisation which forces low-income families to settle on the slopes of steep hillsides or banks of rivers.

Transitions in Social Practices

All societies are under a continual state of transition which is often disruptive and uneven, leaving gaps in social coping mechanisms and available technology. These transitions include nomadic population that become sedentary, rural people who move to urban areas, and both rural and urban people who move from one economic level to another.

Environmental Degradation

Many disasters are either caused or aggravated by environmental degradation. Deforestation leads to rapid rain runoff, which contributes to soil erosion and flooding.

Lack of Awareness and Information

Lack of awareness and proper information usually converts a hazard into a Disaster. This ignorance may not necessary be due to poverty, but due to a lack of awareness of what measures can be taken to build safe structures on safe locations.

War and Civil Strife

War and civil strife are regarded as hazards, that is, extreme events that produce disasters. The causal factors of war and civil strife include competition for scarce resources, religious to ethnic intolerance and ideological difference.

KEY DISASTERS IN INDIA

Earthquake

Earthquakes are considered to be one of the most dangerous and destructive natural hazards. The impact of this phenomenon is sudden with little or no warning, making it just impossible to predict it. Therefore, the best strategy is to make preparations against damages and collapses of building and other man-made structures, About 50-60% of total area of the country is vulnerable to seismic activity of varying damage potential. Most of the vulnerable areas are generally located in Himalayan and sub-Himalayan regions extending from Kashmir to Arunachal Pradesh, Kutch and in Andaman and Nicobar Islands.

Suggestions: In our present state of knowledge, earthquakes can neither be prevented nor predicted in terms of their magnitude, or place and time of occurrence. Therefore, the most effective measures of risk reduction are pre-disaster mitigation, preparedness and preventive measures for reducing the vulnerability of the built environment combined with expeditious and effective rescue and relief actions immediately after the occurrence of the earthquake.

Floods

Floods occur when large volume of water from heavy rainfall and/or river spill is not able to drain off quickly through normal channels. India is the second most flood affected country where flood is a common natural disaster especially during the later part of the monsoon period. In India the most affected states due to floods are Bihar, Uttar Pradesh, North-Eastern states, Odisha & West Bengal etc.

The effects of flood on the affected population are manifested in the form of inundation marooning, drowning, loss of habitat roads, communications, destruction of crops, industrial shutdown, loss of wages, diarrhoea diseases, respiratory infections etc.

Causes of Floods

- Inadequate capacity within the banks or the river to contain high flows,
- River bank erosion and silting of river beds,
- Landslides leading to obstruction of flow and change of the river course,
- Synchronization of floods in the main and tributary rivers,
- Retardation of flow due to tidal and backwater effects,
- Poor natural drainage,
- Cyclones and storm surge,
- Cloud burst and flash floods.

Suggestions

- There should be a master plan for flood control and management for each flood prone basin.
- Adequate flood-cushion should be provided in water storage projects, wherever feasible, to facilitate better flood management. In highly flood prone areas, flood control should be given overriding consideration in reservoir regulation policy even at the cost of sacrificing some irrigation or power benefits.
- While physical flood protection works like embankments and dykes will continue to be necessary, increased emphasis should be laid on non-structural measures such as flood forecasting and warning, flood plain zoning and flood proofing for the minimisation of losses and to reduce the recurring expenditure on flood relief.
- There should be strict regulation of settlements and economic activity in the flood plain zones along with flood proofing, to minimise the loss of life and property on account of floods.
- The flood forecasting activities should be modernised, value added and extended to other uncovered areas. Inflow forecasting to reservoirs should be instituted for their effective regulation

Drought

Drought is widespread in India. It is primarily a deficiency in rainfall but over exploitation of ground water aggravates the situation. Large evaporation resulting from poor water retention capacity of soil adds to the problem. It is also the result of poor water management strategy, deforestation and indiscriminate industrial exploitation of water resources. Human or social factors often aggravate the effects of drought. Depletion of forest, overgrazing, soil erosion, extension of cultivation to marginal lands and lowering of water level etc. directly contribute to and aggravate the ill effects of drought.

When the monsoon rainfall deficit for the country as a whole is 10% below normal or worse, and 20% or more area of the country, suffers from rail1 deficit, it is reckoned as a "drought year" for the country as a whole.

Cyclone

Cyclones are characterized by very strong winds, torrential rains and associated floods which cause extensive damage to human lives and property in the coastal areas. India has a very long coastline of 7517 km, a major portion of which is exposed to tropical cyclones arising in the Bay of Bengal and Arabian Sea. In India cyclones occur usually between April and May, and between October and December.

Suggestions: An effective cyclone disaster prevention and mitigation plan requires:

- efficient cyclone forecast - and warning services;
- rapid dissemination of warnings to the government agencies, particularly marine interests like ports, fisheries and shipping and to the general public and
- construction of cyclone shelters in vulnerable areas, a ready machinery for evacuation of people to safer areas and community preparedness at all levels to meet the exigencies.

Landslide

Among the natural hazards that strike the mountainous areas almost perennially, landslips occupy a position of major concern. The Himalayan range constitutes a young and therefore a fragile mountain system. The Himalayas in general are fragile in nature due to tectonically displaced and folded as well as crumpled rock formation and due to periodic earth tremors ill this belt.

Causes of Landslides

A slope may yield a wide variety of mass movements. Slope failures are normally due to sheer stresses which increase with the inclination and height of & slope and occur when sheer stress exceeds the sheer strength. When the forces of equilibrium alter marginally the landslide is slow and if the disturbing forces undergo significant change, the movement of mass is fast. The rock fall, and debris flow in Himalayas are caused due to heavy precipitation and saturation during rainy season and consequent development of hydrostatic.

Suggestions:

These can be classified into structural and non-structural measures:

<u>Structural measures:</u>

- Planting (Avalanche Prevention Forest)
- Stepped Terraces
- Avalanche Control Piles
- Avalanche Control Fence
- Suspended Fences
- Snow Cornice Control Structures
- Protection structures such as stopping, deflecting and retarding structures.

<u>Non-structural measures</u> - removing snow deposits on slopes by blasting, predicting avalanches and evacuating people from vulnerable areas.

Tsunami

Tsunamis are large waves generated by sudden movements of the ocean floor that displace a large volume of water. Although usually associated with earthquakes, tsunamis can also be triggered by other phenomena like submarine or terrestrial landslides, volcanic eruptions, explosions or even bolide (e.g. asteroid, meteor and comet) impacts. Tsunamis have the potential to strip beaches, uproot plantations, and inundate large inland tracts and extensively damage life and property in coastal areas. The Indian coastal belt had not recorded many tsunamis in the past.

The phenomenon of tsunami that usually occurs near seismically active spots in the Pacific Ocean was uncommon in India till it hit the east and west coast in December 2004. The waves damaged the life and property in the coastal areas of Andhra Pradesh, Tamil Nadu, Pondicherry, Kerala and Andaman and Nicobar Islands as never before.

Industrial Disaster

Among the man-made disasters, probably the most devastating (after wars) are industrial disasters. These disasters may be caused by chemical, mechanical, civil, electrical or other process failures in an industrial plant due to accident or negligence, which may cause widespread damage within and/or outside the plant. The worst example globally was the Methyl Isocyanate gas leak in 1984 from the Union Carbide Factory in Bhopal which has so far claimed more than 20,000 lives and injured several lakh persons besides stunting the growth of a generation born from the affected population.

Disaster Response Mechanism in India

- Field level response on behalf of the government in rural areas is by the nearest police station and the revenue functionary (patwari/patel/talati/karnam etc.); in urban areas the response is articulated by agencies like the civic authorities, the fire brigade and the local police station. At present, Panchayats do not have the capacity to react institutionally in any effective manner to such situations and it is the district administration, which retains the basic responsibility of handling crises situations with the Collector playing a pivotal role.
- The District Magistrate/Collector has the responsibility for the overall management of disasters in the district. The District Collector also enjoys the authority to request for assistance from the Armed Forces if circumstances so demand. NGOs have also been effective in providing relief, rescue and rehabilitation in recent times.

Role of State Government

- In India the basic responsibility to undertake rescue, relief and rehabilitation measures in the event of natural disasters rests with the State Governments.
- Every state has a Crisis Management Committee under the chairpersonship of the Chief Secretary, consisting of secretaries in charge of concerned departments, which reviews crisis situations on a day-to-day basis at the time of crisis, coordinates the activities of all departments and provides decision support system to the district administration.

Role of Union Government

- Although the State Government concerned has the primary responsibility for crisis management, the Union Government plays a key supportive role in terms of physical and financial resources and providing complementary measures such as early warning and co-ordination of efforts of all Union ministries, departments and organizations. At the apex level, a Cabinet Committee on Natural Calamities reviews the crisis situations.
- The Cabinet Secretary, as the highest executive officer, heads the National Crisis Management Committee (NCMC).
- The Central Relief Commissioner in the Ministry of Home Affairs is the Chairman of the Crisis Management Group (CMG) consisting of nodal officers from various concerned ministries. The CMG's functions are to review annual contingency plans formulated by various ministries, departments and organizations in their respective sectors, measures required for dealing with a natural disaster, coordinate the activities of the

Union Ministries and State Governments in relation to disaster preparedness and relief, and to obtain information from the nodal officers on all these issues.

- The Armed Forces, in view of their ability to organize action in adverse ground circumstances, their speed of operational response and also the resources and capabilities at their disposal play a major role in assisting the civil administration.

The Disaster Management Act, 2005

This Act provides for the effective management of disaster and for matters connected there with or incidental thereto. It provides institutional mechanisms for drawing up and monitoring the implementation of the disaster management. The Act also ensures measures by the various wings of the Government for prevention and mitigation of disasters and prompt response to any disaster situation.

The Act provides for setting up of a National Disaster Management Authority (NDMA) under the Chairmanship of the Prime Minister, State Disaster Management Authorities (SDMAs) under the Chairmanship of the Chief Ministers, District Disaster Management Authorities (DDMAs) under the Chairmanship of Collectors/District Magistrates/Deputy Commissioners. The Act further provides for the constitution of different Executive Committee at national and state levels. Under its aegis, the National Institute of Disaster Management (NIDM) for capacity building and National Disaster Response Force (NDRF) for response purpose have been set up. It also mandates the concerned Ministries and Departments to draw up their own plans in accordance with the National Plan. The Act further contains the provisions for financial mechanisms such as creation of funds for response, National Disaster Mitigation Fund and similar funds at the state and district levels for the purpose of disaster management. The Act also provides specific roles to local bodies in disaster management.

Further the enactment of 73rd and 74th Amendments to the constitution and emergence of local self- government, both rural and urban, as important tiers of governance, the role of local authorities becomes very important. The DM Act, 2005 also envisages specific roles to be played by the local bodies in disaster management.

Unification of crisis management (as visualized in the Disaster Management Act, 2005)

National Level Institutions

National Disaster Management Authority (NDMA)

Details of responsibilities are as follows:

- Lay down policies on disaster management
- Approve the National Plan and plans prepared by the Ministries or Departments of the Government of India in accordance with the National Plan
- Lay down guidelines to be followed by the State Authorities in drawing up the State Plan
- Lay down guidelines to be followed by the different Ministries or Departments of the Government of India for the purpose of integrating the measures for prevention of disaster or the mitigation of its effects in their development plans and projects
- Coordinate the enforcement and implementation of the policy and plan for disaster management
- Recommend provision of funds for the purpose of mitigation
- Provide such support to other countries affected by major disasters as may be determined by the Central Government
- Take other measures for the prevention of disaster, or the mitigation, or preparedness and capacity building for dealing with the threatening disaster situation or disasters
- Lay down broad policies and guidelines for the functioning of the National Institute of Disaster Management.

National Executive Committee (NEC)

A National Executive Committee is constituted under Section 8 of DM Act, 2005 to assist the National Authority in the performance of its functions. NEC consists of Home Secretary as its ex-officio Chairperson, with other Secretaries to the Government of India as members.

NEC may as and when it considers necessary constitute one or more sub-committees for the efficient discharge of its functions. NEC has been given the responsibility to act as the coordinating and monitoring body for disaster management, to prepare a National Plan, monitor the implementation of National Policy etc.

The same authorities as above two are also established at state level (SDMA and SEC) and while DDMA at district level.

National Institute of Disaster Management (NIDM)

Disaster Management Act, 2005 entrusts the institute with numerous responsibilities:

- to develop training modules
- undertake research and documentation in disaster management
- organise training programmes
- undertake and organise study courses, conferences, lectures and seminars to promote and institutionalize disaster management.

National Disaster Response Force (NDRF)

The National Disaster Response Force (NDRF) has been constituted under the DM Act, 2005 by up-gradation/ conversion of **eight** standard battalions of Central Para Military Forces i.e. **two battalions each** from Border Security Force (BSF), Indo-Tibetan Border Police (ITBP), Central Industrial Security Force (CISF) and Central Reserve Police Force (CRPF) to build them up as a specialist force to respond to disaster or disaster like situations.

Civil Defence

The Civil Defence Act 1968 defines CD and provides for the powers of Central Government to make rules for CD, spelling out various actions to be taken for CD measures. It further stipulates for constitution of CD corps, appointment of members and officers, functions of members etc. The Act has since been amended in 2010 to cater to

the needs of disaster management so as to utilise the services of Civil Defence volunteers effectively for enhancement of public participation in disaster management related activities in the country. The concept of CD over the years has shifted from management of damage against conventional weapons to also include threat perceptions against nuclear weapons, biological and chemical warfare and environmental disasters.

Policy and Guidelines

National Policy on Disaster Management (NPDM) 2009

- The policy envisages a safe and disaster resilient India by developing a holistic, proactive, multi-disaster oriented and technology driven strategy through a culture of prevention, mitigation, preparedness and response.
- The policy covers all aspects of disaster management including institutional and legal arrangements, financial arrangements, disaster prevention, mitigation and preparedness, techno-legal regime, response, relief and rehabilitation, reconstruction and recovery, capacity development, knowledge management, research and development.
- It focuses on the areas where action is needed and the institutional mechanism through which such action can be channelized.
- The NPDM addresses the concerns of all the sections of the society including differently abled persons, women, children and other disadvantaged groups in terms of granting relief and formulating measures for rehabilitation of the persons affected by disasters.
- It aims to bring in transparency and accountability in all aspects of disaster management through involvement of community, community based organisations, Panchayati Raj Institutions (PRIs), local bodies and civil society.

National Plan on Disaster Management

An institutional mechanism for preparation of the National Plan has been put in place, which is under preparation in three parts namely:-

- National Response Plan,
- National Mitigation Plan and
- National Capacity Building Plan.

Prevention and Mitigation

Mainstreaming of Disaster Risk Reduction in Developmental Strategy

The Government of India has adopted mitigation and prevention as essential components of their development strategy. Accordingly, the Tenth Five Year Plan document had a detailed chapter on disaster management.

Mainstreaming has three purposes:

- To make certain that all the development programmes and projects are designed with evident consideration for potential disaster risks and to resist hazard impact,
- To make certain that all the development programmes and projects do not inadvertently increase vulnerability to disaster in all sectors: social, physical, economic and environment,
- To make certain that all the disaster relief and rehabilitation programmes and projects are designed to contribute to developmental aims and to reduce future disaster risk.

Mainstreaming DRR into the developmental plans is an important mandate of the Disaster Management Act 2005. Integration of disaster risk reduction measures into on-going flagship programmes of Government of India is being

used as an entry point for mainstreaming DRR in development plans. Steps for ensuring the incorporation of DRR into various on-going programmes/plans are as follows:

- Identification of key programme/projects of Government of India,
- Identification of entry points within the programme for integration of DRR (structural, non-structural and other mitigation measures) at various levels viz. national, state and district levels,
- Close coordination with concerned departments such as State Planning Commission and Finance Department for promoting DRR measures into development plans and policies,
- Advocacy for allocation of dedicated budget for DRR within the departmental plans,
- Preparation of guidelines for integration of disaster risk reduction measures into development plans of various departments at the district and sub-district levels.

Disaster Management Act 2005 also provides for constitution of National Disaster Mitigation Fund.

Measures taken for Prevention and Mitigation of Hazards

Risk of destruction and casualties associated with different disasters can substantially be reduced by introduction of prevention and mitigation measures. Mitigation is generally categorised into two main types of activities i.e. **structural and non-structural**.

- Structural mitigation refers to any physical construction to reduce or avoid possible impacts of hazards, which include engineering measures and construction of hazard-resistant protective structures and infrastructure.
- Non-structural mitigation refers to policies, awareness, knowledge development, public commitment, and methods and operating practices, including participatory mechanisms and the provision of information, which can reduce risk with related impacts.

Some of the initiatives are described below.

Earthquakes

1. **National Earthquake Risk Mitigation Project (NERMP):**The proposed project aims at strengthening the structural and non-structural earthquake mitigation efforts and reducing the vulnerability in the high risk districts prone to earthquakes. NDMA, tasked with this project has prepared a Detailed Project Report (DPR) which is under consultation with all the stakeholders. The proposed components of the project include techno-legal regime, institutional strengthening, capacity building and public awareness etc.
2. **National Building Code (NBC):**The National Building Code of India (NBC), a comprehensive building code, is a national instrument providing guidelines for regulating the building construction activities across the country. The salient features of the revised NBC include meeting the challenges posed by natural calamities and reflecting the state-of-the-art and contemporary applicable international practices.
3. **Efforts by Building Materials & Technology Promotion Council (BMTPC):**The BMTPC undertook projects for retrofitting of life-line structures for generating awareness among the people as well as various government agencies about the need and techniques of retrofitting. The Council has initiated retrofitting of MCD school buildings in Delhi.
4. **Initiative by Ministry of Panchayati Raj**: It releases funds under Backward Regions Grant Fund (BRGF) for meeting critical infrastructural gaps and other developmental requirements. The ministry has financed several district plans under the BRGF for construction of panchayat buildings, anganwadi centres, school buildings, class rooms, roads, bridges, culverts etc.

Such mitigation steps specific to the other disasters like Cyclones, Floods and Landslides etc. have also been taken.

Institutional Arrangements

Forecasting about climate change as a pre requisite for taking preparedness measure to respond to the disaster is the most important element of disaster management. Government of India has designated the offices as given in the Box 5.1 as the nodal agencies for early warning of different natural hazards:

Disaster wise nodal agencies for Forecast	
Disasters	**Agencies**
Cyclone	Indian Meteorological Department
Tsunami	Indian National Centre for Oceanic Information Services
Floods	Central Water Commission
Landslides	Geological Survey of India
Avalanches	Snow and Avalanche Study Establishment
Heat & Cold Waves	Indian Meteorological Department

India Meteorological Department (IMD)

Forecasting and Warning of Cyclones: IMD is the nodal agency in the country to monitor and predict the cyclonic disturbances and issue the warning and advisory bulletins.

The cyclone warnings are issued to State Government officials in four stages.

- pre-cyclone watch issued 72 hours in advance,
- cyclone alert issued at least 48 hours in advance ,
- cyclone warning issued at least 24 hours in advance, and
- as post landfall outlook issued at least 12 hours in advance of expected time of landfall.

Central Water Commission

Flood Forecasting Network of the CWC covers the entire major flood prone inter State basins in the country. The flood forecasting involves the following four main activities:

- observation and collection of hydrological and hydro meteorological data,
- transmission of Data to forecasting centres,
- analysis of data and formulation of forecast, and
- Dissemination of forecast

Indian National Centre for Oceanic Information System (INCOIS)

INCOIS gives information to all responders about the origin, time, location of the epicentre, magnitude and depth of an earthquake inside the ocean and accordingly issues bulletins. **Tsunami Early Warning System (TEWS)** at INCOIS is capable of detecting all earthquake events of more than 6 Magnitude occurring in the Indian Ocean in less than 20 minutes of occurrence and first report on the occurrence of an earthquake in India and the Indian Ocean region is sent to MHA within 25-30 minutes indicating the location and magnitude of the earthquake.

Geological Survey of India (GSI)

The GSI was designated as nodal agency for coordinating geological studies, landslides hazard zonation, monitoring landslides, avalanches, studying the factors responsible and suggesting precautionary and preventive measure.

Disaster Management Support (DMS) – Indian Space Research Organization (ISRO)

The Disaster Management Support (DMS) Programme of ISRO, provides timely support and services from aero-space systems, both imaging and communications, towards efficient management of disasters in the country. The DMS programme addresses disasters such as flood, cyclone, drought, forest fire, landslide and Earthquake. These include

- creation of digital data base for facilitating hazard zonation, damage assessment etc.,
- monitoring of major natural disasters using satellite and aerial data,
- development of appropriate techniques and tools for decision support,
- establishing satellite based reliable communication network,
- deployment of emergency communication equipments and
- R&D towards early warning of disasters.

Preparedness

- An annual Conference of Relief Commissioners, Secretaries, to the Department of Disaster Management of States and UTs is organized before the onset of south west monsoon to review the status of preparedness for ensuing Monsoon and to discuss other disaster management related issues.
- Necessary guidelines in the form of checklist, for taking necessary preparatory measures, are issued to the State for their guidance and appropriate action. Instructions are also issued for creating reserves of essential items required during rescue and relief phase.
- Trigger Mechanism has been developed to activate the disaster response system automatically after receiving warning signals of a disaster happening or likely to happen or on receipt of information about the incident.
- Crisis Management Plan comprises of two parts - Part-I deals with aspects, which are common to all contingencies situations and Part-II about the individual Standard Operating Procedures (SOPs) for dealing with specific crisis situation.
- At the Centre, under the Chairmanship of the Cabinet Secretary the National Crisis Management Committee(NCMC) has been constituted in the Cabinet Secretariat. The NCMC gives direction to the Crisis Management Group as deemed necessary.
- Crisis Management Group (CMG)/National Executive Committee is a group under the Chairmanship of the Home Secretary comprising the senior officers from the various ministries and other concerned departments. CMG's function is to review contingency plans every year formulated by the Central Ministries/ Departments and the measures required for dealing with a natural disaster; co-ordinate the activities of the Central Ministries and the State Governments in relation to disaster preparedness and relief; and to obtain information from the nodal officers on measures relating to the above.

Recovery, Reconstruction and Rehabilitation

Guiding Principles for Post- Recovery

- Mainstreaming disaster risk reduction in recovery and development process,
- Improving coordination,
- Promoting participatory approaches and decentralising planning and programming for recovery,
- Enhancing safety standards and integrating risk reduction in reconstruction and development,
- Improving the living conditions of the affected communities and sectors,
- Building local and national capacities for increased resilience, risk management and sustainable development,
- Taking advantage of ongoing initiatives,
- Gender sensibility,
- Demonstrative effects,
- Monitoring, evaluation and learning.

Assessment

The first step after stabilizing the situation by providing sufficient relief is to assess the damage. A meticulously executed assessment exercise would provide an ideal base for the rehabilitation efforts. This exercise is best carried out through multi-disciplinary teams which go into all aspects of damage (social, economic, psychological) in participation with the local community. Based on the assessment of the damage and the needs, a recovery strategy has to be formulated. The strategy should include all interventions - economic, social, political and psychological. The resources should be identified and the roles and responsibilities of all concerned should be defined.

Co-ordination

Following any major disaster, a number of players arrive on the scene and as already stated, ensuring proper coordination amongst them thus becomes very important. Recovery activities are taken up by government agencies, local bodies, international agencies, voluntary organisations and others, through separate, overlapping and uncoordinated interventions. This leads to imbalances in the scale of operations, duplication of efforts in some areas, gaps in others and leakage and misuse of resources. Therefore establishing a framework for coordination is necessary for effective recovery.

The administration is also required to set up a voluntary organisations' coordination centre to coordinate the relief and rehabilitation activities of the multiple organisations so that they are not concentrated in a few pockets. The role of voluntary organisations including international ones like the Red Cross is extremely useful for mitigating the impact of disaster.

Shelter

Shelter is one of the most visible and immediate needs in post-crisis settings. Relief efforts are often focused on providing shelter quickly, without taking into account the impact of short-term shelter strategies. Long-term shelter strategies help not only to focus on determination and implementation of realistic and permanent reconstruction plans for the affected communities, but are also concerned with rebuilding community confidence and support structure for civic responsibility and urban governance, through participatory planning of reconstruction. The development of disaster resistant housing is a major factor in reducing vulnerability to disasters. However, shelter issues in mitigation go beyond the structural aspects. Rights to ownership and security of tenure make an enormous difference to the maintenance, management and development of shelter, particularly in urban areas.

Sustainability in Recovery Process

It is often observed that post-disaster recovery efforts tend to focus on rapid and visible solutions to restore normalcy at the cost of sustainable development. The post-disaster recovery phase provides a 'window of opportunity' for disaster risk reduction. Risk reduction aspects should therefore be built into the redevelopment process.

Normally, it is also seen that the recovery efforts have a tendency of tapering off with the passage of time. The Bureau for Crisis Prevention and Recovery of the UNDP has also observed "the general experience is that once the initial flurry of activities of providing rescue and relief is over, the attention received by the recovery efforts goes on declining steadily over a period of time and 'business as usual' sets in". The sustainability component in recovery process therefore is important. This could be achieved by capability building of the community and awareness generation and preparing local crisis management plans.

Accountability

A system of accountability needs to be evolved during the relief and rehabilitation phase. This system should ensure that the relief material reaches the target groups and that the funds are being utilised efficiently and optimally. A grievance redressal mechanism should also be put in place.

Evaluation

After the recovery phase, it is necessary to conduct a detailed evaluation of all aspects of crisis management. This should bring out the strengths and weaknesses of the disaster management machinery and also provide the basis for future improvements. Such an evaluation should be carried out by an independent professional agency, like the NIDM, in all major disasters. This assessment should also include a quick audit of the expenditure incurred.

Capacity Development

Effective disaster management requires trained manpower to deal with complex situations effectively and speedily to reduce the impact of disaster on human life and property. UNDP describes 'capacity building' as the creation of an enabling environment with appropriate policy and legal frameworks, institutional development, including community participation (of women in particular), human resource development and strengthening of managerial systems. It adds that capacity building is a long-term, continuing process, in which all stakeholders participate

Capacity building is much more than training and includes the following:

- Human resource development: the process of equipping individuals with the understanding, skills and access to information, knowledge and training that enables them to perform effectively,
- Organisational development: the elaboration of management structures, processes and procedures, not only within organisations but also the management of relationships between the different organisations and sectors (public, private and community),
- Institutional and legal framework development: making legal and regulatory changes to enable organisations, institutions and agencies at all levels and in all sectors to enhance their capacities.

Following are considered as vital components of the capacity development:

Training: It is a learning process that involves the acquisition of knowledge, sharpening of skills, concepts, rules, or change of attitude and behaviour to enhance the performance of individuals associated with different departments and institutions.

Education: Amidst changes of the past decades in school education sector, the most discussed topic of national importance is planning for more contextual, practical and application oriented curriculum for students at different levels of schooling.

Research: Research is an organised and systematic way of finding answers to questions. Systematic because there are certain things in the research process which are always done in order to get most accurate result.

Awareness: Awareness is generally defined as knowledge created through interaction between an agent and its environment. It cannot be simply referred to as "knowing what is going on." This concept of awareness involves state of knowledge as well as dynamic processes of perception and action.

The National Policy on Disaster Management (NPDM) describes its approach to capacity development. A strategic approach to capacity development can be addressed effectively only with the active and enthusiastic participation of the stakeholders. This process comprises of awareness generation, education, training, research and development (R&D) etc. It further addresses to put in place an appropriate institutional framework, management systems and allocation of resources for efficient prevention and handling of disasters. The approach to capacity development includes-

- According priority to training for developing community based DM systems for their specific needs in view of the regional diversities and multi-hazard vulnerabilities,
- Conceptualisation of community based DM systems at the national level through a consultative process involving the States and other stakeholders with the state and local level authorities in charge of implementation,
- Identification of knowledge-based institutions with proven performance,
- Promotion of International and Regional cooperation,
- Adoption of traditional and global best practices and technologies,
- Laying emphasis on table-top exercises, simulations, mock drills and development of skills to test the plans,
- Capacity analysis of different disaster responder groups at State, District, and local levels.

NPDM has further elaborated on national priorities, institutional capacity development, training of communities, professional technical education, DM education in schools, training of artisans, training of other groups and licensing and certification. Besides NPDM guidelines issued by NDMA also lay emphasis on capacity development.

Capacity development in India: A realistic National Capacity Development Programme, commensurate with the intensity and extent of the hazard in India needs to be evolved and implemented, keeping in view the available resources. This programme of resource enhancement should encompass all institutions, organizations and individuals that have a role in any part of the disaster management cycle.

Capacity gaps in disaster management: To mitigate the impact of disasters, there is a need to work collectively through multidimensional channels combining the efforts, resources and expertise of the government, non-governmental organisations and civil societies. Managing such incidents holistically is a highly specialised and skilled job which cannot be approached in an ad hoc manner. Disaster Management comprises of multi sectoral issues and accordingly calls for all sectors that play pivotal role in managing exigencies to develop their human resource capacity accordingly. There seems to exist a wide gap in the knowledge, skill, and attitude of the disaster managers for efficiently managing emergency situations particularly at local and state level where according to one study made by NIDM, Capacity-Risk ratio is remarkably low. To bridge this gap, it is important to have specific capacity development plans and strategies.

Target group: In the field of capacity development, priority is to be given to training of DM officials, functionaries, trainers and elected representatives and community representatives. Due importance requires to be given to DM training and orientation of professionals like doctors, engineers and architects apart from those engaged in response and relief. Capacity Development require to be included in curricula of educational institutions at all levels of schooling and should include practical instructions as well.

Realizing the importance of Capacity Development of stakeholders in Disaster Management, NIDM has been given the task of preparing National Human Resource and Capacity Development plan, which is at the advanced stage of its formulation. The first draft has been prepared and presented before the MHA. NIDM is finalizing the plan after holding the discussion with MHA on its first draft.

Financial Arrangements

Financial assistance in the wake of natural calamities is provided in accordance with the schemes of relief funds. These schemes are based on the recommendations of the successive Finance Commissions. The present scheme of State Disaster Response Fund (SDRF) and National Disaster Response Fund (NDRF) are based on the recommendations of the 13th Finance Commission.

State Disaster Response Fund: Disaster Management Act 2005 provides for constitution of State Disaster Response Fund (SDRF) by the state Governments. The Ministry of Home Affairs has issued the guidelines to the state for operation of SDRF. Allocations to the State Relief Funds have been made based on the recommendations of the successive Finance Commissions.

National Disaster Response Fund (NDRF)

DM Act 2005 provides for constitution of NDRF for meeting any threatening disaster management situation or disaster. Accordingly, DM Division issued notification for the constitution of NDRF. The Finance Ministry has also issued guidelines to the state for operation of NDRF. The Government of India raised this Fund by levying the "National Calamity Contingency Duty" on imported petrol and products, crude oil, motor cars, imported multi utility vehicles, two wheelers, mobile phones, pan masala and certain specific tobacco products.

Additional Financial Assistance: Over and above the provisions of the SDRF, funding is provided from the NDRF in the wake of calamities of severe nature.

Disaster Response Reserve

In the context of disaster relief, the 13th Finance Commission has observed that procurement of relief materials on short notice is often associated with premium in pricing and could adversely impact quality. The Commission also felt that a national inventory of equipment and material should be maintained for providing immediate relief. It is advisable to keep an inventory of items such as life-saving equipment and tents etc. with the NDRF. The Commission has accordingly recommended an initial grant of 250 crores in the form of a revolving fund to be

provided to the NDRF for this purpose. Whenever these items are used for responding to a calamity, the cost (or rent for those items that can be reused) should be booked to the overall cost of relief operations incurred by the state government and the inventory replenished on a regular basis. A proposal to constitute this fund along with guidelines for its operations is under consideration of the government.

Capacity Building Grant

On the recommendation of the 13th Finance Commission, 525 crore has been allocated to the states for taking up activities for building capacity in the administrative machinery. The guidelines provide for preparation of an action plan for the entire period of 2010-15 as well as action plans for each financial year. These plans would inter alia include items for training and capacity building of stakeholders and functionaries in states, preparation of disaster management plans based on hazard, risk and vulnerability analysis and setting up and strengthening of emergency operations centres in states.

Environmental Relief Fund

In exercise of the powers conferred by Public Liability Insurance Act, 1991, the Central Government has established the Environment Relief Fund Scheme in 2008.

International Cooperation

Hyogo Framework of Action 2005-2015

Three Strategic Goals:

- The more effective integration of disaster risk reduction into sustainable development policies, planning and programming at all levels, with a special emphasis on disaster prevention, mitigation, preparedness and vulnerability reduction.
- The development and strengthening of institutions, mechanisms and capacities at all levels in particular at the community level that can systematically contribute to building resilience to hazards.
- The systematic incorporation of risk reduction approaches into the design and implementation of emergency preparedness, response and recovery programmes in the reconstruction of the affected communities.

Five Priority Action Areas:

1. Ensure that disaster risk reduction is a national and a local priority with a strong institutional basis for implementation,
2. Identify, assess and monitor disaster risks and enhance early warning,
3. Use knowledge, innovation and education to build a culture of safety and resilience at all levels,
4. Reduce the underlying risk factors,
5. Strengthen disaster preparedness for effective response at all levels.

Key Activities:

- Promote socio-economic development practices,
- Land-use planning and other technical measures, Disaster Management in India
- Strengthening of institutional and technical capacities,
- Review and implement preparedness and contingency plans,
- Promote voluntarism and community participation,
- Creation of provision of emergency funds,
- Dialogue, coordination and exchange of information between disaster managers and development sectors.

SAARC Disaster Management Centre (SDMC)

SAARC Disaster Management Centre (SDMC) was set up in October 2006 at the premises of National Institute of Disaster Management in New Delhi.

The Centre has the mandate to serve all eight Member Countries of South Asia Association of Regional Cooperation (SAARC) - by providing policy advice and facilitating capacity building services including strategic learning, research, training, system development and exchange of information for effective disaster risk reduction (DRR) and management in South Asia. The Centre has developed its network with various organisations and institutions in the South Asian countries for research, documentation training and capacity building. and to promote better cooperation and understanding amongst the countries for holistic management of disasters.

The Way Forward

Recent Initiatives: The 11th five year plan document of Government of India gave impetus to mainstreaming disaster risk reduction as one of the priority programmes in the development planning process and disaster management. "Building Back Better" has become the underlining principle in any post disaster reconstruction and rehabilitation programme implemented by Government of India. As mentioned in the report of the working group on Disaster Management for the 11th plan and also in the various initiatives towards this effort, the way forward can be divided in the following major areas –

- Policy guidelines at the macro level that would inform and guide the preparation and implementation of disaster management and development plans across sectors,
- Building in a culture of preparedness and mitigation,
- Operational guidelines of integrating disaster management practices into development, and specific developmental schemes for prevention and mitigation of disasters,
- Having robust early warning systems coupled with effective response plans at district, state and national levels.
- Building capacity of all stakeholders,
- Involving the community, NGOs, CSOs and the media at all stages of DM,
- Addressing gender issues in disaster management planning and developing a strategy for inclusive approach addressing the disadvantaged sections of the society towards disaster risk reduction, and
- Addressing climate risk management through adaptation and mitigation.

Suggested Steps

To achieve results in these key identified areas, the following suggested steps should be integral to all stages of DM:

- developing a culture of prevention by introducing disaster management in school curricula
- professional courses and enhancing the capacity of disaster managers by strengthening training facilities for disaster management
- creating mass awareness by disseminating knowledge about the hazards and risks and promoting coping capacities of the communities through community based disaster risk management for better preparedness
- fostering social and gender equality in disaster risk reduction by planning and focusing on the needs of the disadvantaged sections of the society.

The summarised list of actions that needs to be taken is as follows:

Developing a Centralised Database

In collaboration with the Central Statistical Organization (CSO) an integrated Centralised Disaster database requires to be developed. Data collection on standardised format should be the responsibility of the concerned state government. Such database would facilitate researchers and decision makers to undertake range of analyses to better understand the linkages between disaster management and other sectors that would help in taking up informed risk reduction activities as well as to understand the impact of disasters on economy.

Early Warning Systems and Communication and Connectivity upto the Last Mile

Early warning systems vary for the different types of disasters. Due to recent unprecedented devastation unleashed by tsunami, often early warning gets linked with tsunami only, masking the importance of early warning against other forms of disasters. Hazard- specific efficient 'early warning systems' is the need of the hour and it has to be put in place permanently, so that useful information flows throughout the year and is easily understood by the local community. There is scope for improvement in flood, cyclone and storm surge warnings. Such projects need further encouragement and newer projects should be accorded high priority. Even with the best of early warning systems, the impact may still be catastrophic if early warning signals are not properly interpreted and communities are not educated and trained to respond to the early warning signals in real time. Therefore, the technology to early warning, on the one hand and, community response to early warning to the other are urgently required. This needs to be coupled with the National Emergency Communication Plan to ensure real time dissemination of early warnings and information to the 'at risk' community and the local authorities.

Emergency Operations Centres (EOCs)

EOCs in the country could play a critical role in coordinating emergency activities as well as in providing information to various stakeholders. Effective functioning of these EOCs during emergencies continues to be a major challenge. "State of the art" EOCs at state and district levels with access to satellite based imageries need to be planned and established.

Mitigation Plans and Mainstreaming Disaster Management into the Development Planning Process

Three committees constituted by Government of India are working towards preparing the National Response Plan, National Human Resource and Capacity Development Plan and National Mitigation Plan in respective ministries that have been designated as nodal agencies for various disasters. The draft National Response Plan and National Human Resource and Capacity Development Plan are ready. Certain rectifications and modifications are underway before it is presented to the National Executive Committee for its finalisation.

It is expected that National Response Plan will be put in place once it is adopted by Government of India. It will pave the way for institutionalising the response plan in three tiers as envisaged in the Disaster Management Act.

Similarly, the Capacity Development Plan, once it is approved and adopted will provide the roadmap for undertaking the capacity building of persons engaged in different facets of disaster management and enhancing the capacities both at the individual and organizational levels.

Strengthening the Preparedness Phase

Urban Planning and Zoning -There is a need to enhance the efforts for integrating disaster risk reduction elements in settlement planning and land use zoning to mitigate flood and earthquake risks. Planned urban settlements and housing is the need of the day for disaster risk management that leads to sustainable development, particularly in ecologically sensitive regions, high risk locations and high population density pockets.

Building Codes and Enforcement: Building codes are adhered to only in engineered structures and not in the huge majority of houses across rural and urban India. The building codes have to be continually upgraded with the advent of new information and technology. The greatest challenge, however, is in respect to enforcement of the building codes.

Housing Design and Finance: It has been difficult to ensure compliance to disaster resistant technology at individual house level. There is need to find alternative ways to encourage and facilitate individual home builders to use disaster-resilient designs, materials and techniques in the construction of their homes. Publicity and audience friendly information emphasising appropriate designs and the cost differences will go a long way in creating awareness among people for their adoption. Some financial incentives or tool may motivate people, particularly poor people or first-time house owners, to incorporate safety features in their houses.

Flood Proofing: This is an approach adopted in parts of Bihar, Uttar Pradesh and few other flood prone states of the country for reducing flood vulnerability. Flood proofing involves constructing earthen mounds to raise entire homesteads—the house, the vegetable garden, livestock pen, grain stores, toilets and water wells above the flood

level. Encouraging such good practices in other flood prone parts of the country, would go a long way to reduce the risk in such area.

Promoting development of new financial tools: There is need to work for the development of new financial tools such as catastrophic risk financing, risk insurance, catastrophic bonds, microfinance etc. Risk transfer and risk insurance mechanisms would be needed for infrastructure, crops and other assets. Making risk insurance mandatory at least in highly hazard prone states in the country needs to be encouraged. Insurance distributes disaster risk among the broader society and makes great sense when risk has been reduced to some acceptable level. (See the Box 10.1).

Agriculture and Aquaculture: These projects should be assessed from the perspective of the flood hazards. Much of the flooding that affects large rural habitats and agricultural lands is because of reduced drainage as a result of the expansion of agricultural activities into wetland areas that previously served an important drainage function. Such development of agriculture practices should have compensatory drainage factored into agricultural expansion plans.

Transfer mechanisms-Insurance as a financial tool for Disaster Management

For decades, the financing of disasters has relied on a reactive approach consisting of the diversion of funds from the domestic budgets. Such "ex post" funding approaches are inefficient, often poorly targeted and insufficient. Moreover, they provide no incentive for proactive risk reduction measures such as improved urban planning, higher construction standards, etc.

Reactive approaches to risk financing are becoming increasingly unsustainable as vulnerability is increasing and emerging economies grow and accumulate more assets. The funding gaps between available donor resources and post-disaster funding will grow if disaster prone countries do not engage in risk reduction and pre-disaster risk financing.

Insurance markets in the majority of developing countries are underdeveloped. Where hazard coverage exists, it is usually limited to major industrial and commercial properties and some wealthier households.

For a number of years, efforts are on to promote a more proactive approach to risk financing. A number of examples come from World Bank led efforts, including the provisions of technical support to Mexico in issuing a cat bond; contingency financing arrangements in Cambodia, the Caribbean Catastrophe Risk Insurance Facilities (CCRIF - the first regional institution which allows the eighteen participating countries to pool their risk and save on individual premium payments), the Turkish Catastrophe Insurance Pool (TCIP - a mandatory earthquake insurance pool for homeowners). These initiatives provide much needed, immediate liquidity after a disaster for more effective government response.

Micro disaster Insurance: It has great potential, but faces several challenges before it becomes a sustainable mechanism for effective risk management for the poor. The study by ProVention Consortium and the International Institute of Applied System Analysis found that micro Insurance holds great potential to protect the poor from disaster shocks.

Financial Viability: Disaster Insurance should be based on sound estimates of low-probability, high-consequence risks so that the premium can be priced and the requisite capital reserve or reinsurance can be assured. Where there is a high degree of ambiguity with the risk estimates of extreme events, international donors may need to provide incentives for the private sector involvement in such schemes.

Affordability: Micro insurance needs to be affordable to low income-clients. Disaster insurance premiums include the costs of handling many small contracts, distributing the product often to remote areas, as well as assuring sufficient capital to cover dependant claims. There are several ways to reduce disaster insurance premiums. The most obvious is subsidies from the public authorities, international donors or those at lower risk in the insurance pool (cross subsidies in insurance systems). The Hungarian government is providing subsidies to poor households as part of a recently legislated flood insurance pool. In the UK, extensive cross subsidies in the private flood insurance systems make it affordable to low income households. In developing countries, transaction costs can be minimised by offering policies to groups or communities through established microfinance institutes. The high costs of capital reserves and reinsurance can be lowered through government or donor provision of reinsurance. An example is the Turkish Catastrophe Insurance Pool, where the World Bank reinsures a layer of risk for the pool.

Roads and Infrastructure: Standards are generally set to protect roads, railways, power and communication infrastructure from being damaged or destroyed by a 10 or 20 or 50 year flood level. Any new infrastructure project should conduct a disaster impact analysis and ensure that construction does not impede water flow and cause deeper or prolonged floods. Designing the roads to the higher standards requires factoring of not only the vulnerability of the roads to floods but also their contribution to hazard.

Logging activities: These activities in the hilly areas destabilise slopes, cause landslides and increase mudflow and silting in the nearby rivers. The revenue generated by logging is far lesser than the losses incurred due to the serious problems of landslides, silting and ecological disturbance caused. There should be a plan for afforestation in the logging area before or just after the logging.

Design and construction of critical infrastructure and lifeline facilities (hospitals/ schools etc.):It has been observed in the past disasters that schools and hospitals are badly affected. Therefore, construction of all new schools and hospital needs to be brought under the regime of disaster resistant technology. Medical Preparedness for recovery of affected person in any kind of disaster is of paramount importance. There exits huge gap between demand and supply of medical care, particularly in the area of trauma care. This needs to be strengthened and capacity augmented at every level from primary to referral level. The capacity of doctors and Paramedical staff also needs to be strengthened and to be geared to meet the challenges of post-disaster recovery.

Capacity Building Plan

- In addition to development of National Human Resource Plan, a training calendar of Disaster Management institutes and agencies at the international, national and sub-national levels needs to be compiled and publicised so that the stakeholders could avail of the opportunities to build capacities.
- Concerted efforts are required to work closely with UN agencies, bilateral agencies and NGOs for DRR. Bilateral and Multilateral Cooperation with countries prone to hazard and those having developed expertise in management of different disasters and international institutions for DRR would facilitate and encourage participation of professionals and officials in national and international events in enhancing their capacities.
- International collaboration in the field of disaster management should be strengthened. The NDMA and NIDM have to play a key role in awareness generation and engage with print, electronic and folk media to carry forward programmes for public awareness. There is also a great need to develop the capacity and sensitise the media to comprehend disaster awareness and reporting, so that it plays a positive role in creating awareness and in handling disaster information and news during emergencies.
- In order to address the issue of structural safety against multi-hazards, steps that lead to improvement of construction on the ground need to be initiated. This would entail enhancing community awareness, capacity building of architects and masons, strengthening of enforcement, etc.
- Inter-state sharing of resources has been very effective in the past. Such sharing should be facilitated by encouraging states to enter into mutual agreements with each other on possible nature and type of resources that can be shared and set up administrative mechanisms for implementing these effectively.

National, State and District Level Response Plans

The recent Japanese earthquake and tsunami, followed by fire and the nuclear energy crisis is a pointer to the fact that despite best preparedness and mitigation and capacity building plans being in place, response and crisis management plans continue to be relevant. To put things in place an effective response plans at the National, States, Districts and the Sub-districts level should therefore, be encouraged to strengthen review and update the existing capacity for response and crisis management.

Corporate Social Responsibility

Business entities are expected to shoulder responsibilities for the impact of their activities on the consumers, employees and community as a whole. Efforts are therefore needed to engage corporate bodies in undertaking disaster risk reduction activities as a part of their corporate social responsibilities. NDMA and NIDM have to actively engage with the corporate sector in mainstreaming DRR within their CSR framework.

Integrating Climate Change and Disaster Risk Reduction

The current trends of climate change are expected to increase the frequency and intensity of existing hazards, an increased probability of extreme events, spur the emergence of new hazards and vulnerabilities with differential

spatial and socio-economic impacts. This is likely to further degrade the resilience and coping capacities of poor and vulnerable communities, who make up from a quarter to half of the population of most Indian cities Vulnerability has typically contributed more to overall risk in India than hazard exposure. The efforts for integrating climate change and DRR measures needs to be further strengthened and institutionalised and community be sensitised to take up such adaptive measures, which reduces their vulnerability.

Conclusion

The above mentioned initiatives are only an indicative list of actions requiring attention. Every stakeholder involved needs to contribute his bit in order to ensure that the increasing hazards and risks and the vulnerabilities get addressed in a planned and systematic manner, thereby increasing the coping capacities of the communities at large and making them resilient to the impacts of disasters. The Government is committed to structure and convert these requirements into actionable format to place them on a roadmap and source the funding for their implementation.

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