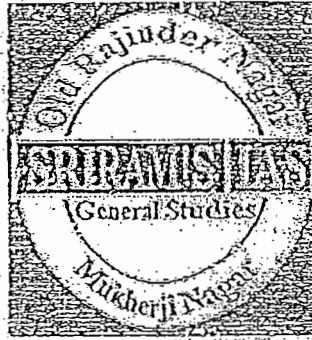


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GENERAL STUDIES

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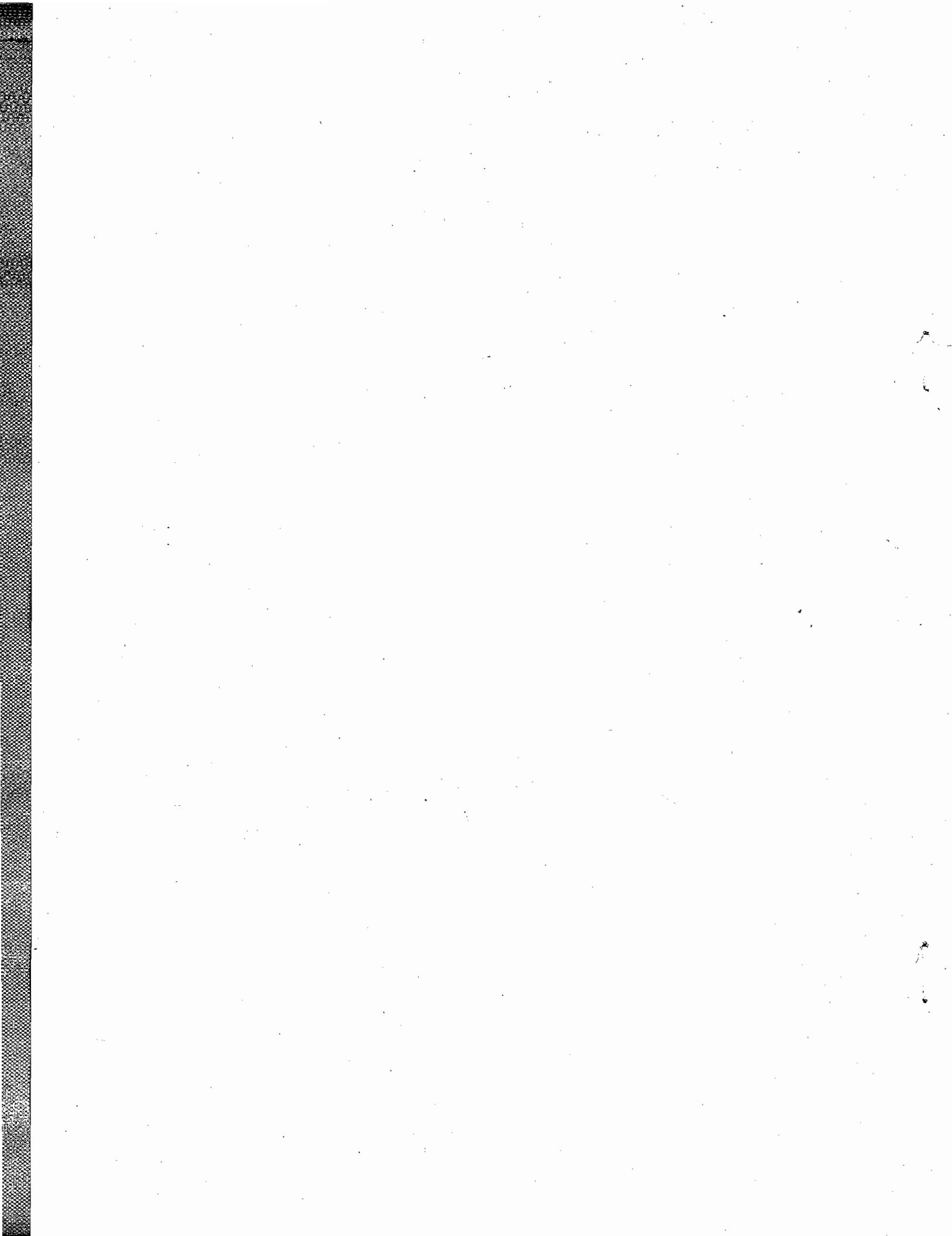
Book No.-I

11A/22; 1st Floor; Old Rajender Nagar; New Delhi -60

Ph. 011-25825591; 42437002; 9811489560

73-75; 1st Floor; Ring Road; Beside GTB Metro Station
Kingsway Camp; New Delhi.

Ph. 08447273027



Inclusive growth

Inclusive growth basically means, "broad based growth, shared growth, and pro-poor growth". Inclusive growth by its very definition implies an equitable allocation of resources with benefits accessible to every section of the society. Inclusive strategy involves a much greater role of the States, and closer coordination between the Centre and the States, than would be needed for a purely corporate-led growth strategy. This is because most of the policy measures and institutional support required for small and medium entrepreneur-led growth lie in the domain of State Governments and local bodies. The Centre's contributions would lie mainly in creating the appropriate macroeconomic framework, financial sector policies and national level infrastructure.

Inclusive growth has been projected as the strategic pillar in the forthcoming 12th five year plan. The policy designers are of the opinion that the 'inclusive growth strategy for the 12th five year plan should be based on the experience of inclusive outcomes of the 11th five year plan'. The approach to 12th five year plan titled 'Faster, Sustainable and More Inclusive Growth' defines inclusive growth as: Inclusive growth should result in lower incidence of poverty, universal access to school education including skill and education, better opportunities for wage employment and livelihood, improvement in health outcomes, improvement in provision of basic amenities like water, electricity, roads, sanitation and housing.

Has growth of Indian economy been really inclusive during the last plan or since the last two decades of reforms? This question demands a close empirical investigation.

Since July 1991, Indian economy has witnessed several reforms encompassing all the major sectors of the economy (agriculture, industry, trade, foreign investment, technology, public sector, financial institutions and so on). The main objective of these reforms was to put the Indian economy out of the low level equilibrium trap. These reforms have marked a steady break from the previous policy regime of state controlled and insulated economy. Due to these policies, India saw robust rates of growth of GDP. Since the last decade or so, GDP and Investment growth have recorded historical increase in India. However, in the last two years, there is a sharp decline in growth rate due to the economic crisis at the global level. But the economic survey of 2013 predicts that the recovery is on the way as far as growth is concerned. Who is benefiting from this higher growth trajectory is the other important question. The questions that arise are: Can high growth provide better and secure employment to the common people? Has this growth made health and educational facilities more accessible to the common people? Has this high growth rate been able to reduce real poverty? All these issues are closely related to the title of 11th and the current 12th five year plan (2012-17). The policy designers initially believed that generally higher GDP economic growth will 'trickle down' to lower levels. But in India, this 'trickle down' has not worked. Therefore, we need special interventions in terms of redesigning the growth pattern and also inclusive programmes to address the needs of the excluded.

'Inclusive growth' as a strategy of economic development received attention owing to a rising concern that the benefits of economic growth have not been equitably shared. Growth is inclusive when it creates economic opportunities along with ensuring equal access to them. Apart from addressing the issue of inequality, the inclusive growth may also make the poverty reduction efforts more effective by explicitly creating productive economic opportunities for the

poor and vulnerable sections of the society. The inclusive growth by encompassing the hitherto excluded population can bring in several other benefits as well to the economy. The concept "Inclusion" should be seen as a process of including the excluded as agents whose participation is essential in the very design of the development process, and not simply as welfare targets of development programmes (Planning Commission, 2007).

Inclusive growth refers to both the pace and the pattern of the economic growth. The literature on the subject draws fine distinction between direct income redistribution or shared growth and inclusive growth. The inclusive growth approach takes a longer term perspective as the focus is on productive employment rather than on direct income redistribution, as a means of increasing incomes for excluded groups. Inclusive growth is, therefore, supposed to be inherently sustainable as distinct from income distribution schemes which can in the short run reduce the disparities, between the poorest and the rest, which may have arisen on account of policies intended to jumpstart growth. While income distribution schemes can allow people to benefit from economic growth in the short run, inclusive growth allows people to "contribute to and benefit from economic growth".

The current policy objective of inclusive growth with stability given in the 12 FYP requires that there be productive and structural growth along with environmental security.

Need for inclusive growth

There are prudential, political and moral reasons . Practically, we need to build an inclusive society because human resource needs to be developed. Education, health and skills for all , will mean huge employment, productivity, innovation, exports and so on. Politically, if there is no inclusive growth, conflicts will arise on a mass basis and could even turn into extremist movements like naxalism and communalism which can strike a body blow to the integrity of the nation. At any rate, Constitution of India promises inclusive growth in the Preamble and the DPSPs and so the nation owes it to all. Morally, it is inhuman to leave millions weak and destitute while the nation is growth at an impressive rate.

Challenges of achieving inclusive growth

Achievement of inclusiveness is a challenge in the following way

- The number of people to be targeted being so large- hundreds of millions, the effort has to be commensurate
- Fiscal, human and administrative resources necessary are huge
- Institutional mechanisms for federal coordination, PPPs, strong LSG bodies(PRI and Nagarapalikas) need to be developed
- Decentralization is crucial as inclusive governance is an integral part of inclusive growth
- Suitable laws that enable people-centered growth process- be it in land acquisition, environmental field, R&R,- are required

Poverty and recent achievements

The record in recent years of the anti-poverty strategies- the heart of inclusive growth- is encouraging. The percentage of the population below the official poverty line has been falling but even as that happens, the numbers below the poverty line remain large. According to the latest official estimates of poverty based on the Tendulkar Committee poverty line, as many as 29.8 per cent of the population, that is, 350 million people were below the poverty line in 2009–10. Questions have been raised about the appropriateness of the Tendulkar poverty line which

corresponds to a family consumption level of ₹3,900 per month in rural areas and ₹4,800 per month in urban areas (in both cases for a family of five). There is no doubt that the Tendulkar Committee poverty line represents a very low level of consumption and the scale of poverty even on this basis is substantial. An Expert committee under Dr. C. Rangarajan has been set up to review all issues related to the poverty line keeping in view international practices. (Read ahead for detailed examination of issues)

It is well established that the percentage of the population in poverty has been falling consistently but the rate of decline was too slow. The rate of decline in poverty in the period 2004–05 to 2009–10 was 1.5 percentage points per year, which is twice the rate of decline of 0.74 percentage points per year observed between 1993–94 and 2004–05. Normally, large sample surveys used for official estimates of poverty are conducted every five years, but because 2009–10 was a drought year, the National Sample Survey Office (NSSO) felt that it would tend to overstate poverty and it was therefore decided to advance the next large sample survey to 2011–12. The results of this survey – NSSO 68th Round details came out in 2013 June and are discussed ahead). NSSO 68th Round findings on poverty, consumption and inequality in consumption are: Poorest of poor in the country survive on barely ₹17 per day in villages and ₹23 a day in cities. According to the data, which relates to 2011–12 (July–June), five per cent population on the bottom rung had an average monthly per capita expenditure (MPCE) of ₹521.44 in rural areas and ₹700.50 in urban areas. On the other end of the spectrum, top five per cent of the population had an MPCE of ₹4,481 in rural areas and ₹10,282 in urban areas. The National Sample Survey Office's (NSSO) 68th round of survey is based on samples consisting of 7,496 villages in rural India and 5,263 urban blocks except some remote areas, during July 2011–June 2012, the release said. On an average on the all-India basis, MPCE was around ₹1,430 for rural India and about ₹2,630 for urban India. Thus average urban MPCE was about 84 per cent higher than average rural MPCE for the country as a whole, though there were wide variations in this differential across states”.

Inter-group Equality

Inclusiveness is not just about bringing those below an official fixed poverty line to a level above it. It is also about a growth process which is seen to be ‘fair’ by different socio-economic groups that constitute our society. The poor are certainly one target group, but inclusiveness must also embrace the concern of other groups such as the Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs), Minorities, the differently abled and other marginalised groups. Women can also be viewed as a disadvantaged group for this purpose. These distinct ‘identity groups’ are sometimes correlated with income slabs the SCs and STs, for example, are in the lower income category and all poverty alleviation strategies help them directly. Women on the other hand span the entire income spectrum, but there are gender-based issues of inclusiveness that are relevant all along the spectrum.

Inclusiveness from a group perspective goes beyond a poverty reduction perspective and includes consideration of the status of the group as a whole relative to the general population. For example, narrowing the gap between the SCs or STs and the general population must be part of any reasonable definition of inclusiveness, and this is quite distinct from the concern with poverty, or inequality, though the two are related.

Balance regional development (BRD) and Inclusive growth

Another aspect of inclusiveness relates to whether all States, and indeed all regions, are seen to benefit from the growth process. The regional dimension has grown in importance in recent years. On the positive side, as the PM mentioned in the 57th NDC speech(See ahead), many of the erstwhile backward States have begun to show significant improvement in growth performance and the variation in growth rates across States has narrowed. However, both the better performing and other States are increasingly concerned about their backward regions, or districts, which may not share the general improvement in living standards experienced elsewhere. Many of these districts have unique characteristics including high concentration of tribal population in forested areas, or Minorities in urban areas. Some districts are also affected by left wing extremism, making the task of development much more difficult.

In the Twelfth Plan, govt aims pay special attention to the scope for accelerating growth in the States that are lagging behind. This will require strengthening of States' own capacities to plan, to implement and to bring greater synergies within their own administration and with the Central Government. As a first step, the Planning Commission is working with it's counterpart Planning Boards and Planning Departments in all State Governments to improve their capabilities. An important constraint on the growth of backward regions in the country is the poor state of infrastructure, especially road connectivity, schools and health facilities and the availability of electricity, all of which combine to hold back development. Improvement in infrastructure must therefore be an important component of any region- ally inclusive development strategy.

The efforts of the govt in this regard are

- FC criteria
- PC transfers
- special category states
- BRGF
- Green revolution in the eastern region
- North eastern region Vision 2020

Special focus on North east

Holding that infrastructure deficiency in North-East is a "major concern", Prime Minister Manmohan Singh in 2008 announced linking of all state capitals there by rail to ensure better connectivity and earmarking of Rs 31,000 crores to improve roads.

Releasing 'Vision Document 2020 for the North-Eastern Region' he said besides developing rail and air connectivity, the government is also committed to improve road facilities in the Eleventh Plan. For improving air connectivity, he announced that a green-field airport will come up at Itanagar to connect the region with the rest of the country. He said all villages on the Arunachal Pradesh border will soon be electrified at a cost of Rs 550 crore. The Vision Document, approved by the North-East Council, also lays stress on promoting education in the region. Govt is to set up a NTFT and IIT at Shillong.

Green Revolution in Eastern India

The programme gets Rs 1,000 crore in his Budget for 2013-14. It was during Union Budget 2010-11 that for the first time, separate funds were allocated for the eastern parts of the country. The scheme, which comes under Rashtriya Krishi Vikas Yojana, includes Assam, Bihar, Jharkhand, eastern UP, Chhattisgarh, Odisha and West Bengal. Rice was a priority crop under the scheme. The other areas of focus were asset-building activities such as water management, construction of farm ponds and repair of irrigation channels. The main motive behind this project

is to ensure food security. The idea is to tap the eastern region for food grains and pulses. The Centre has also allocated Rs 500 crore for encouraging crop diversification to promote technological innovation. The original Green Revolution States face the problem of stagnating yields and over-exploitation of water resources. The answer lies in crop diversification.

BRGF

The Backward Regions Grant Fund Programme (BRGF), launched in 2007, signifies a new approach to addressing persistent regional imbalances in development. The programme subsumed the Rashtriya Sama Vikas Yojana (RSVY). The BRGF Programme covers 250 districts in 27 States, of which 232 districts fall under the purview of Parts IX and IX-A of the Constitution dealing with the Panchayats and the Municipalities, respectively. The remaining 18 districts are covered by other local government structures, such as Autonomous District and Regional Councils under the Sixth Schedule of the Constitution and state specific arrangements as in the case of Nagaland and the hill areas of Manipur.

Objectives

The Backward Regions Grant Fund is designed to redress regional imbalances in development by way of providing financial resources for supplementing and converging existing developmental inflows into the identified backward districts, so as to:

- Bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows,
- Strengthen, to this end, Panchayat and Municipality level governance with more appropriate capacity building, to facilitate participatory planning, decision making, implementation and monitoring, to reflect local felt needs,
- Provide professional support to local bodies for planning, implementation and monitoring their plans,
- Improve the performance and delivery of critical functions assigned to Panchayats, and counter possible efficiency and equity losses on account of inadequate local capacity.

The BRGF programme represents a major shift in approach from top-down plans to participative plans prepared from the grassroots level upwards. The guidelines of the Programme entrust the central role in planning and implementation of the programme to Panchayats in rural areas, municipalities in urban areas and District Planning Committees at the district level constituted in accordance with Article 243 ZD of the Constitution to consolidate the plans of the Panchayats and Municipalities into the draft district plan. Special provisions have been made in the guidelines for those districts in J&K, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura which do not have Panchayats, where village level bodies and institutions mandated under other frameworks such as the Sixth Schedule are to plan and implement the programme. The conviction that drives this new locally driven approach is that grassroots level democratic institutions know best the dimensions of poverty in their areas and are, therefore, best placed to undertake individually small, but overall, significant local interventions to sustainably tackle local poverty alleviation. There are three features of BRGF that make it truly unique among central initiatives to combat backwardness. First, the approach of putting the Panchayats and the Municipalities at the centre stage of planning and implementation. Second, no Central funding stream is as 'untied' as the BRGF – the funds can be applied to any preference of the Panchayat/ Municipality, so long as it fills a development gap and the identification of the work is decided with people's participation. Third, no other programme spends as much funds, nearly 11 percent of the total allocation, for capacity building and staff provisioning.

Creation of capacity for effective planning at district and lower level is a key-pre-requisite to participative planning. Hence the BRGF contains a specific component for the capacity building of Panchayati Raj Institutions of Rs. 250 crore per year. A framework that looks upon capacity building in a very comprehensive fashion, encompassing training, handholding and providing ongoing support to Panchayat elected representatives has been developed for States to follow, while undertaking capacity building.

The planning process under BRGF is based on the guidelines for district planning issued by the Planning Commission. The process of integrated development commences with each district undertaking a diagnostic study of its backwardness and a baseline survey by enlisting professional planning support, to be followed by a well-conceived participatory district development perspective plan to address this backwardness during the period of the Eleventh Five Year Plan. Such plans would integrate multiple programmes that are in operation in the district concerned and, therefore, address backwardness through a combination of resources that flow to the district. District Plans received from the various States indicate that the untied fund allocated to the districts are generally being used for filling infrastructural gaps in drinking water, connectivity, health, education, social sectors, electrification, etc. The basket of works taken up includes construction of school buildings /class rooms, health sub-centres, drinking water facility, sanitation facilities, anganwadi buildings, Panchayat buildings, irrigation tanks/channels, street lights, link roads, culverts, soil and water conservation measures, etc. The BRGF has adopted the National Capability Building Framework (the NCBF) which envisages strengthening of institutional arrangements, including the infrastructure as well as software support for capacity building of elected representatives, the functionaries and other stakeholders of PRIs and thereby improving the vigour of grassroots level democracy.

The finance ministry in May 2013 set up an expert committee under the chairmanship of Chief Economic Adviser Raghuram Rajan to look into a composite development index of states for allocation of money under the Backward Region Grant Fund (BRGF). Rajan committee would consider criteria such as the state's positing in national per capita income and human development indicators to evolve a composite index. The panel would have five members but can invite experts as special invitees for deliberations. Finance Minister Chidambaram in 2013-14 Budget speech said that the criteria for determining backwardness under BRGF are based on terrain, density of population and length of international borders. "It may be more relevant to use a measure like the distance of the state from the national average under criteria such as per capita income, literacy and other human development indicators."

PURA

Provision of Urban Amenities in Rural Areas (PURA) is a Central Sector scheme re-launched by Ministry of Rural Development (MoRD), Government of India during remaining period of the XI Plan with support from Department of Economic Affairs and the technical assistance of Asian Development Bank. MoRD is implementing the PURA scheme under a Public Private Partnership (PPP) framework between Gram Panchayat(s) and private sector partners with active support of the state governments.

The scheme envisages development of rural infrastructure and is the first attempt at delivering a basket of infrastructure and amenities through PPP in the rural areas.

The primary objectives of the scheme are the provision of livelihood opportunities and urban amenities in rural areas to bridge the rural – urban divide.

Core funding shall be sourced from the Central Sector scheme of PURA and complemented by additional support through convergence of different Central Government schemes. The private sector shall also bring into the project its share of investment besides operational expertise. The scheme would be implemented and managed by the private sector on considerations of economic viability but designed in a manner whereby it is fully aligned with the overall objective of rural development.

Inclusiveness and Inequality

Inclusiveness also means greater attention to income inequality. The extent of inequality is measured by indices such as the Gini coefficient, which provide a measure of the inequality in the distribution on a whole, or by measures that focus on particular segments such as the ratio of consumption of the top 10 per cent or 20 per cent of the population to that of the bottom 10 per cent or 20 per cent of the population, or in terms of rural-urban, such as the ratio of mean consumption in urban versus rural areas. An aspect of inequality that has come sharply into focus in industrialised countries, in the wake of the financial crisis, is the problem of extreme concentration of income at the very top, that is, the top 1 per cent and this concern is also reflected in the public debate in India.

Inequality must be kept within tolerable limits (Art.38, DPSP). Some increase in inequality in a developing country during a period of rapid growth and transformation may be unavoidable and it may even be tolerated if it is accompanied by sufficiently rapid improvement in the living standards of the poor. However, an increase in inequality with little or no improvement in the living standards of the poor is a recipe for social tensions. As a society, we therefore need to move as rapidly as possible to the ideal of giving every child in India a fair opportunity in life, which means assuring every child access to good health and quality education.

India, HDI and IHDI: Human Development Report 2013

Over the past two decades, India has seen a big improvement in its human development index score, from 0.41 in 1990 to 0.554 in 2012, according to the latest report by the United Nations Development Program (2013). However, despite this improvement, India overtook only four of the countries positioned above it in 1990: Swaziland, Kenya, Cameroon and Congo. The rise in India's HDI score is partly thanks to it starting from a low base (countries with high HDI scores have limited room for improvement), and also a rapid increase in per capita gross national income.

Despite the improvement, India remains in the "medium development" category, 136th in a list of 186 countries that stretches from Norway at the top of the "very high human development" category to Niger at the bottom of the "low human development" group. In 2011, India was 134th in the list.

Since 2011, the UNDP report has included an inequality adjusted HDI, also known as IHDI, which aims to capture the effects of inequality on human development. If there is no inequality the IHDI equals the HDI, while a big difference between the readings means greater inequality. India's IHDI score was nearly 30% lower than its HDI reading.

The most glaring inequality in India is in education, the report says, even though it commends the introduction of the Right to Education Act.

Success stories, such as China, invariably show growth in investment in health and education, with a special focus on rural areas to "enable poor people to participate in growth," the UNDP report says.

India also fared poorly on life expectancy and gender equality.

Inclusiveness as Empowerment

Finally, inclusiveness is not just about ensuring a broad-based flow of benefits or economic opportunities, it is also about empowerment and participation. It is a measure of the success we have achieved in building a participatory democracy that people are no longer prepared to be passive recipients of benefits doled out by the Government. They are slowly beginning to demand these benefits and opportunities as rights and they also want a say in how they are administered. This brings to the fore issues of governance, accountability and peoples participation to much greater extent than before. This also covers areas like access to information about government schemes, knowledge of the relevant laws and how to access justice. The growing concern with governance has also focused attention on corruption. How to tackle corruption is now at the centre stage of policy debates.

Empowerment refers to increasing the political, social, educational, gender, or economic strength of individuals and communities. Sociological empowerment often addresses members of groups that social discrimination processes have excluded from decision-making processes through - for example - discrimination based on caste, disability, race, ethnicity, religion, or gender. India being a welfare state has many plans and programmes for the empowerment of the marginalised groups which is the hallmark of a strategy to achieve an inclusive strategy. (The initiatives are discussed in various parts of the Study Material)

AP

Andhra Pradesh Scheduled Caste Sub-Plan/Scheduled Tribe Sub-Plan Planning, Allocation and Utilization of Financial Resources Act 2012

Andhra Pradesh made history in December by passing a bill to give statutory status to the scheduled castes and scheduled tribe sub-plans, ensuring allocation of funds to these sections in proportion to their population. The law will also ensure total utilization of funds allocated to these sections in the planned budget. The state assembly passed Andhra Pradesh Scheduled Caste Sub-Plan/Scheduled Tribe Sub-Plan Planning, Allocation and Utilization of Financial Resources Bill 2012, making it the first state in the country to have such legislation. The bill was brought as the funds were either not being utilized or diverted for other purposes.

Inclusiveness through Employment Programmes

The 12th FYP says the following about the Mgnrega : One of the most important interventions for fostering inclusion during Eleventh Plan was the MGNREGA. While its achievements in ameliorating poverty and preventing acute distress during times of drought have been recorded and appreciated, there are also some complaints against MGNREGA, primarily on the grounds that it is a dole, involving huge expenditures that could have been spent more productively. There are also complaints that it is leading to increase in wages of agricultural labour and construction workers. There is also evidence that wherever land productivity has improved and greater water security been delivered, small and marginal farmers working in MGNREGA sites have reverted back to farming and allied livelihoods. There is also evidence that MGNREGA is enabling crop diversification, particularly into horticulture, wherever it has adequately converged with schemes of Agricultural Departments. An important lesson from this experience is that it is the quality of assets created, which will determine whether MGNREGA can go beyond the safety net to become a springboard for entrepreneurship, even at the lowest income levels.

Accelerated growth in recent years has yielded distinct benefits to many and the prosperity which this has generated is visible to all, raising the expectations of all sections of the population, and creating a demand for a fair share of the benefits of growth.

Eleventh Plan Achievements on Inclusive Growth

The following are some important indicators showing the extent to which the Eleventh Plan succeeded in fulfilling the objective of inclusive growth. (In some cases, where the data relate to the NSSO surveys, the time period for comparison is before and after 2004–05.) Aspirants are advised to insert the latest data , for example, NSSO 68th large round data revealed in 2013 June)

- GDP growth in the Eleventh Plan 2007–08 to 2011–12 was 8 per cent compared with 7.6 per cent in the Tenth Plan (2002–03 to 2006–07) and only 5.7 per cent in the Ninth Plan (1997–98 to 2001–02). The growth rate of 7.9 per cent in the Eleventh Plan period is one of the highest of any country in that period which saw two global crises.
- Agricultural GDP growth accelerated in the Eleventh Plan, to an average rate of 3.7 per cent, compared with 2.4 per cent in the Tenth Plan, and 2.5 per cent in the Ninth Plan.
- The percentage of the population below the poverty line declined at the rate of 1.5 percentage points (ppt) per year in the period 2004–05 to 2009–10, twice the rate at which it declined in the previous period 1993–94 to 2004–05. (When the data for the latest NSSO survey for 2011–12 become available, it is likely that the rate of decline may be close to 2 ppt per year. Indeed!!!!)
- The rate of growth of real consumption per capita in rural areas in the period 2004–05 to 2011–12 was 3.4 per cent per year which was four times the rate in the previous period 1993–94 to 2004–05.
- The rate of unemployment declined from 8.2 per cent in 2004–05 to 6.6 per cent in 2009–10 reversing the trend observed in the earlier period when it had actually increased from 6.1 per cent in 1993–94 to 8.2 per cent in 2004–05.
- Rural real wages increased 6.8 per cent per year in the Eleventh Plan (2007–08 to 2011–12) compared to an average 1.1 per cent per year in the previous decade, led largely by the government's rural policies and initiatives.
- Complete immunization rate increased by 2.1 ppt per year between 2002–04 and 2007–08, compared to a 1.7 ppt fall per year between 1998–99 and 2002–04. Similarly, institutional deliveries increased by 1.6 ppt per year between 2002–04 and 2007–08 higher than the 1.3 ppt increase per year between 1998–99 and 2002–04.
- Net enrolment rate at the primary level rose to a near universal 98.3 per cent in 2009–10. Dropout rate (classes I–VIII) also showed improvements, falling 1.7 ppt per year between 2003–04 and 2009–10, which was twice the 0.8 ppt fall between 1998–99 and 2003–04.

Ending of gender based inequities, discrimination and all forms of violence against girls and women is being accorded overriding priority in the Twelfth Plan. This is fundamental to enabling women to participate fully in development processes and in fulfilling their social, economic, civil and political rights, for more inclusive growth.

Environmental Sustainability

While striving for faster and more inclusive growth, the Twelfth Plan must also pay attention to the problem of sustainability. No development process can afford to neglect the environmental consequences of economic activity, or allow unsustainable depletion and deterioration of natural resources. Unfortunately, the experience of development in many countries, and our own past experience in some respects, suggests that this can easily happen unless appropriate corrective steps are taken at early stages. The Twelfth Plan must devise a strategy of development which effectively reconciles the objective of development with the objective of protecting the environment.

Development cannot take place without additional energy and the energy requirement of development will have to be reconciled with the objective of protection of environment. The economy depends heavily on coal and hydro power to meet its energy needs and the development of each of these energy sources involves potential trade-offs with conservation of forests and the objective of avoiding displacement of people. We need to manage these conflicting objectives more efficiently, with adequate compensation for those dispossessed and appropriate remedial steps to correct for loss of forest cover where this is unavoidable. Nuclear energy is another important energy source for the country, and has the greatest potential over the next 20 years, of providing a substitute for coal-based electricity. However, here too environmental and safety issues have arisen, especially after the Fukushima accident. These concerns are being addressed.

The achievement of environmental sustainability will impact the life of communities in several dimensions. It will require the need development of new energy efficient practices in urban housing and transport to contain the growth in the demand for energy. It would mean use of far more energy efficient technologies in coal-based electricity generation such as the introduction of super critical and ultra super critical boilers. It would require active promotion of energy efficiency in industries, farms and offices, and the promotion of more energy efficient appliances through policies of branding and mandatory standards. Transport policies and related technologies for more energy efficient vehicles will need to be developed and adopted.

The issue of sustainability also has a global dimension because of the threat of climate change caused by the accumulation of carbon dioxide and other Greenhouse Gases (GHG) in the atmosphere due to human activity. Since GHG emission in any country accelerates the process of global warming, this is obviously an area where a global cooperative solution is needed. No country will have sufficient incentive to contain its own emissions unless it is part of a global compact. Such a compact in turn is possible only if there is a fair distribution of the burden. Developing countries have consistently argued that since it is the industrialised countries that have historically contributed the bulk of the accumulated stock of GHG, and are also the most able to pay, they must bear burden of global mitigation and adjustment. India is participating in the ongoing international negotiations under the UN Framework Convention on Climate Change, but progress thus far has been minimal.

We cannot, however, abstain from taking action to deal with climate change until an international solution is found. It is known that India will be one of the countries most severely affected if global warming proceeds unchecked and as such appropriate domestic action is necessary. A National Action Plan for climate change has been evolved with eight component Missions. Implementation of these missions must be an integral part of the Twelfth Plan. Policies should be closely monitored to ensure that we achieve the stated objective of reducing the emissions intensity of our GDP by 20 per cent to 25 per cent between 2005 and 2020.

Resolving the conflict between energy and the environment is not without cost. It involves additional upfront costs both of mitigating the adverse impact on the environment and of switching to more expensive renewable energy sources. These costs must be built into the cost and the pricing of the energy produced. The reluctance to bear these costs arises largely because the cost of environmental damage is not properly measured. It is only when this is done that the cost of avoiding such damage can be compared with the environmental benefits to reach a rational decision on whether the costs are worth it. Part of the problem is that the conventional ways of measuring GDP in terms of production do not take account of environmental damage caused by production of certain goods which should properly be reflected as a subtraction from GDP. Only if GDP is adjusted in this way for environmental costs that growth of adjusted GDP can be called a measure of the increase in total production in the economy. Recognising this

problem, the Planning Commission has commissioned an Expert Group under Professor Partha Dasgupta to prepare a template for estimating green national accounts which would measure national production while allowing for negative effects on national resources. In the aftermath of recent disaster in Uttarakhand, the State government decided to have Green Audit – similar to the Green GDP concept(July 2013)

The capabilities we need to develop to achieve the objective of faster, more inclusive and sustainable growth are to be discussed: human capabilities, which are in many ways the most important; institutional capabilities and the development of infrastructure which is a general capability enhancer for all agents. Both the Central and State Governments have a large role to play in developing these capabilities and the Twelfth Plan at the Central and State level should accord high importance to this effort.

The development of human capabilities must be the first priority as proper development of human capabilities will also ensure that our growth is more inclusive in the sense that the marginalised and disadvantaged sections of our society will be more able to access the opportunities thrown up by the growth process.

The most fundamental of all human capabilities is life itself and the steady rise in life expectation in the country suggests that significant progress has been made in this dimension. Life expectancy which was only 32 years at the time of Independence is now 67 years. In other words, every Indian can expect to live twice as long as was the case at Independence! Nevertheless, the level of life expectancy in India remains lower than in many emerging market economies and it is appropriate to plan for significant further improvements in this important dimension.

The infant mortality rate (IMR) is another dimension of human capability where we are making progress. IMR fell from 80 in 1991 to 66 in 2001 and at a faster rate thereafter to 47 in 2010. The rate of decline was 14 in the first period and 19 in the second period. Nevertheless, the level of IMR remains high and we need to do much better for our children. We must strive to bring the IMR down to 28 by the end of the Twelfth Plan. Maternal mortality rates (MMRs) are another indication of weakness in our performance. MMR has been falling over time, thanks to the initiatives for promoting institutional deliveries under the NRHM. The percentage of women giving birth in institutions with the benefit of skilled birth attendants has increased from 53 per cent in 2005 to 73 per cent in 2009. We need to do even better, and the Twelfth Plan must bring MMR down to 1 per 1,000 by the end of the Plan period.

While there has been progress in the dimensions discussed above, the decline in the child sex ratio rings an urgent alarm. This is an area of grave concern since it implies that society is denying life to female children, and increasingly resorting to female foeticide. The spread of diagnostic and medical facilities has paradoxically actually worsened the situation, as the falling child sex rate is being seen in the more developed areas and cities.

Education

India has a young population, and consequently, the labour force, which is expected to decline in most developed countries and even in China, is expected to increase over the next 20 years. This ‘demographic dividend’ can add to our growth potential through its impact on the supply of labour and also, via the falling dependency ratio, on the rate of domestic savings. Besides, a young population brings with it the aspirations and the impatience of youth, which in turn can become strong drivers for bringing about change and innovation. To reap this demographic dividend we must ensure that our younger citizens come into the labour force with higher levels of education and the skills needed to support rapid growth. The SSA has brought us close to the target of universalisation of primary education and the Right to Education Act (RTE) 2009

makes eight years of elementary education a fundamental right for all the children. The MDM Scheme has ensured that retention in schools has improved greatly. However, the learning outcomes for a majority of children continue to be disappointing. Addressing the quality issue in our schools is critical for the effective development of human capabilities and for achieving the objective of equality of opportunities. The quality of teachers and, even more important, their motivation and accountability will need to be improved. Many of the children who are presently in school are first-generation learners, and these children need supplementary instruction. This is not easy due to shortage of qualified teachers in many schools across the country. New and innovative approaches such as multigrade learning, which has been successfully tried in Tamil Nadu, could be adopted in such cases.

The success of the SSA has put pressure on expanding the capacity of secondary schools and the Rashtriya Madhyamik Shiksha Abhiyan (RMSA) addresses this issue. Although there is considerable focus on providing secondary school access, the dropout rates between elementary and secondary schools continue to be high, and between the secondary and post-secondary stage they are even higher. This is a particularly serious problem for girls, who have to travel longer distances to attend secondary schools. Curricular and examination reforms in secondary schooling would receive special attention aimed at fostering critical thinking and analytical skills, and preparing students for further education. All this requires innovative approaches, some of which are already in evidence in certain States.

The last decade has also seen a huge increase in the demand for higher education and this is expected to increase further as more children complete school and more and more jobs are seen to require higher-level qualifications. However, our higher education institutions also suffer from problems of quality. Too many of our universities are producing graduates in subjects that are not required by the changing job market, and the quality is also not what it should be. Higher education policy has to be driven by three 'E's: expansion, equity and excellence. Of these, the third E, 'excellence', is the most difficult to achieve. India cannot hope to be competitive in an increasingly knowledge driven world if our higher education institutions do not come up to the high standards of excellence needed to be able to be globally competitive. Not even one Indian university figures in the latest list of the top 200 universities in the world. We should work towards ensuring that there are at least five by the end of the Twelfth Plan. For this, universities at the top of the quality hierarchy should be identified and generously supported so that they can reach the top league. Centres of excellence within existing universities should be created. A special initiative should be launched to attract high calibre faculty from around the world on non-permanent teaching assignments. All these initiatives should be pooled into an India Excellence Initiative in the Twelfth Plan.

Skill Development

The Skill Development Mission is being launched to skill at least 50 million individuals by the end of the Twelfth Plan. Skill development programmes in the past have been run mainly by the government, with insufficient connection with market demand. To ensure that skills match demand, special efforts are needed to ensure that employers and enterprises play an integral role in the conception and implementation of vocational training programmes, including managing Industrial Training Institutes (ITIs) and in the development of faculty. An enabling framework is needed that would attract private investment in Vocational Training through Public-Private Partnership (PPP). We should try to optimise on the respective strengths of the public and private sector entities engaged in skill development. Mobilising the required investments, setting up first

rate ITIs, ensuring efficiency in operations and management and enabling post-training employment will be the primary responsibilities of private sector entities while the government will provide the enabling framework and the requisite financial support especially in respect of SC, ST, Minorities and differently abled persons and other deprived sections of society.

12th Plan and Skills

The foundations of growth in any economy are always based on the skills and knowledge of the human resources. This is a critical element to addressing the challenges and opportunities for growth in this highly competitive and globalised world. As India moves rapidly towards achieving ambitious economic and social targets, engaging the human resources for skills development will be critical for ensuring success as a knowledge economy.

India has seen a rapid growth in the last few years. This growth cannot be called inclusive as it has not been able to bring about development at the grassroot levels. The overall skill gap in the country is estimated at over 10 million per year and growing.

For India the challenge magnifies due to unprecedented issues of scalability i.e. reaching out to 500 million by 2022 coupled with multiple challenges in implementation.

12th Plan aims to increase the percentage of the workforce which has received formal skills through vocational education and training from about 12.0 per cent at present to 25.0 per cent by the end of the Twelfth Plan. This would mean that about 70 million more people have to be imparted formal skills in the next five years. Priorities are

- Accreditation and certification system need revamp
- Reorientation of curriculum on a continuous basis to make it responsive to the industry needs
- reach out to the millions of dropouts/disadvantaged ones and
- resolve the problem of unemployability of even the so called "trained" by continuous retraining
- Disseminating information about the availability and effectiveness of training programs is crucial. The role Employment Exchanges, NCVT and the SCVTs could play is dissemination of information on the nature and quality of training particularly with respect to enrollment, institutional capacity, completion information and graduate follow-up data from all registered vocational institutions. This will enable the government and the stakeholders to see whether the system is responding to employers' needs and devise policies accordingly. (National Council for Vocational Training (NCVT) State Councils for Vocational Trainings (SCVTs))
- meet the need for establishing flexible learning pathways integrated to schooling on one end and higher education on the other through National Vocational Education Qualification Framework (NVEQF). This would mean addressing the issues of vocationalisation of school education through creative means.
- Imparting soft skills alongside has become highly relevant and has global precedence.
- The system of Industrial Training Institutes and Industrial Training Centres need significant expansion and a lease of fresh energy to skill in numbers required.
- Public-Private Partnerships in financing, service delivery, and provision of workspaces and training of trainers are being promoted but a robust mechanism to regularly assess them is clearly found wanting.

The issue of Skill Development crucially depends on other issues like status of literacy at all three levels, general state of employment, state of labor markets, functioning of labour intensive sectors and industries, and appropriateness and strength of social program.

Even a cursory glance on these parameters confirms the level of challenges that daunt pursuit of skill development of the nation's workforce. Therefore, an integrated approach is a must and all departments have to join hands and support the ongoing policy efforts. Additionally, since states lie at the forefront of implementation of these policies, they must not allow federal tensions to hamper the progress of their respective Skill Development Missions.

Skill development has been accorded a very high priority during the 12th Five Year Plan: number of Industrial Training Institutes (ITIs) in the country had increased two fold during the last five years with the addition of 4,000 more institutes and capacities have been increased to train 13.75 lakh persons annually to cater to the expanding workforce in the country. National Skill Development Corporation has also been actively partnering private sector players to further augment the process of skilling.

NSDA was set up in 2013.

NSDA

In June 2013, Government constituted the National Skill Development Agency (NSDA) by subsuming the Prime Minister's National Council on Skill Development (PMNCSD), the National Skill Development Coordination Board (NSDCB) and the Office of the Adviser to the PM on Skill Development.

The NSDA will coordinate and harmonize the skill development efforts of the Government of India and the private sector to achieve the skilling targets of the 12th Plan and beyond. It will endeavour to bridge the social, regional, gender and economic divide by ensuring that the skilling needs of the disadvantaged and marginalized groups like SCs, STs, OBCs, minorities, women and differently-abled persons are taken care of through the various skill development programmes.

While the Central Ministries and National Skill Development Corporation (NSDC) will continue to implement schemes in their remit, the NSDA will develop and monitor an overarching framework for skill development, anchor the National Skills Qualifications Framework (NSQF) and facilitate the setting-up of professional certifying bodies in addition to the existing ones.

NSDA will be an autonomous body chaired by a person of the rank and status of a Cabinet Minister supported by a Director General and other support staff.

Community colleges

Faced with the task of skilling 500 million youth, India is implementing the US concept of community colleges to ensure that its workforce is trained to meet newer challenges. Visualizing skill development to be an integral part of the country's education system, India has embarked to develop community colleges. India-US Higher Education Dialogue includes this as a priority (June 2013).

In the United States, community colleges (once commonly called junior colleges) are primarily two-year public institutions of higher education. After graduating from a community college, some students transfer to a university or liberal arts college for two to three years to complete a

bachelor's degree, while others enter the workforce. Community colleges are often geared toward local students and local needs. Students who could not afford campus or off-site housing at a four-year college, or for other reasons cannot relocate, can attend courses while staying in their local community (though some colleges do offer student housing). Also, community colleges can work with local businesses to develop customized training geared toward local needs, whereas a four-year institution generally focuses on state-wide or national needs.

Nutrition

Poor learning outcomes in our schools are partly because of poor quality of teaching but they are also partly due to high incidence of child malnutrition, which reduces learning ability. India has had the largest and the longest running child development programme in the world in the form of ICDS, but the problem of malnutrition remains large. Latest data is not available on malnutrition. The latest data on child malnutrition are from the National Family Health Survey (NFHS- 3) conducted in the period 2005–07 which pre-dates the Eleventh Plan. The full impact of the Eleventh Plan programmes on this aspect of human capability is therefore not yet known. Surveys undertaken by the State Governments seem to suggest that mal-nutrition has fallen in many States. The next Annual Health Survey for 2012–13 will include data on mal-nutrition and these data will provide a reliable basis for assessing what has happened since NFHS-3. Meanwhile, the ICDS programme will be expanded and comprehensively restructured in the Twelfth Plan to make it more effective.

Malnutrition is also a problem among adults, especially women. The incidence of anaemia and lowbody mass among women is very high in the country. The causes of this persistent malnutrition are not well understood. The availability of food, especially better quality food products such as fruits, vegetables and dairy products, is significantly better today than it was in the past. Nevertheless, the incidence of mal-nutrition remains high. There is a need to bring this dimension of human capability to the fore front of policy attention. The Food Security Ordinance promulgated in July 2013 (discussed elsewhere) will address some of these issues, but the problem of nutrition is actually much more complex and a multidimensional approach is necessary.

Health

Health is another critical dimension of human capability, which needs much greater attention in the Twelfth Plan. At present, less than 30 per cent of outpatient and less than half of inpatient health care capacity of the country is in the public sector, and the majority of the population relies on private health care provision which often imposes a heavy financial burden. It is, therefore, essential to expand public sector capacity in health care especially in the rural areas. The NRHM, launched during the Tenth Plan, made an important start in expanding health care facilities in rural areas. While additional infrastructure has been created, there are large shortages of personnel, especially specialists in rural health facilities, reflecting the fact that trained human resources in health are in short supply and it takes many years to set up new medical colleges to train the required number of doctors.

Ideally, the public health care system must be expanded to address the health needs of the vast majority of citizens, recognising that upper-income groups may opt for private health care. The Twelfth Plan will therefore see the transformation of the NRHM into a National Health Mission, covering both rural and urban areas. Unlike rural residents, those in urban areas have access to private health care providers, but private health care is costly and large numbers of urban residents especially slum dwellers cannot afford it. An important component of the National Health Mission will be the Urban Health Initiative for the Poor, providing public sector primary

care facilities in selected low-income urban areas.

There is a massive shortage of healthcare professionals in the country and their supply must therefore be expanded rapidly if we want to fulfill our commitments in this sector. We must therefore plan for an expansion of teaching and training programmes for healthcare professionals, particularly in the public sector institutions.

Finally, attainment of good health outcomes is not just a matter of providing curative care. We need to give much greater attention to public health which has traditionally suffered from neglect. We also need to focus much more on a provision of clean drinking water and sanitation, which can make a major contribution to improved health. This was the experience in industrialised countries over a hundred years ago, and this is also true for us today.

The longer-term objective of Health Policy must be the provision of Universal Health Care (UHC), whereby anyone who wants it is assured of access to a well defined set of health care entitlements. Putting a UHC system in place will take time, but we need to start building an appropriate architecture.

Drinking Water and Sanitation

The problem of providing safe drinking water is particularly acute in the rural areas. Successive plans have emphasised programmes for expanding the coverage of rural drinking water but they have not had as much success, as desired. The incidence of 'slipped-back' habitations appears to be accelerating and serious problems of water quality have emerged in many areas. Part of the problem is that rural drinking water schemes are not fully integrated with national system of aquifer management. Excessive drawal of groundwater for irrigation is leading to lowering of water tables causing drinking water hand pumps to run dry and lowering of the water table is also causing salinity and chemical pollution; making the water non-potable. A sustainable solution to the rural drinking water problem has to be found as part of a holistic approach for aquifer management.

Sanitation and clean drinking water are critical determinants of health and are complementary to each other. Without proper sanitation, the incidence of diarrhoeal diseases due to contaminated drinking water will not come down, and without adequate water supply, improved sanitation is generally not possible. It is, therefore, necessary to adopt a habitation approach to sanitation and to institutionalise the integration of water supply with sanitation in each habitation. The problem of sanitation in urban areas is also very serious since almost all our cities, including even the State capitals and major metros, have a large percentage of the population (45 per cent in Delhi) not connected to the sewer system. Urban development must give top priority to planning for water, toilets and sewerage as an integrated whole taking into account the likely expansion of the urban population.

Enhancing Human Capabilities through Information Technology

The ability to access information is an important institutional capability we need to develop. Lack of ready access information is often a major impediment in efforts to improve the well-being of the people. With improvement in literacy and education, and developments in information technology, we are in a position to provide our people with access to information, including obtaining birth records, land records, payment records for utilities and so on.

The rapid spread of mobile telephony, including in rural areas has facilitated innumerable innovations which directly benefit the ordinary citizen. Farmers in some parts of the country are able to subscribe to commercial services which deliver relevant information for a particular crop to the farmer through Short Message Service (SMS). The parents of babies born in municipal hospitals in Bengaluru get an SMS alert, when the next vaccination is due. Such innovations

need to be encouraged. Yet another human capability that is important is the ease and effectiveness of establishing identity. The Aadhar project, which provides a unique identification (UID) number, backed by biometric data capture, to establish identity unambiguously, is a major step forward. Identity can be difficult to establish, especially for the poor, when they move from their place of origin, whether by choice or by compulsion. The UID project has already enrolled 250 million persons. Experiments with using Aadhar to make payments under MGNREGS electronically into no frill bank accounts which can be accessed through mobile phones have begun in 51 districts. It will soon be possible for large-scale use of the Aadhar platform to make various types of government payments due to individuals in a seamless manner electronically, avoiding problems of misuse and leakage.

The Aadhar platform will also facilitate a shift from the physical delivery of subsidised commodities through the Public Distribution System (PDS) to a system of cash payment, if desired. Some States have indicated that they would be interested in such a shift. Adoption of a target to move the major subsidies and beneficiary payments to a cash basis linked to Aadhar by the end of the Twelfth Plan period would be a major step towards improving efficiency.

(Followed up in the Chapter on PDS and Food Security. Read ahead)

Development of Institutional Capabilities

The Twelfth Plan also needs to focus on developing the capabilities of our institutions to perform the increasingly complex and demanding tasks expected of them. We have three pillars of governance (Legislature, Executive and Judiciary) and three tiers of government (Centre, State and Panchayats/ULBs). The capabilities of these institutions to deliver on their mandate need to be greatly improved. The gaps are most evident at the lowest level of PRIs and ULBs, where trained personnel are lacking and the training systems are also inadequate.

Implementation Capability

Planning Commission says that the capacity to implement is low at all levels of government. The government simply does not function with the efficiency that is required in the twenty-first century. This is partly because of the lack of motivation at various levels, but it is primarily because governmental systems and procedures are largely process-driven. They are not outcome-oriented. Accountability is often viewed as adhering to procedures with no incentive to depart from procedures to secure better results. Unless this weakness is overcome, mere provision of more funds for programmes implemented in the same old way will not help.

Where implementation rests within one Ministry, there are problems of (i) insufficient attention to evidence-based analysis in the design of policies and programmes, (ii) insufficient concurrent evaluation that would give feedback on outcomes achieved and (iii) lack of willingness or ability to bring about systemic changes needed to improve outcomes. Even when it is known that a change in procedures will help, it takes very long to bring about that change. The problem is greatly multiplied when the effectiveness of a programme depends, as it often does, on actions that have to be taken by several different Ministries. Inter-ministerial consultations take far too long, and more importantly, are typically not oriented to resolving problems. This is because each Ministry works in a silo, applying its own rules and procedures. The effort is to seek a consensus if possible, with little ability to overrule positions taken by individual Ministries in the interest of a holistic problem solving approach. Resolving conflicting stands by consensus is of course desirable if possible, but beyond a point, it may not be possible; and some systems for conflict resolution are needed.

To deal effectively with these problems it may be necessary to redesign governmental decision-making systems. There has been a great deal of system redesign in the private sector in response

to the new environment created by economic reforms. A similar redesign of government is needed. For example, the CCI that was set up earlier in 2013 has demonstrated its usefulness. It is chaired by the Prime Minister and including all key Ministers and to amend the Transaction of Business Rules so that statutory clearances under various Acts for all infrastructure projects above a given size are given by the Board, taking into account the views of all Ministries. The allocation of business rules could provide that such clearances would be issued by the Cabinet Secretariat based on the decision of the Board. This would be a systemic change which would ensure a holistic consideration of complex issues and greatly accelerate decision-making. Several other changes are discussed in Chapter 6 including in particular the need for greater reliance on industry specialists with domain knowledge.

Delivery of Public Services

Delivery of public services in many States is hampered by weak institutional capacity. Thus, although public hospitals may have trained doctors and nurses, and public schools may have trained teachers, neither of these institutions will have administrators who are trained in the operation of health care or educational institutions.

The first step in reforming public service delivery is to devise mechanisms for measuring the extent of public satisfaction with public services and publicising the results. The Public Affairs Centre at Bengaluru has done excellent work in conducting systematic surveys of public perception or satisfaction with various types of public services ranging from water and sanitation, health and education, public transport, police and so on. Such surveys periodically conducted produce valuable information for the political leadership on where performance is felt to be poor and where it is improving.

Greater involvement of citizens' organisations can help focus government attention on these problem areas. The Delhi Government's experiment with Bhagidhari is example of citizen involvement and consultation operating through Resident Welfare Associations. (To be expanded ahead)

Regulatory Institutions

An area where the lack of institutional capability is beginning to manifest itself is in our expanding system of regulatory bodies. As areas that were earlier dominated by the public sector have been opened up for private operators, often competing among themselves or with existing public sector operators, independent regulatory institutions have been established to oversee the functioning of the players in the system. The effectiveness of regulatory organisations depends critically upon the quality of the personnel running the institutions and the degree of independence established. Too many of the regulatory agencies are staffed by former bureaucrats and there is not enough induction of specialists with domain knowledge. A thorough review of the regulatory system established in different sectors is needed to determine the weaknesses of the system currently in place and recommend ways of correcting them. This is especially true as the next two five year Plans are likely to see faster change in the global economy and in the structure of the Indian economy too.

By July 2013, GOI is in the process of setting up coal, road and civil aviation regulators that contribute to policy; regulate/rationalize tariffs with all stakeholders in mind; keep competition healthy and public interest is protected in the operation of the sector.

Development of Infrastructure

Infrastructure provides the basic support system for other sectors of the economy expanding capabilities everywhere. A distinguishing characteristic of infrastructure is that while in other

areas imports can meet the gap between demand and supply, deficiencies in infrastructure cannot be made good through imports- for example, power. Infrastructure requirements can only be met through development of the relevant infrastructure capacity in the domestic economy. Furthermore, Good quality infrastructure is important not only for faster growth but also to ensure that growth is inclusive. Small businesses spread throughout the country need access to good quality and reliable infrastructure services to compete effectively. Large enterprises can often develop their own infrastructure as they often do with captive power, and being large can even locate themselves *ab initio* where other infrastructure is better, that is, nearer ports and near transport hubs. Small enterprises on the other hand.

The 12th Five year Plan (2012 – 2017) and inclusive growth

12th FYP aims to achieve faster, more inclusive and sustainable growth in India. The plan is broadly classified under sections – macroeconomic framework; sustainable development; water; land issues; environment, forestry and wildlife; science and technology; innovation; governance; and regional equality. Financing the 12th plan estimates resource availability of Rs 80,50,123 crore with the target GDP growth rate of 8 percent. This implies public sector resources of 11.8 percent of GDP compared to 10.96 percent of GDP expended in the 11th Plan.

The key achievements of the 11th plan (2007/8 to 2011/12) as stated in the draft 12th plan document have been given above.

12 FYP and faster and more inclusive growth

Shri. Chidambaran (In his lucid style):

The theme of the 11th plan was faster and more inclusive growth and the theme of the 12th plan is also faster, more inclusive and sustainable growth. In the initial years of economic reforms and liberalization, the emphasis was on growth.

Having demonstrated our capacity to grow at a higher rate, the emphasis rightly shifted to more inclusive growth. We need to define what inclusive growth is. It , inclusive growth can't be measured in any one parameter. Higher per capita income can be achieved by small section shaving very high incomes while people at the bottom continuing to have low incomes; still statistically one can say we have a higher per capita income. Inclusive growth can't be merely the GDP number. The GDP number can be contributed by a few states leaving out half a dozen poor states. The GDP number can be contributed by a few sectors leaving out sectors which employ unskilled or low skilled people. The 12th FYP lists the following as indicators of inclusive growth. First is lower incidence of poverty.. Poverty must decline at a higher rate. The second is, growth must be reflected in day to day lives of ordinary people, as only if the members of the family especially the children have access to school and higher education and it is reflected in better health outcomes particularly infant mortality rate and maternal mortality. Another measure of inclusive growth is the quality of education and by the skills a person acquires. Skill development is an important measure of inclusive growth. And finally, social inequalities between the marginalized- SC/ST, women etc need to be corrected.

Prime Minister's speech in the 57th NDC meet in December 2002: excerpts related to 12 FYP and Inclusiveness

As we begin our Twelfth Plan journey, it is worth noting that we do so with an economy that has shown many areas of strength.

We achieved an average of 7.9 percent growth in the Eleventh Plan period, despite the fact that there were two global crises in this period. This growth has also been much more inclusive than in the past.

The percentage of the population below the official poverty line declined by about 2 percentage points per year after 2004-05, which is two and a half times faster than the rate of decline between 1993-94 and 2004-05. This basic finding that poverty declined faster would hold even if the poverty line is revised.

Agriculture growth accelerated from 2.4 percent in the Tenth Plan to 3.3 percent in the Eleventh Plan. Real wages in agriculture have grown at 6.8 percent per year in recent years, compared with only 1.1 percent per year in the period before 2004-05. Better agricultural performance is an important reason why poverty declined faster.

States that used to grow slowly in earlier periods have done much better. The average growth rate of the five poorest states exceeds the national average for the first time in any Plan period. I think we may be reaching the stage when the term "BIMARU States" can be relegated to history. While these developments indicate the strengths of our economy, it is also true that the current economic situation is difficult. The continuing crisis in the global economy has reduced growth everywhere. It is expected to be zero in the Eurozone and Japan and emerging market economies have also slowed down.

The global slowdown, combined with some domestic constraints, has meant that our growth has also slowed down. Our first priority must be to reverse this slowdown. We cannot change the global economy, but we can do something about the domestic constraints which have contributed to the downturn.

The most immediate problems we need to tackle are the implementation problems affecting large projects, including particularly power projects, which are stuck because of delays in getting clearances and fuel supply agreements. We have taken a number of steps to deal with this problem, including the establishment of a new Cabinet Committee on Investment under my Chairmanship.

As the Plan document makes clear, the high growth scenario will definitely not materialise if we follow a "business as usual" policy. The Plan identifies a number of areas where new initiatives and policy innovations are needed. Many of these are areas where the principal responsibility is that of the States. I look forward to hearing the views of Hon'ble Chief Ministers on these suggestions.

While we need to accelerate growth, we do not view growth as an end in itself. Our real objective must be to improve the condition of lives of the aam aadmi, which is why we emphasise that growth, must be inclusive.

There are two reasons why rapid growth is necessary to achieve greater inclusiveness. First, it is necessary to generate the revenues to finance our many programmes of inclusiveness. If growth slows down, neither the States nor the Centre will have the resources needed to implement inclusiveness programmes. We will either be forced to cut these programmes, or be pushed into tolerating a higher fiscal deficit, which will have other negative consequences.

Rapid growth also contributes directly to inclusiveness because it provides greater access to income and employment opportunities. Policies aimed at stimulating growth in agriculture and in medium and small industries, combined with steps to promote education and skill development, will produce a growth process which is inherently more inclusive. The Twelfth Plan strategy contains many elements which will ensure that growth is as inclusive as possible. I welcome your comments on this strategy.

We also need to pay special attention to disparities between socio-economic groups such as SCs, STs, OBCs and minorities. These groups lag behind the rest of the population in key socio-economic indicators. Fortunately, the gaps are closing but the pace at which this is happening is not satisfactory and certainly does not match expectations. We need to consider how we can do better.

Gender inequality is another important aspect which deserves special attention. Women and girls represent half the population and our society has not been fair to this half. Their socio-economic status is improving, but gaps persist. The emergence of women in public spaces, which is an absolutely essential part of social emancipation, is accompanied by growing threats to their safety and security. I have in mind the brutal attack on a young woman only a few days ago in the capital and other such reprehensible incidents elsewhere. We must reflect on this problem, which occurs in all states and regions of our country, and which requires greater attention both by the Centre and the States.

In this particular case, the culprits have been apprehended, and the law will deal with them expeditiously. Government has decided to review the present laws and examine the levels of punishments in cases of aggravated sexual assault. A committee of eminent jurists, headed by the former Chief Justice of India, Justice J.S. Verma, has been constituted for this purpose. Let me state categorically that the issue of safety and security of women is of the highest concern to our Government. A Commission of Inquiry is being set up to look into precisely these issues in the Capital. There can be no meaningful development without the active participation of half the population and this participation simply cannot take place if their security and safety are not assured. I urge all Chief Ministers to pay special attention to this critical area in their states.....

Agriculture is an area of critical concern. Although the share of agriculture in GDP has fallen to only 15%, about half of the population still relies on agriculture as its principal income source. What happens in agriculture is therefore critical for the success of inclusiveness. We need to build on the success of the last Plan by increasing land productivity in agriculture so that we not only meet our rising demand for food, but also increase incomes of those dependent on agriculture. Paradoxically, we should not aim at increasing total employment in agriculture. In fact, we need to move people out of agriculture by giving them gainful employment in the non agricultural sector. It is only when fewer people depend upon agriculture that per capita incomes in agriculture will rise significantly and sufficiently to make farming an attractive proposition.

Agriculture is a state subject and most of the policy initiatives needed are in the realm of State Governments. The Minister of Agriculture, my colleague Shri Sharad Pawar will be dealing with these issues in some detail and I look forward to the reaction of Chief Ministers on this important subject.

Growth in manufacturing should be at double digit levels, but this has yet to take place. The Plan mentions many new initiatives aimed at strengthening performance in the manufacturing sector. Small and medium industries are particularly important as they generate more employment. Both the Centre and the States must give priority attention to creating an eco-system in which these industries can grow and flourish.

Better infrastructure is the best guarantee for rapid growth of the economy. Infrastructure development is heavily capital intensive and both the Centre and the States are severely constrained by resource availability. The central government, and many state governments, have been successful in promoting infrastructure development through PPPs. India has the second largest number of PPP projects in infrastructure in the world. It will be necessary to continue this thrust in the Twelfth Five Year Plan.

The Eleventh Plan paid special attention to the North East and I am happy to say that North Eastern states have responded well. GDP growth in a number of states was higher than the national average. We plan to step up the pace of investments in infrastructure, particularly roads, rail, airports, waterways and power transmission systems to support and stimulate economic activity in this vital region of our country. I am hopeful that as a result of our Look East Policy, this region will fast become a major gateway to trade and economic activity with our neighbours. I have mentioned that both the Centre and the States face resource constraints. Both therefore

have to make determined efforts to mobilise resources to fund the Plan. The Plan document points out that we need to increase the tax ratio as a percent of GDP through a combination of tax reforms and better tax administration. Early implementation of the Goods and Services Tax (GST) is critical in this context. I hope we will have the co-operation of the States to introduce GST as quickly as possible.

The Plan also draws attention to the need to control subsidies. Some subsidies are a normal and indeed essential part of any socially just system, but subsidies should be well designed and effectively targeted and the total volume must be kept within limits of fiscal sustainability. Failure to control subsidies within these limits only means that other plan expenditures have to be cut or the fiscal deficit target exceeded. The Finance Minister will be addressing these issues in his intervention.

A common complaint against government programmes is that they suffer from leakages, corruption, delays and poor targeting. The Central Government is taking a major step to deal with this problem by shifting several beneficiary oriented schemes to a direct transfer mode, using the Aadhaar platform. This will begin to roll out for selected schemes in selected districts in the course of January 2013. In due course, a wide range of benefits like scholarships for students, pensions for elderly, health benefits, MNREGA wages and many other benefits will migrate to direct transfer into bank accounts using Aadhaar as a bridge. This is an innovative step which will be watched by the entire global development community. The Central and State Governments must work together to make this a success.

Many State Governments have said that Centrally Sponsored Schemes are often ineffective because of rigid guidelines. The Deputy Chairman has already pointed out that we are taking steps to rationalise the Centrally Sponsored Schemes along the lines recommended by the B.K. Chaturvedi Committee, including proposals to introduce greater flexibility in these schemes. I am sure these changes will be widely welcomed.

There are two areas I wish to mention which pose a major challenge for our economy and these are energy and water.

Energy is a critical input for any growth process and our domestic energy resources are not sufficient to meet our country's growing needs. We import oil, natural gas and in recent years even coal. If we wish to keep our energy import requirement within reasonable limits, we must emphasise energy efficiency to moderate demand and we must increase domestic production of energy. Energy pricing is critical for both objectives. If domestic energy prices are too low, there will be no incentive to increase energy efficiency or to expand even supply.

Unfortunately, energy is underpriced in our country. Our coal, petroleum products and natural gas are all priced well below international prices. This also means that electricity is effectively underpriced, especially for some consumers. Immediate adjustment of prices to close the gap is not feasible, I realise this, but some phased price adjustment is necessary. Energy experts are unanimous that we cannot expect to achieve rapid, inclusive and sustainable growth if we are not willing to undertake a phased adjustment in energy prices to bring them in line with world prices. The Central Government and the states must work together to create awareness in the public that we must limit the extent of energy subsidies. I look forward to hearing the comments of Hon'ble Chief Ministers on this complex issue.

The management of our water resources poses severe challenges. We are rapidly approaching the position where the total demand for water in the country simply cannot be met by available supply. As with energy, we have to respond by increasing water use efficiency and also by expanding supply in a sustainable manner.

The Plan document outlines a comprehensive strategy for dealing with this problem, starting with a serious effort to map available ground-water supplies aquifer by aquifer. Available water

also needs to be allocated to different uses through a Water Regulatory Authority. This is an area where action lies largely in the domain of State Governments.

The development of our country is necessarily a cooperative endeavour involving many stakeholders. It involves both the public sector and the private sector, the Central Government and the State Governments. It also involves the common people particularly those participating actively in devising new ways of addressing old problems.

Critical view: 11th Plan: Exclusion and Deprivations

Despite an average 7.9 per cent growth in GDP during the 11th Plan Period sometimes peaking to 9 per cent- the performance of India in terms of the Human Development Index (indicative of inclusive growth and the extent of population benefiting from development) saw a downward slide to 136th position among 186 countries. While a handful are reaping benefits and have entered the billionaires club, many are going into deprivation and disempowerment. By various other indicators, India's inclusive growth has shown weaknesses (In the class). A serious effort is necessary to quantify inclusive growth on lines of IHDI (inequality adjusted HDI) with the help of indices like the Gini Coefficient (the measure of income inequality). According to a report of OECD (Organisation of Economic Cooperation and Development) released in December 2011, top 10 per cent wage earners in India now make 12 times more than the bottom 10 per cent. India spends an abysmal 5 per cent of its GDP on social protection schemes as compared to more than 15 per cent by Brazil, and during the last two decades India's Gini Coefficient has climbed from 0.32 to 0.38 with 0 being the ideal score.

Structural composition of GDP and inclusive growth

As per economic survey of 2013 the share of agriculture in GDP is at all time low (13.9 per cent during this year) but it is still the most important sector in terms of employment share. On the other hand, the manufacturing and services activities which are contributing more than 85 per cent to GDP and getting a lion's share of total capital formation are employing less than half of the total workforce. The higher growth and capital formation in the above two sectors have failed to transfer the workforce from low productive activities (agricultural and allied) to high productive activities (manufacturing and services). For growth to be inclusive it must create adequate livelihood opportunities and add to gainful employment in rural areas too. The 11th five year plan aimed at generating 58 million work opportunities. But the NSSO survey has reported an increase in work opportunities to the tune of only 18 million between 2004-05 to 2009-10. The growth rate of employment in the organised sector (public and private combined) is only 1.9 per cent in 2010. The recent data shows that only 15.6 per cent of India's workforce has regular jobs whereas remaining 84.4 per cent are either self-employed or working on casual basis.

Social Indicators

Social sector spending in India needs to be increased for inclusive growth

In India, public spending on health as percentage of total public spending is 4.1 per cent, which is about 1.2 per cent of GDP. 12th five year plan projected 1.95 per cent of GDP as public health expenditure by the end of the 12th plan which is less than the overall norm of 5 per cent suggested by World Health Organisation.

In primary education, we are well behind the other nations which have comparable level of economic growth and per capita income. During 2011, the mean year of schooling in India was 4.4 and female literacy rate was lower than the overall average. Public expenditure on education as percentage of GDP 3.1 per cent in 2011-12.

Inclusiveness and environment: 12th Plan

The 12th FYP has the following important suggestions for sustainable growth

- Recognition of a number of serious environmental problems facing India, such as water scarcity and pollution, and soil degradation due to overuse of chemical fertilisers.
- diagnosis of environmental governance issues such as non-enforcement of conditions under which environmental clearances are given to development projects, alienation, displacement and dispossession of tribal communities including by the government while using its 'eminent domain' powers, and inadequate decentralisation to panchayati raj and other local community institutions.
- Recommendation to give environmental orientation to some sectors, such as 'green manufacturing' (energy efficiency, recycling), urban sustainability ("energy efficient buildings, management of solid waste and a shift to public transport"), and tourism that is ecologically sensitive and community-based.
- A number of specific steps to address environmental problems, such as rainwater harvesting and groundwater recharge, assistance to rainfed farming, reduction of freshwater use in cities by enhancing recycling and reviving traditional waterbodies, more sustainable methods in agriculture including ecological fertilisation and non-pesticide management, encouragement to community seed banks and to millets including their use in ICDS and Mid-day Meal schemes, environment-friendly and culturally relevant housing under the Indira Awas Yojana, and others.
- Recommendations on some important governance or institutional steps, such as a 'Commons Policy' with secure tenure and management rights to communities using them, creation of Water User Associations to involve communities, mechanisms of conflict resolution relating to land and water, a National Water Commission to monitor compliance of environmental and other conditions, cumulative environmental impact assessments in vulnerable regions, forest produce-gatherers' collectives to optimise returns, speedy implementation of PESA and Forest Rights Act (FRA) in specially disadvantaged areas, and convergence of various government schemes and departmental or ministerial priorities.

MSME sector and Inclusive growth in 12th FYP

The average growth rate during the 11th Plan period was 7.9 per cent, lower than the target of 9%. Despite two global crises, one in 2008 and another in 2011, it must be noted, 7.9% growth was occurred which is slightly more than in the 10th Plan namely, 7.6 per cent, thanks to MSME Sector which has consistently registered higher growth than the overall growth of Industry Sector. On an average the growth rate of MSME was 13 per cent every year in the period of 11th plan which itself indicates a fond MSME Role in Indian Economy. Therefore, MSME has a focus attention in 12th Plan document. Plan Document says:

"The Growth of the MSME Sector must be a central focus of India's Manufacturing strategy. This is the foundation for a strong Manufacturing Sector providing more employment with less capital. It is the entry point for the workers and entrepreneurs who move through it to large-scale enterprises. Whereas much Govt. attention is given to consult with and address the issues of larger enterprises, the development of the MSME Sector must become more central to the deliberations about the challenges of Indian industry and the Indian economy. The sector must be viewed not as a static and weak sector, requiring constant support and protection, but as an

integral part of the industrial system with upward mobility for individual units within it."

MSME Plan- The Plan outlay for MSME is nearly doubled and is second highest in the outlays for various industry ministries & departments. The following table speaks about the outlays.

Census indicates that in Manufacturing, among the MSMEs, 94.9% are Micro, 4.9% are Small and just 0.2% are Medium. It is but natural that with almost everyone is Micro, the entire spending ought to be for 'Capacity Building' and to ensure that Micros grow into Small on large scale so that by the end of Plan period, in the year 2017, we have at least 10% Medium and 25% Small Enterprises in Manufacturing. To achieve such a transformation the role of 'enabling environment' is critical.

Noting key challenges like finance & credit, technology infrastructure, marketing, recommendations to that effect, which are not fresh, are being made to create enabling environment. Report of PM Task Force on MSMEs has narrated it in details: The 2013 Doing Business Report which is on SMEs is an eye opener. 12th Plan document says on –

Industrial Policy, Business Regulatory Framework.□

1. "In India, Industrial Policy becomes assaulted under a stifling system of bureaucratic control through licenses. There is no doubt that these controls were highly dysfunctional and needed to be dismantled."
2. "The Key objectives of streamlining of business activities through the regulatory framework should be: • Low compliance cost for doing business in India • Simple regulatory environment, saving time & energy for the business; and • Ensuring fair competition.

The country must improve regulations and implementation in many subjects to make India generally a more attractive country for doing business."

Doing Business 2013: There is vast number of Business Regulations at different levels of Govt. in existence in the country. There are instances of contradictory as well as overlapping business regulations on account of these being administered by the different tiers as well as layers of the Govt. Lack of periodic review clauses in regulations and lack of Regulatory Impact Analysis (RTA). Lack of defined mechanism for consultation between Govt. and Industry.

Road Map- A variety of strategies and recommendations and rightly so, have been made in the document of 12th Plan for the robust growth of MSME Sector on the issues of

- Credit & Finance
- Technology up gradation
- Infrastructure Development
- Marketing & Procurement and
- Institutional Structure

All these have been, time & again deliberated at various fora. Introduction of Insolvency Act, Liberalisation of Labour Laws, Changes in Apprenticeship Act, amending MSMED Act, Restructuring DICs etc. has also been insisted. Clusters development is further stressed, and Clusters Stimulation Cell is also recommended.

On 'Single Window' the document notes," decentralized Single Window System should be established with appropriate geographical spread. The Single window System, governed by a common minimum standard, should, rather than being a coordination office, be endowed with

access to relevant information and sufficient delegation of powers from all concerned regulators, including Central, State, Local and Sector regulators. This would help reduce the start-up time for businesses by providing all requisite approvals and licenses if any, through the Single window System." A team of Business Facilitation Officers is also advised.

MSME Definitions

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:

- (a) Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:
- (i) A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
 - (ii) A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and
 - (iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs. 5 crore but does not exceed Rs. 10 crore.

In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building.

For the services sector, the definitions are:

Investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 are specified below):

- A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;
- A small enterprise is an enterprise where the investment in equipment is more than Rs. 10 lakh but does not exceed Rs. 2 crore; and
- A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

Sen and Dreze Vs Bhagwati and Panagariya

In recent years, there is a debate between those who say that reforms benefitted the country and those who oppose the view saying that the benefits are not adequate.

Some believe that poverty, illiteracy and ill-health afflict India because its leadership ignored them in favour of growth for its own sake; that the economic reforms that focused on growth have failed to help the poor, especially the socially disadvantaged; that any gains claimed in poverty alleviation derive from the use of progressively lower poverty lines; and that even if gains have been made, with one in two children suffering from malnutrition, reforms have done precious little to improve health outcomes. Jagdish Bhagwati and Panagariya do not agree with the above view.

Sen and Dreze have the opposite view. Following two paragraphs represent their point of view: as articulated in an article titled: "Putting Growth In Its Place."

"The progress of living standards for common people, as opposed to a favoured minority, has been dreadfully slow so slow that India's social indicators are still abysmal." For instance, according to World Bank data, only five countries outside Africa (Afghanistan, Bhutan, Pakistan, Papua New Guinea and Yemen) have a lower "youth female literacy rate" than India (World Development Indicators 2011). To take some other examples, only four countries (Afghanistan, Cambodia, Haiti, Myanmar and Pakistan) do worse than India in child mortality rate; only three have lower levels of "access to improved sanitation" (Bolivia, Cambodia and Haiti); and none (anywhere—not even in Africa) have a higher proportion of underweight children. Almost any composite index of these and related indicators of health, education and nutrition would place India very close to the bottom in a ranking of all countries outside Africa.

Growth and Development

So which of the two stories—unprecedented success or extraordinary failure—is correct? The answer is both, for they are both valid, and they are entirely compatible with each other....economic growth is not the same thing as development, in the sense of a general improvement in living standards and enhancement of people's well-being and freedom. Growth can be very helpful in achieving development, but this requires active public policies to ensure that the fruits of economic growth are widely shared, and also requires—and this is very important—making good use of the public revenue generated by fast economic growth for social services, especially for public healthcare and public education.

Infrastructure

Infrastructure is basic physical and organizational structures needed for the growth of economy. It represents the goods and services necessary for an economy to function. It includes roads, bridges, water supply, sewers, electrical grids, telecommunications, and so forth.

Viewed functionally, infrastructure facilitates the production of goods and services, and also the distribution of finished products to markets, as well as basic social services such as schools and hospitals; for example, roads enable the transport of raw materials to a factory.

"Hard" infrastructure refers to the large physical networks necessary for the functioning of a modern industrial nation, whereas "soft" infrastructure refers to all the institutions which are required to maintain the economic system, health, and cultural and social standards of a country, such as the financial system, the education system, the health care system, the system of government, and law enforcement.

Various types of Infrastructure

Transport infrastructure

- Road and highway networks, including structures (bridges, tunnels, culverts)
- Mass transit systems (Commuter rail systems, subways, tramways, and bus transportation)
- Railways (rail yards, railway stations), level crossings, signalling and communications systems
- Canals and navigable waterways requiring continuous maintenance (dredging, etc.)
- Seaports
- Airports, including air navigational systems

Energy infrastructure

- Electrical power network, including generation plants, electrical grid, substations, and local distribution.
- Natural gas pipelines, storage and distribution terminals
- Petroleum pipelines
- Specialized coal handling facilities for washing, storing, and transporting coal.

Coal mines, oil wells and natural gas wells may be classified as being part of the mining and industrial sector of the economy, not part of infrastructure.

Water management infrastructure

- Drinking water supply
- Sewage collection, and disposal of waste water
- Drainage systems
- Major irrigation systems (reservoirs, irrigation canals)
- Major flood control systems

Communications infrastructure

- Postal service, including sorting facilities
- Telephone networks (land lines) including telephone exchange systems
- Mobile phone networks

- Television and radio transmission stations
- Cable television physical networks including receiving stations and cable distribution networks
- The Internet, including the internet backbone
- Communications satellites
- Undersea cables
- Major private, government or dedicated telecommunications networks, such as those used for internal communication and monitoring by major infrastructure companies, by governments, by the military or by emergency services, as well as national research and education networks

Solid waste management

- Municipal garbage and recyclables collection
- Solid waste landfills
- Solid waste incinerators and plasma gasification facilities(Plasma gasification is a process which converts organic matter into synthetic gas, electricity, and slag using plasma.)
- Materials recovery facilities
- Hazardous waste disposal facilities

Types of soft infrastructure

Soft infrastructure includes both physical assets such as highly specialized buildings and equipment, as well as non-physical assets such as the body of rules and regulations governing the various systems, the financing of these systems, as well as the systems and organizations by which highly skilled and specialized professionals are trained, advance in their careers by acquiring experience, and are disciplined if required by professional associations (professional training, accreditation and discipline).

Unlike hard infrastructure, the essence of soft infrastructure is the delivery of specialized services to people.

Governance infrastructure**Economic infrastructure**

- The financial system, including the banking system, financial institutions, the payment system, exchanges, the money supply, financial regulations, as well as accounting standards and regulations
- Major business logistics facilities and systems, including warehouses as well as warehousing and shipping management systems
- Manufacturing infrastructure, including industrial parks and special economic zones, plus the public safety, zoning and environmental laws and regulations that govern and limit industrial activity, and standards organizations
- Agricultural, forestry and fisheries infrastructure, including specialized food and livestock transportation and storage facilities

Social infrastructure

- The health care system, including hospitals, the financing of health care, including health insurance,
- The educational and research system
- Social welfare systems, including both government support and private charity for the poor, for people in distress or victims of abuse
- Sports and recreational infrastructure, such as parks, sports facilities, the system of sports

leagues and associations

- Cultural infrastructure, such as concert halls, museums, libraries, theatres, studios, and specialized training facilities
- Business travel and tourism infrastructure

Critical infrastructure

The term critical infrastructure has been widely adopted to distinguish those infrastructure elements that, if significantly damaged or destroyed, would cause serious disruption of the dependent system or organization. Storm, deluge, or earthquake damage leading to loss of certain transportation routes in a city, for example bridges crossing a river, could make it impossible for people to evacuate, and for emergency services to operate; these routes would be deemed critical infrastructure.

Critical infrastructure is a term used by governments to describe assets that are essential for the functioning of a society and economy. Most commonly associated with the term are facilities for:

- electricity generation, transmission and distribution;
- gas production, transport and distribution;
- oil and oil products production, transport and distribution;
- telecommunication;
- water supply (drinking water, waste water/sewage, stemming of surface water (e.g. dikes and sluices));
- agriculture, food production and distribution;
- public health (hospitals, ambulances);
- transportation systems (fuel supply, railway network, airports, harbours, inland shipping);
- financial services (banking, clearing);
- Security services (police, military).

Recently(2013), in the cyber field, central government has decided to establish five-year project for strengthening the overall cyber security structure of critical sectors of India. This move has come following increase in the number of incidents of cyber attacks as well as security threats. In 2011, India faced around 13000 cyber incidents.

Who will implement the Project?

It will be realized by National Critical Information Infrastructure Protection Centre (NCIPC). NCIPC functions under the guidance of National Technical Research Organization (NTRO). NCIPC is the nodal agency which coordinates the cyber security operations related to critical infrastructures in India. NCIPC will set up sectoral Computer Emergency Response Teams (CERTs) and will also install sensors on critical systems for getting real-time information regarding cyber attack of any kind for preparing a quick response.

NCIPC of India has been proposed. NCIPC will ensure critical infrastructure protection and critical ICT infrastructure protection in India.

Sectors whose cyber security falls under NCIPC are:

- Energy (natural gas, coal, oil and power)
- Finance and banking
- Transportation (civil aviation and railways)

- Space
- Law enforcement
- Security
- Telecom
- Defense

Critical infrastructure protection (CIP) is a concept that relates to the preparedness and response to serious incidents that involve the critical infrastructure of a region or nation

Urban infrastructure

Urban or municipal infrastructure refers to hard infrastructure systems generally owned and operated by municipalities, such as streets, water distribution, and sewers. It may also include some of the facilities associated with soft infrastructure, such as parks, public pools and libraries.

Green infrastructure

Green infrastructure is a concept that highlights the importance of the natural environment in decisions about land use planning. In particular there is an emphasis on the "life support" functions provided by a network of natural ecosystems, with an emphasis on interconnectivity to support long-term sustainability. Examples include green belts, wild life sanctuaries; eco sensitive regions, Tiger, lion, and elephant reserves; bird sanctuaries; western ghats being conserved etc.

Hard infrastructure generally has the following attributes.

- Capital assets that provide services
- Large networks
- Interdependence: system components are interdependent
- In public economics theory, infrastructure assets such as highways and railways tend to be public goods, in that they carry a high degree of non-excludability, where no household can be excluded from using it, and non-rivalry, where no household can reduce another from enjoying it.

Ownership and financing: Infrastructure may be owned and managed by governments or by private companies, such as sole public utility or railway companies. Generally, most roads, major ports and airports, water distribution systems and sewage networks are publicly owned, whereas most energy and telecommunications networks are privately owned.

Impact on economic development

Investment in infrastructure is part of the capital accumulation required for economic development and has an impact on socioeconomic measures of welfare. In developing nations, expansions in electric grids, roadways, and railways show marked growth in economic development.

Adequate transportation infrastructure is an essential ingredient for economic development and growth. Beyond simply facilitating cheaper and more efficient movements of goods, people, and ideas across places, transportation infrastructure impacts the distribution of economic activity and development across regions; helps business to multiply; consumer welfare; productivity enhancement; balanced regional development; employment; demand; and makes the government access higher levels of fiscal resources to direct and indirect taxes. It is proved in the case of

Golden Quadrilateral and PMGSY- the latter accounting for benefits for agriculture too. During the Great Depression of the 1930s, many governments undertook public works projects in order to create jobs and stimulate the economy. The economist John Maynard Keynes provided a theoretical justification for this policy. It is called Keynesian stimulus that increases public spending on infrastructure. Following the global financial crisis of 2008–2009, some again proposed investing in infrastructure as a means of stimulating the economy.

Infrastructure in the developing world

Lack of infrastructure in many developing countries represents one of the most significant limitations to economic growth and achievement of the Millennium Development Goals (MDGs). Infrastructure investments and maintenance contributed to significantly improved growth performance in India and increased investment is necessary to maintain growth and tackle poverty. The returns to investment in infrastructure are very significant, with on average thirty to forty percent returns for telecommunications (ICT) investments, over forty percent for electricity generation, and eighty percent for roads.

Sources of funding

Currently, the source of financing varies significantly across sectors. In India, some are monopoly: railways and nuclear power. Some sectors are dominated by government spending, others by overseas development aid (ODA), and yet others by private investors. PPP is emerging as the dominant model. Debt and equity are, like anywhere else, the ways of raising resources. Read ahead.

Infrastructure Investment and GDP

The share of infrastructure as a percentage of GDP has increased from 5.04 per cent in the Tenth Plan to about 7.21 per cent of GDP in the Eleventh Plan. It can also be seen that the share of private sector as percentage of GDP has gone up from 1.12 per cent to 2.64 per cent during the same period. Starting from a base of 5.61 per cent of GDP in 2006–07, infrastructure investment reached an all-time high of 8.41 per cent of GDP in 2010–11.

12th FYP and Infrastructure

The strategy for the Twelfth Plan encourages private sector participation, directly as well as through various forms of PPPs, wherever desirable and feasible. The share of private sector in infrastructure investment will have to rise substantially from about 36.61 per cent anticipated in the Eleventh Plan to about 48 per cent in the Twelfth Plan. It is expected that competition and private investment will not only expand capacity, but also improve the quality of service, besides minimising cost and time overruns in implementation of infrastructure projects.

The Central share in the overall infrastructure investment is likely to decline from 35.34 per cent in the Eleventh Plan to 28.72 per cent in the Twelfth Plan, and the States' share is likely to decline to 23.13 per cent compared to 28.05 per cent in the Eleventh Plan. The share of the private sector is expected to increase from 36.61 per cent in the Eleventh Plan to 48.14 per cent in the Twelfth Plan.

Financing Infrastructure Investment in the Twelfth Plan

The total public sector investment in infrastructure envisaged in the Twelfth Plan by the Centre and by the States is about 52%. Investment by the private sector, which includes PPP projects, makes up the balance of about 48 per cent of the required investment during the Twelfth Plan, a

much higher share than the anticipated 36.61 per cent during the Eleventh Plan. Of the projected investment of by the Central Government, about 60% is likely to be funded out of IEBR. (Please raise this issue in the class!)

The total requirement of debt by the public and private sectors is likely to be `27,75,641 crore. However, the availability of debt financing for infrastructure during the Twelfth Plan is estimated at `22,65,171 crore. There is a likely funding gap of about `5,00,000 crore for the debt component.

Institutional Framework for PPP

Cabinet Committee on Infrastructure

The approach to PPPs must remain firmly grounded in principles which ensure that PPPs are formulated and executed in public interest with a view to achieving additional capacity and delivery of quality public services at reasonable costs. These partnerships must ensure investment for supplementing scarce public resources while improving efficiencies. The government's current initiatives in the area of PPPs are designed to achieve these objectives.

The following steps have been taken to promote private investment in infrastructure sector:

1. Setting up robust institutional structure for appraising and approving PPP projects
2. Developing standardised documents such as model concession agreements across infrastructure sectors
3. Increasing availability of finance by creating dedicated institutions and providing viability gap funding

The Committee on Infrastructure (CoI) was constituted in 2004 under the Chairmanship of the Prime Minister, with the objectives of initiating policies that would ensure time-bound creation of world class infrastructure, delivering services matching international standards, developing structures that maximise the role of PPPs and monitoring the progress of key infrastructure projects to ensure that targets are achieved. In 2009, the CoI was replaced by a Cabinet Committee on Infrastructure (CCI) under the Chairmanship of the Prime Minister. CCI reviews and approves policies and projects across infrastructure sectors. It considers and decides on financial, institutional and legal measures required to enhance investment in infrastructure sectors. In 2013, the CCI was merged in the CCAI when the CC on Investment was formed.

Regulatory Framework

In recent years, independent regulatory authorities have been established in the power, telecom, and civil aviation sectors. Tariffs in the port sector are also fixed by an independent authority. These authorities discharge numerous responsibilities, which were earlier in the domain of the government. For initiating further improvements in the regulatory structures and practices, Regulatory Reforms Bill is under consideration of the Government. Regulators for coal, roads and civil aviation are on the anvil (2013 July)

Advisory Services

PPP projects are based on long-term contracts and may involve delegation of governmental authority such as for toll collection, besides enabling private control over monopolistic services. Implementation of PPP projects, therefore, requires appropriate advisory services in terms of preparation of project agreements, structuring of projects and so on. Planning Commission has operationalised a scheme for technical assistance to project authorities by providing consultants for projects. The Ministry of Finance has also created an India Infrastructure Project Development Fund (IIPDF) to provide loans for meeting development expenses, including the cost of engaging consultants for PPP projects.

Viability Gap Funding

The VGF Scheme was notified in 2006 to enhance the financial viability of competitively bid infrastructure projects, which are justified by economic returns, but do not pass the standard thresholds of financial returns. Under the scheme, grant assistance of up to 20 per cent of capital costs is provided by the Central Government to PPP projects undertaken by any Central Ministry, State Government, statutory entity or local body, thus leveraging budgetary resources to access a larger pool of private capital. An additional grant of up to 20 per cent of project costs can be provided by the sponsoring Ministry, State Government or project authority.

India Infrastructure Finance Company Limited (IIFCL)

IIFCL was incorporated by the Ministry of Finance in consultation with the Planning Commission in 2006 for providing long-term loans for financing infrastructure projects that typically involve long gestation periods. IIFCL provides financial assistance up to 20 per cent of the project cost both through direct lending to project companies, and by refinancing banks and financial institutions. IIFCL raises funds from both domestic and overseas markets on the strength of government guarantees. IIFCL has sanctioned loans aggregating `40,373 crore for 229 projects involving a total investment of `3,52,047 crore and disbursed `20,377 crore till the beginning of the fiscal year 2012-13.

IIFCL is expected to graduate in the Twelfth Plan from the existing role of a normal lender to that of a catalyst mobilising additional resources for financing of infrastructure. This could be achieved by IIFCL providing guarantees for bonds issued by private infrastructure companies rather than expanding its direct lending operations. This would enable mobilisation of insurance and pension funds, external debt and household savings. IIFCL would also make subordinated debt available as an additional source of finance. Further, IIFCL may also substitute its take-out financing scheme with an Infrastructure Debt Fund.

IDFC

IDFC was founded on the recommendations of the 'Expert Group on Commercialisation of Infrastructure Projects' under the Chairmanship of Dr. Rakesh Mohan. IDFC, a Public Private Partnership, is incorporated in Chennai. Government holds 54% of the company, rest is held by foreign shareholders and domestic entities.

Infrastructure Debt Fund

Infrastructure projects are capital intensive and have long payback periods, and, therefore, require long-term funds at comparatively low costs. Infrastructure projects in India are financed mainly by commercial banks, as insurance and pension funds do not normally lend for new projects. The present bond market lacks depth to address the needs for a long-term debt. With a view to overcoming these shortcomings, Infrastructure Development Funds (IDFs) are being set up for channelising long-term debt from domestic and foreign pension and insurance funds, as well as from other sources. These IDFs will also carry adequate credit enhancement in terms of implicit government guarantees for repayment of debt. The Reserve Bank of India, and the Securities and Exchange Board of India have already laid down regulatory framework for the IDFs.

Besides augmenting debt resources for financing infrastructure, the IDFs would refinance PPP projects after their construction is completed and operations have stabilised. By refinancing bank loans of existing projects, the IDFs are expected to take over a significant volume of the existing

bank debt, and this will release an equivalent volume of fresh lending for infrastructure projects.(Read ahead for more IDFs)

Deepak Parekh committee on financing infrastructure

High Level Committee on Financing Infrastructure under the Chairmanship of Shri Deepak Parekh submitted its Interim Report to the Government of India in October 2012. The Committee in its recommendation has suggested “rationalization of tariff” in order to maintain the inflow of investment. This would also result in improving the collection efficiency and reducing their losses. The report lays down detailed plans for every infrastructure sector, with special attention to the railways. The report titled ‘Financing of Infrastructure’ has recommended regulatory reforms through an overarching legislation. It says reforms are necessary for ensuring future investments in the infrastructure sector. It has warned that in the absence of reforms, even existing investments would be jeopardized.

Important recommendations

- Regulatory structure needs to be more responsive to investment and the needs of the sector
- The panel has projected an investment of Rs 51.46 lakh crore in the 12th Plan. Private sector share is projected at 47%, as compared to 37% in the 11th Plan.
- The panel has suggested public-private partnership (PPP) as the means of achieving target levels of investment.
- For this, a time-bound plan for the implementation of its recommendations to create an enabling environment for the private sector has been suggested.
- Sustainable pricing of commodities and services, especially energy
- Privatisation and disinvestment in state-owned monopolies to foster competition
- Increase in foreign direct investment in telecom to 100% from the current 74%
- Privatization of state-owned monopolies
- Issues related to the General Anti-Avoidance Rules (GAAR) and delays in environmental clearances and land acquisition should be resolved to attract investment in the infrastructure sector.
- In the power sector, Government should adopt PPP in distribution
- Import of coal through STC/MMTC or directly through power producers should be allowed.
- Adoption of PPP in coal mining should be explored while setting up a state-run undertaking for engaging in PPP.
- Gas allocations and pricing should be rationalised within two months
- Gas imports should be undertaken with the objective of increasing power generation and utilize idle capacity. Gas-based power should only be used in peak hours.
- The India Infrastructure Finance Company (IIFCL) should substitute its direct lending operations by guarantee operations to enable the flow of non-bank long term credit for infrastructure projects, particularly insurance and pension funds. IIFCL should only lend to tenures of 20 years or more since commercial banks are able to lend for up to 15 years. IIFCL should start raising funds on the strength of its balance sheet instead of sovereign guarantees.
- The Government should encourage investment through public private partnership mode in redevelopment of railway stations, building of elevated suburban corridors in Mumbai.
- Railway Board should be restructured.

- Low-traffic two-lane highways should be developed through EPC (turnkey) contracts
- An Expressway Authority should be established for overseeing development and regulation of expressways.
- The Government should expedite award of Greenfield airports in Navi Mumbai, Goa, Kannaur and Chandigarh, encourage PPP in operation and maintenance of metro airports at Chennai and Kolkata.

Standardised Documents and Processes

The government has decided to formulate standard documents for bidding and award of PPP concessions. Adoption of a standardised framework ensures transparency in the allocation of risks, costs and obligations while minimising the potential for disputes and malfeasance are under preparation.

Engineering, Procurement, Construction (EPC) Contract

The conventional item-rate contracts are generally prone to time and cost overruns, particularly in the national highway sector, resulting in enhanced cost to the exchequer, as also considerable delays in the completion of projects. Developed countries have moved to Engineering, Procurement and Construction (EPC) contracts where the contractor is responsible for design and construction on a turnkey basis and for a fixed price. The Planning Commission has published a model EPC contract for Highways. It is expected that about 20,000 km of two-lane National Highways would be developed under this model. A similar document is also being prepared for Dedicated Freight Corridor of the Indian Railways. (More ahead)

PPPs: General Introduction

Public-private partnership (PPP) in infrastructure is a relatively new experience in most developing countries of the Asian and Pacific region. So far, only few countries have established institutional arrangements and developed manuals and resource materials in support of PPP development and for the capacity-building of their public officials. In the absence of such established institutional arrangements and resource materials, public officials face difficulties in project development and implementation, and general public can have many misunderstandings about PPPs. Governments in most developing countries face the challenge to meet the growing demand for new and better infrastructure services. As available funding from the traditional sources and capacity in the public sector to implement many projects at one time remain limited, governments have found that partnership with the private sector is an attractive alternative to increase and improve the supply of infrastructure services.

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:

1. Resources
2. Risks
3. Responsibilities, and
4. Rewards

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). Properly executed planning and development of a project also allows better screening of options, and helps in deciding appropriate project structure and choice of technology considering cost over the whole life cycle of the project.

Often, lack of government funding has been the main reason for considering a PPP option for a project. However, lack of government funding may not be the main reason for deciding a PPP option for the implementation of a project. A project may not be considered for being implemented as a PPP project unless efficiency gains from improved project delivery, operation and management, and access to advanced technology can offset the costs. In fact, many countries have established value for money as the main criterion in judging the merits of a PPP option for a project.

PPPs have become attractive to governments as an off-budget mechanism for infrastructure development as:

- They can enhance the supply of much-needed infrastructure services.
- They may not require any immediate cash spending. They provide relief from the burden of the costs of design and construction.
- They allow transfer of many project risks to the private sector.
- They promise better project design, choice of technology, construction, operation and service delivery.

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 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.

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 offset through efficiency gains.

Often, the success of PPPs depends on regulatory efficiency.

Features of PPP Projects

- Promise of better project structure and design.
- Better service delivery, especially if performance based payment is considered.
- Better chances of completion on time and within the budget.

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 4 broad categories in order of generally (but not always) increased involvement and assumption of risks by the private sector.

The four broad categories are:

- Supply and management contracts
- Turnkey contracts
- Lease
- Concessions

Each of these four categories has many variants. While the spectrum of models 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. In fact, many PPP projects of recent times are of combination type.

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.

The main pros and cons of this model include the following:

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.

Turnkey /EPC

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. This type of private sector participation is also known as Design-Build.

The main pros and cons of this model include the following:

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.

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-operate-transfer. In such a case, the contract period is generally much longer and the private sector is required to make significant investment. 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. 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. The main pros and cons of this model include the following:

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.

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 (Like in the VGF) 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.

The main pros and cons of this model include the following:

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.

Suitability and which model to select

The answer to this question needs careful assessment of many things. Each model has its own pros and cons and can be suitable for achieving the major objectives of private-private partnership to a varying degree. Special characteristics of some sectors and their technological

development, legal and regulatory regimes, and public and political perception about the services in a sector can also be important factors in deciding the suitability of a particular model of PPP.

There is no single PPP model that can satisfy all conditions concerning a project's locational setting and its technical and financial features. The most suitable model should be selected taking into account the country's political, legal and socio-cultural circumstances, maturity of the country's PPP market and the financial and technical features of the projects and sectors concerned. As an example, for a new project, a BOT type of model may be quite suitable in a matured PPP market while a BOO type of models may be more appropriate in a developing/untested market.

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 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.

SPV has many advantages. Protected finance is available. 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.

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.

PPPs in Infrastructure

Private investment in infrastructure is being encouraged in an environment which ensures competition and transparency. Protection of public interest is being ensured by institutionalising the necessary frameworks and processes for due diligence, checks and balances. However, it is recognised that unless governance issues, such as those related to competition in service provision, collection of user charges, institutional capacity, regulation, and dispute resolution continue to be adequately addressed, mobilisation of sufficient resources for the requisite infrastructure investment may not be possible.

Till 31 March 2012, the PPPAC had approved 285 PPP projects involving an investment of `2,47,300 crore.

The government has identified several areas for reform of policies and processes.

PPP in Highways

The National Highway network of the country spans about 70,548 km. The National Highway Development Project (NHDP), covering a length of about 54,000 km of highways, is India's largest road development programme in its history. The government has encouraged increased private sector participation in upgrading the arterial road network of the country to world class standards. More than 60 per cent of the estimated investment requirement is expected to be financed through PPP. With several key projects on the anvil spanning a length of about 45,000 km (including six-laning of four-laned roads, expressways and port connectivity projects) and a large number of projects in States, there are increasing opportunities for the domestic and foreign players in the sector. The government has decided to widen 20,000 km of less than two-lane National Highways to two-lane standard in the EPC mode.

PPP in Civil Aviation

During the Eleventh Plan, the private sector played a major role in the development of metro airports through PPP. The development of greenfield international airports at Hyderabad and Bengaluru along with the redevelopment of the Delhi International airport was successfully completed during this period. The redevelopment of Mumbai International airport, which was also taken up through PPP, is at an advanced stage of completion. Investment by the private sector on the four metro airports during the Eleventh Plan period was `23,187 crore. Further, it was observed that introduction of PPP has led to a significant rise in the collection of revenues, especially non-aviation revenues.

Airports Authority of India has identified 15 operational Airports for taking up operation and maintenance of both terminal and air side through PPP. This would be taken up in two phases. In the first phase, nine airports, namely Guwahati, Jaipur, Ahmedabad, Bhubhaneshwar, Lucknow, Gaya, Udaipur, Khajuraho and Amritsar would be taken up; and in the second phase, six airports would be taken up for operation and maintenance through PPP. Kolkata and Chennai airports have been constructed by AAI with an investment of about `4,200 crore. PPP in management and operation of airports is not only preferable for reasons of efficiency and superior services but also important for keeping passenger charges low, because of the ability of private entities to raise non-aviation revenues that cross-subsidise airport charges. This proposition is borne out by the international experience and the experience of PPP metro airports in India. It is, therefore, recommended that these large airports should be awarded under the PPP mode for their management and operation.

Five green field airports including Navi Mumbai, Goa, Kannur, Chandigarh and Kota have been identified for development through PPP. For building and operating a Greenfield airport on PPP

basis, a precise policy and regulatory framework has now been spelt out in the Model Concession Agreement for Greenfield Airports.

CAA in the place of DGCA

Government decided to set up a new regulator for the aviation sector -- the Civil Aviation Authority -- that will replace the Directorate General of Civil Aviation (DGCA) (July 2013). The union cabinet chaired by Prime Minister Manmohan Singh "in-principle" approval to the civil aviation ministry's proposal to set up the new regulator. Government would introduce a bill in the upcoming monsoon session of parliament. The proposed regulatory authority would have a chairperson, a director general and seven to nine members, including five whole-time members. The Civil Aviation Authority will be responsible for ensuring safety and regulating the Indian civil aviation sector. The government has proposed levying of a "safety fee" on each passenger to fund the new proposed Civil Aviation Authority (CAA).

PPP in Urban Infrastructure

Private sector participation needs to be encouraged in urban infrastructure sectors like water supply and sewerage and solid waste management. In urban transport, private sector can provide more efficient transport services, construct and maintain modern bus terminals with commercial complexes, over bridges, city roads and so on. PPP initiatives are also being undertaken to develop metro rail systems in Indian cities.

Hyderabad Metro Rail Project

Hyderabad Metro Rail Project is presently under construction on PPP mode with a total project cost of ₹12,132 crore. The project is spread over three high density traffic corridors of Hyderabad with total length of 71 km and is being developed on Design, Build, Finance, Operate and Transfer (DBFOT) mode. The project was awarded to the successful bidder for a VGF of ₹1,458 crore which will be provided by the Central Government while the remaining investment will be made by the concessionaire. This will be the single largest private investment in a PPP project in India. It is also one of the largest metro rail projects built and operated by a private entity anywhere in the world. The project demonstrates how large volumes of private capital can be deployed in public projects in a transparent, efficient and competitive manner. The concession has been awarded on the basis of the Model Concession Agreement for Urban Transit developed by the Planning Commission.

Delhi Metro is a rapid transit system serving Delhi, Gurgaon, Faridabad, Noida, and Ghaziabad in the National Capital Region of India. Delhi Metro is the world's 13th largest metro system in terms of length. Delhi Metro is India's first modern public transportation system, which has revolutionized travel by providing a fast, reliable, safe, and comfortable means of transport. The network consists of six lines with a total length of 189.63 kilometres (117.83 mi) with 142 stations, of which 35 are underground, five are at-grade, and the remainder are elevated. Delhi Metro is being built and operated by the Delhi Metro Rail Corporation Limited (DMRC), a state-owned company with equal equity participation from Government of India and Government of National Capital Territory of Delhi. However, the organisation is under administrative control of Ministry of Urban Development, Government of India. Besides construction and operation of Delhi metro, DMRC is also involved in the planning and implementation of metro rail, monorail and high-speed rail projects in India and providing

consultancy services to other metro projects in the country as well as abroad.

The Delhi Metro Rail Corporation has been certified by the United Nations as the first metro rail and rail-based system in the world to get "carbon credits for reducing greenhouse gas emissions" and helping in reducing pollution levels in the city by 630,000 tonnes every year.

The Government of India and the Government of Delhi jointly set up the Delhi Metro Rail Corporation (DMRC) registered in 1995 under the Companies Act, 1956.

The Mumbai Monorail is a monorail system under construction in the city of Mumbai, India as part of a major expansion of public transport in Mumbai. The project is being implemented by Mumbai Metropolitan Region Development Authority (MMRDA), with a consortium of Lärsen & Toubro (L&T) and a Malaysian infrastructure firm Scomi Engineering. It will be the first monorail in India Construction began in 2009. The first line is scheduled to be completed soon:

PPP in Ports

The government has encouraged private sector participation in port development and operations. Foreign direct investment up to 100 per cent is permitted under the automatic route for port development projects. Private investment has been envisaged on PPP basis in ports of Kolkata, Haldia, Paradip, Vizag, Ennore, Chennai, Tuticorin, Cochin, New Mangalore, Mormugao, Mumbai, JNPT and Kandla.

PPP in Power

To attract private sector participation, government has permitted the private sector to set up coal, gas or liquid-based thermal, hydel, wind or solar projects with foreign equity participation up to 100 per cent under the automatic route. The government has also launched Ultra Mega Power Projects (UMPPs) with an initial capacity of 4,000 MW to attract 160–200 billion of private investment. Out of the total nine UMPPs, four UMPPs at Mundra (Gujarat), Sasan (Madhya Pradesh), Krishnapatnam (Andhra Pradesh) and Tilaiya Dam (Jharkhand) have already been awarded. The remaining five UMPPs, namely in Sundergarh District (Orissa), Cheyyur (Tamil Nadu), Girye (Maharashtra), Tadri (Karnataka) and Akaltara (Chattisgarh) are yet to be awarded. To create Transmission Super Highways, the government has allowed private sector participation in the transmission sector. A PPP project at Jhajjar in Haryana for transmission of electricity was awarded under the PPP mode. Further, to enable private participation in distribution of electricity, especially by way of PPP, a model framework is being developed by the Planning Commission.

PPP in Railways

Dedicated Freight Corridor Corporation of India Limited (DFCCIL) has been set up for implementing the Dedicated Freight project and the Ministry of Railways would explore the possibilities of attracting private investment in some segments of this project. Indian Railways has decided to redevelop 50 railway stations in the metropolitan cities and major tourist centers like Delhi, Jaipur, Chandigarh, Patna, Bypanahalli, Bhubneshwar, Mumbai CST, Howrah and so on as world-class stations through PPP. The proposal to set up of production units for manufacturing of electric and diesel locomotives at Madhepura and Marhowra respectively and passenger coaches at Kanchrapara through PPP has already been approved. Further, movement of container trains has already been opened to the private sector, and this has acquired more than 25 per cent share of the market. Construction of an elevated metro rail project in Mumbai is being undertaken through PPP.

PPP in Micro Irrigation

A scheme for setting up Micro Irrigation Systems (MIS) through PPP will be launched in pursuance of the government's objective to enhance irrigation efficiency, productivity and farm incomes by employing more efficient means of irrigation in integrated clusters. The absence of organised operations in the farm sector would be overcome by farmers coming together for the purpose of implementing this scheme through a single entity in every village. The existing subsidies which are provided by the Central and State Governments for on-farm MIS equipment and solar systems would be availed of under this scheme. Similarly, budgetary support would continue to be provided for the development of infrastructure. PPP in MIS would help in doubling the irrigation efficiency as compared to flow irrigation.

PPP in Storage of Food grains

A scheme for setting up modern storage facilities through PPP under the VGF has been formulated in pursuance of the Government decision to create 2MMT of modern storage facilities in the form of silos. This would enhance food security, reduce wastage and improve the quality of stored food grains.

Silos will be constructed and operated under the PPP mode across several states. Land for construction and operation of silos would be provided on licence to the private entity and up to 20 per cent of the total project cost will be provided as VGF. For storage of foodgrains at the Silos, the Concessionaire will be entitled to receive a recurring storage charge which shall be payable on adherence to performance and maintenance standards. It is expected that in the first phase, a capacity of 2 million MT of silo capacity would be created under the PPP mode.

PPPs in Social Sectors

The Twelfth Plan lays special emphasis on the development of social sectors in view of their impact on human development and quality of life, especially of the underprivileged sections. The physical targets set in the Plan cannot be met out of public resources alone. It is, therefore, imperative that resources have to be attracted from the private sector to ensure that targets, in physical and financial terms, are met by the end of the Twelfth Plan period.

In the social sectors, it may not be possible to adopt the user-charge-based concessions; although they may not be completely ruled out. However, concessions which would provide reimbursement of service costs could attract considerable private investment. The main advantages of adopting the PPP approach in the social sectors would be enhanced investment, reduction in time and cost over-runs, improvement in efficiencies and better quality of performance.

PPP in Education

A scheme for setting up 2,500 schools under PPP mode is being rolled out in the Twelfth Plan. The purpose of the scheme is to meet the government's objective of establishing world-class schools for providing quality education to underprivileged children who cannot afford to pay the tuition fee that good private schools charge. It is expected that the scheme will help in creating capacity for providing quality education to 40 lakh children, out of which 25 lakh will be from the underprivileged category.

3.104. The respective rights and obligations of the private entity and the government will be codified in an agreement with the former undertaking to deliver the agreed service on the payment of a unitary charge by the government. Recurring tuition support would be provided for up to 1,000 students from under privileged categories at par with the amount that the Central Government spends on a student in Kendriya Vidyalaya. There would be no capital support and land would have to be procured by the private entity. Infrastructure support shall be made

available by the government for the under-privileged students at the rate of 25 per cent of the recurring tuition support. The concession would be for a period of 10 years. There will be no financial bidding. Predetermined criteria relating to capacity and track record of the respective applicants will be taken into account in selection of the private entities.

The scheme for 2,500 PPP schools should be viewed as an opportunity to evolve innovative ways to empower and enable non-government players to engage in providing world-class education, especially to children from low-income families. The objective should be to combine the respective strengths of the public and private sectors to complement each other in pursuit of the shared goal of good education for all. In particular, adoption of the PPP mode would lead to rapid expansion of access to world-class education by low-income families.

PPP in Health Care Services

Several State Governments are experimenting with delivery of health services through different models. Planning Commission is also in the process of preparing a scheme for setting up secondary and tertiary care hospitals through PPPs at various District Headquarters. The principle objective of the scheme is to create a health care delivery mechanism comprising multi-specialty hospital to meet the growing health care needs of the poor, and for supplementing human resources in the sector by setting up nursing schools and medical colleges. It is expected that in the Twelfth Plan, the proposed scheme will be rolled out by the Government, and a 200-bed district-level hospital would serve a catchment area of about 8–10 lakh of population (20 lakh for a 300-bed tertiary care hospital). This will help families from the economically disadvantaged groups get access to quality health care through hospitals set up under this scheme, especially those who are covered under the Rashtriya Swasthya Bima Yojna (RSBY).

PPP in Skill Development

As part of the government's initiative to augment the programmes for skill development, the Prime Minister had announced setting up of 1,500 ITIs through PPP in unserved blocks. The objective is to create centres of excellence in vocational education especially for the youth from low-income families in order to improve their prospects of gainful employment. The programme will be expanded to cover a total of 3,000 blocks during the Twelfth Plan.

A major proportion of the costs incurred by an ITI are of a recurring nature, and it is therefore, proposed to provide support for the recurring expenditure incurred by an ITI towards training students from underprivileged families. Further, it is proposed to provide capital grant to meet a part of the cost of creating the infrastructure for setting up the ITIs. It is expected that 30 lakh youth, including 15 lakh youth from socially and economically disadvantaged groups would be initiated into vocational training and will acquire skills through the ITIs set up under this scheme. (Read along with the Chapter on Inclusive Growth)

Financial Support to PPPs in Social Sectors

A scheme for financial support to PPPs in the social sectors is being formulated as part of the Twelfth Plan initiative to enhance investments and coverage in social sectors, and also to expand the role of private participation.

The scheme envisages that capital investment and recurring costs to be incurred by a non-government entity on the delivery of services to EWS families, based on a concession agreement between government (or a statutory authority) and a non-government entity, will be provided by the respective State Governments, who in turn will be eligible for Viability Support Funding (VSF) from the Central Government.

Capacity Building in the States

The State Governments generally do not have dedicated staff resources for handling PPP projects or for building the requisite capacity. Such capacity is critical for conceptualising project proposals, engaging consultants, interacting with and supervising consultants, analysing and processing their advice for government approvals, interacting with prospective investors, executing the project documents and monitoring implementation. Therefore, the Planning Commission may need to provide financial assistance (ACA) to the State Governments for the setting up a nodal Secretariat for PPP in each State.

The aforesaid PPP Secretariat in each State would be responsible for identifying areas in the respective States amenable to PPP, conceptualise the projects, initiate and approve feasibility studies, appraise and approve bid documentation, guide the process and so on. This would enable capacity building in the States. The total expenditure on this scheme over the next five years would be limited to about 100 crore.

India Front-Runner in the PPP Race: ADB

According to a study by the Economic Intelligence Unit of the Economist commissioned by Asian Development Bank (ADB), while UK and Australia have been categorised as mature economies, India is positioned in the league of developed economies like Republic of Korea and Japan on implementation of PPP projects for infrastructure development. India has outscored China and Japan to rank second on PPP projects performance among the Asian nations and fourth in the Asia-Pacific nations. As per the Report, PPP development in India has been driven by strong political will and advances in public capacity and processes.

The Report states that PPP projects have a huge level of overall acceptance and use in India. It states that government agencies have a relatively high level of proficiency in PPP projects and that as a result of introduction of Model Concession Agreements, the risk allocation has been improving. In terms of finance, matters have improved, with a variety of initiatives (such as the creation of the Viability Gap Funding and the India Infrastructure Finance Company Limited) enabling greater participation of private finance in infrastructure.

To conclude, the gains of private participation in meeting the policy objectives of the Government have been significant during the Eleventh Plan. These initiatives will be expanded and reinforced during the Twelfth Plan, especially in social sectors such as health, education, skill development and so on with a view to meeting the investment targets, while also ensuring inclusiveness. It is envisaged that by the end of the Twelfth Plan, not only will there be `55,74,663 crore worth of investment in infrastructure sectors, but also that PPPs would have successfully forayed into the social sectors to promote universal access, while ensuring quality in the delivery of services.

Financing Infrastructure

Traditionally, infrastructure development used to occur through the public sector. However, given the scarcity of public resources, and the need to shift scarce public resources into health and education, efforts have been made to induct private participation in the development of infrastructure. These efforts have met with a fair degree of success. As of 31 March 2012, 390 PPP projects have been approved involving an investment of 3,05,010 crore. According to a report published by the World Bank, India has been the top recipient of PPP investment since 2006 and has accounted for almost half of the investment in new PPP projects implemented in the first half of 2011 in developing countries. An Asian Development Bank report states that India stands in the same league as developed economies like South Korea and Japan on

implementation of PPP projects and the Model Concession Agreements prepared in India and used in our PPP projects have also been commended.

The total investment in infrastructure sectors in the Twelfth Plan is estimated to be `55.7 lakh crore, which is little more than one trillion dollars at prevailing exchange rates (about Rs.60 for a US Dollar in mid-July 2013). The share of private investment in the total investment in infrastructure rose from 22 per cent in the Tenth Plan to 36.61 per cent in the Eleventh Plan. It will have to increase to about 48 per cent during the Twelfth Plan if the infrastructure investment target is to be met. These projections have also been validated by the high level committee on infrastructure set up under the chairmanship of Shri Deepak Parekh. Its interim report that was presented in October 2012 is given elsewhere in this Chapter) The committee has however qualified its projections as dependent on several policy initiatives that the government would need to take for ensuring this level of investment.

The Twelfth Plan lays special emphasis on the development of social sectors in view of their impact on human development and quality of life. Unlike the case with other infrastructure, experiments with PPP in the social sector have been more limited. Many States have experimented with PPPs in health and education. The Central Government has approved setting up of 2,500 Model Schools in PPP mode and a proposal for setting up 3,000 ITIs through PPP is under consideration. These initiatives will be strengthened during the Twelfth Plan.

Resort to PPPs in the social sector often raises concerns about the commercialisation of services that are normally expected to be provided free or highly subsidised. These are important concerns but they can be addressed by well-drafted concession agreements and strict monitoring to ensure that PPP concessionaires abide by their commitments. This must be reinforced with penalties for non compliance. While extending the concept of PPP to social and urban sector projects, the need for 'people's' participation in the design and monitoring of PPP schemes becomes crucial. Local citizens are direct stakeholders in such projects and therefore their support becomes crucial. Therefore, some cities and States have begun to shape PPPs in the social and urban sectors as People-Public-Private Partnerships (PPPPs). This is a valuable innovation which should be applauded.

Take out financing

In the Union Budget speech for the year 2009-10, the Hon'ble Union Finance Minister stated "To stimulate public investment in infrastructure, we had set up the India Infrastructure Finance Company Limited (IIFCL) as a special purpose vehicle for providing long term financial assistance to infrastructure projects. We will ensure that IIFCL is given greater flexibility to aggressively fulfill its mandate. Takeout financing is an accepted international practice of releasing long-term funds for financing infrastructure projects. It can be used to effectively address Asset-Liability mismatch of commercial banks arising out of financing infrastructure projects and also to free up capital for financing new projects.

Objectives of the Takeout Finance Scheme

- To boost the availability of longer tenor debt finance for infrastructure projects.
- To address sectoral / group / entity exposure issues and asset-liability mismatch concerns of Lenders, who are providing debt financing to infrastructure projects.
- To expand sources of finance for infrastructure projects by facilitating participation of new entities i.e. medium / small sized banks, insurance companies and pension funds.

EPC

EPC Contracts refers to an Engineering, Procurement and Construction contract. In an EPC Contract, the EPC contractor undertakes total responsibilities for the project upto the commissioning stage for a pre-agreed consideration. While conceptually, EPC contract may look similar to turnkey contract, it goes a little further than a turnkey contract as in an EPC contract the EPC contractor undertakes total responsibility as well as liability for the commissioning of the project whereas in a turnkey contract, the contractor is generally responsible for selling up of the plant. Road projects with less traffic density, which are unviable on toll mode, may be executed through engineering, procurement and construction (EPC) contracts. According to a high-power committee headed by HDFC Chairman Deepak Parekh, this will help speed up road construction projects in the country. The conventional item rate contracts are prone to high cost and time overruns.

Viability Gap Funding

The scheme aims at supporting infrastructure projects that are economically justified but fall short of financial viability. Support under this scheme would be available only for infrastructure projects where private sector sponsors are selected through a process of competitive bidding. The total Viability Gap Funding under this scheme will not exceed twenty percent of the Total Project Cost; provided that the Government or statutory entity that owns the project may, if it so decides, provide additional grants out of its budget, but not exceeding a further twenty percent of the Total Project Cost.

The government will provide a Viability Gap Funding (VGF) which shall not exceed 20 per cent of the Total Project Cost; provided that the Government or statutory entity that owns the project may, if it so decides it will provide additional grants out of its budget, but not exceeding a further 20 per cent of the Total Project Cost. VGF under this scheme will normally be in the form of a capital grant at the stage of project construction. Proposals for any other form of assistance may be considered by the Empowered Committee and sanctioned with the approval of Finance Minister on a case-to-case basis. The project should be implemented i.e. developed, financed, constructed, maintained and operated for the Project Term by a Private Sector Company to be selected by the Government or a statutory entity through a process of open competitive bidding; provided that in case of railway projects that are not amenable to operation by a Private Sector Company, the Empowered Committee may relax this eligibility criterion. The project should provide a service against payment of a pre-determined tariff or user charge. The concerned Government/statutory entity should certify, with reasons: That the tariff-user-charge cannot be increased to eliminate or reduce the viability gap of the PPP; That the Project Term cannot be increased for reducing the viability gap. Thus, Viability Gap Funding means a grant one-time provided by the Public Sector (Central Government / State Government) for Financial Support to PPPs in Infrastructure, with the objective of making a project commercially viable.

It is a Plan Scheme administered by the Ministry of Finance. Suitable budgetary provisions are made in the Annual Plans on a year-to- year basis for the scheme.

Recently, a government appointed committee headed by the Department of Economic Affairs (DEA) Secretary Arvind Mayaram today approved viability gap funding (VGF) of Rs 1,458 crore for development of Hyderabad Metro Rail.

IDF

Setting up of Infrastructure Debt Funds (IDFs) was announced in the Union Budget for 2011-12. These are aimed at accelerating and enhancing flow of long term debt for funding infrastructure projects in the country. They will also act as a catalyst to channelize domestic savings. IDFs would provide a vehicle for refinancing the existing debt of infrastructure projects which are funded mostly by commercial banks. This would create fresh headroom for commercial banks and enable them to take up a larger number of new infrastructure projects.

An IDF can be structured either as a company or as a trust. If set up as a trust, it would be regulated by SEBI under the Mutual Fund Regulations. If set up as a company, the IDF would be structured as a Non-Banking Finance Company (NBFC) and will be under the regulatory oversight of RBI. Guidelines with enabling provisions have already been issued by the Reserve Bank of India and SEBI.

An IDF-NBFC would issue either rupee or dollar denominated bonds and invest only in debt securities of Public Private Partnership projects which have a buy-out guarantee and have completed at least one year of commercial operations. Such projects are expected to be viewed as low-risk investments and would, therefore, be attractive for risk-averse insurance and pension funds.

Establishment of Infrastructure Debt Fund through PPP model is taking place in India. A Memorandum of Understanding (MOU) was signed, recently for setting-up India's First Infrastructure Debt Fund(IDF) structured as a Non-Banking Finance Company (IDF-NBFC). The fund is jointly promoted by ICICI Bank, Bank of Baroda, Life Insurance Corporation (LIC) and Citicorp Finance (India) and it is titled Infradebt Limited. Ratings agency Crisil assigned 'AAA' ratings to India Infradebt Limited, the country's first infrastructure debt fund under the non-banking finance company structure which is a PPP.

Infradebt Ltd, the IDF, would seek to raise debt capital from domestic as well as foreign resources and would invest in infrastructure projects under the Public-Private Partnership model that have completed one year of operations. The IDF will expand and diversify the domestic and international sources of debt funding to meet the large financing needs of the infrastructure sector, thereby giving an impetus to the creation of the infrastructure necessary to drive India's growth. A higher credit rating would enable IDFs to access long-term funds for infrastructure sector at competitive rates

CCI

The Cabinet cleared setting up of the Cabinet Committee on Investment for fast tracking decision on big projects on in December 2012. Prime Minister heads this super investment body which will fast track clearances for mega projects.

The proposed body will not be a substitute for the Foreign Investment Promotion Board (FIPB). FIPB is for clearance of foreign direct investment proposals and if the investment is upto Rs.1200 crores, its decision is final. For FDI beyond the Rs.1,200 crores, CCEA permission is required.

PM will be the chairman of the committee and he will nominate its members. The cabinet committee on infrastructure will be dissolved and all the powers will be vested with the Cabinet Committee on Economic Affairs (CCEA).

The proposal to set up a high-level body for according speedy clearance to infrastructure projects

entailing investment in excess of Rs 1,000 crore was initially mooted by Finance Minister Chidambaram who had proposed setting up NIB to oversee and monitoring large projects. NIB could also be called Cabinet Committee on Investment.

The proposal, however, had evoked sharp criticism from the Environment Ministry, which had said that NIB would dilute its powers.

Environment Ministry said that the proposal seems to have been mooted only for the benefit of large firms and investors, while having no provision for redressing the concerns of affected people.

Finance Minister said there were over 100 projects, each involving investment of Rs. 1,000 crore or more, that have been delayed for various reasons. "The main purpose is to oversee and monitor large projects which will give a fillip to India's economic growth. Our problem is not conceptualising projects. Our problem lies in getting numerous clearances and getting the project off the ground within a reasonable time

The functions of the Committee are as under:

- (i) to identify key projects required to be implemented on a time-bound basis, involving investment of Rs 1000 cr or more, or any other critical projects, as may be specified by the Committee, in sectors such as infrastructure, manufacturing, etc.;
- (ii) to prescribe time limits for issue of requisite approvals and clearances by the Ministries/Departments concerned in respect of projects in identified sectors;
- (iii) to monitor the progress of identified projects including the time prescribed/taken to obtain each approval each approval/clearance and delays, if any;
- (iv) to review implementation of projects, that have been delayed beyond the stipulated timeframe, including issues causing delay in grant of clearance/approvals;
- (v) to review the procedures followed by Ministries/Departments to grant/refuse approvals and clearances;
- (vi) to take decision regarding grant/refusal of approval/clearance of specific projects that are unduly delayed , if deemed necessary;
- (vii) To consider and decide measures required for expeditiously granting/refusing approvals/clearances in identified sectors including simplification of rules/procedures followed by the respective Ministries/Departments for decision making; and
- (viii) to require statutory authorities to discharge functions and exercise powers under the relevant law/regulation within the prescribed time frames for promoting investment and economic growth.

Accordingly, all the concerned Ministries/Departments have been requested to review projects, both in public and private sectors, having investment of Rs 1000 cr or more that are pending on account of delay in according clearances/approvals and to formulate and circulate the proposals for the consideration of the CCI, after due inter-ministerial consultations, in respect of such delayed projects. If the Administrative Ministry/ Department feels that a proposal needs to be considered by the Committee of Secretaries first, it should send a note/proposal for consideration by the Committee of Secretaries to the Cabinet Secretariat.

The CCI took up the task to debottleneck stalled projects involving cumulative investment of Rs. 1.61 lakh crore. Investment of Rs. 69,000 crore has already been made in these stalled projects. This clearance would facilitate future investment of Rs. 92,000 crore. These initiatives include issue of environment clearance to 106 different development projects; clearances to 30 New Exploration Licensing Policy blocks, where clearances were pending with either the ministry of

commerce or the ministry of defence; clearances to 10 power transmission line projects and North Karanpura Thermal Power project in Jharkhand. A special cell in the Cabinet Secretariat is essentially in the nature of a project monitoring group for all large projects. If a decision of the CCI is required in any case, the special cell will bring the case to the CCI.

COMPOSITION OF PANEL	
Head: Prime Minister Manmohan Singh	
Name	Ministry/Department
A.K. Antony	Defence
Sharad Pawar	Agriculture & Food Processing
P. Chidambaram	Finance
Sushilkumar Shinde	Home
M Veerappa Moily	Petroleum and Natural Gas
Kamal Nath	Urban Development
Ajit Singh	Civil Aviation
Kapil Sibal	Communications & Information Tech
Anand Sharma	Commerce & Industry
C.P. Joshi	Road Transport & Highway
Pawan Kumar Bansal	Railway
Shriprakash Jaiswal	Coal
Dinsha Patel	Mines
Ashwani Kumar	Law and Justice
Harish Rawat	Water Resources
SPECIAL INVITÉES	
Jayanthi Natarajan	MoS, Environment & Forests
M.S. Ahluwalia	Dy. Chairman, Planning Commission
Jyotiraditya Scindia	MoS, Power
Manish Tewari	MoS, Information & Broadcasting

2013-14 Union Budget and Infrastructure

The Finance Minister has promised new industrial corridors, smart cities, bigger role for private firms in coal, a regulator for the dispute-ridden highways sector and support for innovative financing for infrastructure projects.

Airport express

The Delhi Airport Metro Express (DAME) is a Delhi Metro line from New Delhi Metro Station to Dwarka Sector 21, linking the Indira Gandhi International Airport. The line, also known as the Orange line is operated by the Delhi Airport Metro Express Pvt. Limited (DAMEPL), a subsidiary of Reliance Infrastructure, the concessionaire of the line, and opened in February 2011. The total length of the line is 22.7 km, of which 15.7 km is underground and 7 km, from Buddha Jayanti Park and Mahipalpur, is elevated.

Service was suspended from July 2012 to January 2013 due to technical problems. After reopening, the speed was cut to only 50 km/hr, extending journey time from the airport to New Delhi Station to over 40 minutes. On 27 June 2013 Reliance Infrastructure Ltd intimated DMRC that they are unable to operate the line beyond 30 June 2013. Following this DMRC took over operations of Airport Express line from 1 July 2013.

Why Reliance Infra pulled out?

Delhi Airport Express Private Ltd (DAEPL) was a special purpose vehicle set up by the parties to operate and run the 22.7-km line. Reliance has pulled out of its 30-year contract to operate the Airport Express line. Lessons for the PPP are: The government, having decided that India needs upgraded infrastructure and lacks the public funds to build it, has focused in its planning on partnerships with the private sector. Reliance Infrastructure won the bid to operate the Airport Express on the assumption that it would carry 40,000 people a day. In effect, it has even at its best been carrying half those numbers, around 17,000. As a result, much advertising space has gone unsold. And so made losses; it costs Rs 7 crore a month to run, but the revenue from tickets and advertising is only Rs 3 crore. That is presumably what lies behind the private sector operator's unwillingness to persist with the project; DAMEPL appears to have decided that the prospects of a turnaround in the line's fortunes are not great. The question is, of course, whether the original estimate of 40,000 metro riders was reasonable - another example of how auctions can lead to unrealistic estimates in the hope of renegotiation later. PPP projects have to work out how this problem can be avoided. The project was built at a cost of Rs 5,700 crore, with Reliance spending Rs 2,285 crore and the DMRC paying Rs 3,415 crore. What went wrong? For one, it appears that construction standards were deficient. That meant that the speed of the train was drastically lowered, and a planned 17-minute trip began to take as much as 45 minutes - which made it difficult to attract riders, as the ticket price of Rs 150 became extremely unattractive for a regular metro-rail ride. Scheduling and track layout itself minimised the attractiveness of the Airport Express as an option for travellers. It shut down before midnight, for example, opening at 5.15 am - whereas most international flights take off and land in Delhi between midnight and 4 am. And the Airport Express did not even run to Terminal 1 of Delhi airport, the terminal through which most of Delhi's cost-sensitive passengers fly; nor did it connect seamlessly with the rest of the Metro. The government intends to launch PPP-financed infrastructure worth Rs 1.15 lakh crore in the coming months. If the lessons of the Airport Express are learned, we can be far more gainful.

SIA

Social impact assessment (SIA) is a methodology to review the social effects of infrastructure projects and other development interventions. The origin of SIA comes from the environmental impact assessment (EIA) model, which first emerged in the 1970s in the U.S., as a way to assess the impacts on society of certain development schemes and projects before they go ahead - for example, new roads, industrial facilities, mines, dams, ports, airports, and other infrastructure projects. It has been incorporated since into the formal planning and approval processes in several countries, in order to categorize and assess how major developments may affect populations, groups, and settlements. SIA is often carried out as part of, or in addition to, environmental impact assessment, but it has not yet been as widely adopted as EIA in formal planning systems, often playing a minor role in combined environmental and social assessments.

Social impact assessment is also of increasing importance as a means to measure and monitor the social returns or social outputs of a business.

Social impacts can be defined as the consequences to people of any proposed action that changes the way they live, work, relate to one another, organise themselves and function as individuals and members of society. This definition includes social-psychological changes, for example to people's values, attitudes and perceptions of themselves and their community and environment. Indeed, some SIA practitioners consider social impacts to be only 'as experienced' (e.g. stress, disruption, hunger) and differentiate these from the causal processes (e.g. over-crowding, infrastructure pressure, poverty).

The main types of social impact that occur as a result of these project-related changes can be grouped into five overlapping categories:

- lifestyle impacts – on the way people behave and relate to family, friends and cohorts on a day-to-day basis;
- cultural impacts – on shared customs, obligations, values, language, religious belief and other elements which make a social or ethnic group distinct;
- community impacts – on infrastructure, services, voluntary organisations, activity networks and cohesion;
- amenity/quality of life impacts – on sense of place, aesthetics and heritage, perception of belonging, security and livability, and aspirations for the future; and
- health impacts – on mental, physical and social well being, although these aspects are also the subject of health impact assessment .

The key points of the above discussion are that:

- social and biophysical impacts are interconnected and should be assessed together;
- SIA is understood to be concerned with the human consequences of development proposals, identifying all significant social impacts that arise in this context; and

National Investment & Manufacturing Zones (NIMZs)

The Government of India has announced a National Manufacturing Policy with the objective of enhancing the share of manufacturing in GDP to 25% within a decade and creating 100 million jobs. The National Investment & Manufacturing Zones (NIMZs) are an important instrumentality of the manufacturing policy.

The basic detail is as follows: State government selects the land and applies to the Central government to accept its proposal to set up an NIMZ. If the central government accepts, it notifies the same and sets up an SPV that manages it. State government owns it itself or makes any other arrangement of ownership.

NIMZs are the cornerstone of the NMP for realising its goals. NIMZs will be developed as green field industrial townships, benchmarked with the best manufacturing hubs in the world.

These NIMZs will seek to address the infrastructural bottleneck which has been cited as a constraining factor for the growth of manufacturing”.

The NMIZ will function as “a self-governing and autonomous body and will be declared by the State Governments as an Industrial Township under Art 243 Q (c) of the Constitution. ...They would be different from SEZs in terms of size, level of infrastructure planning, and governance structure related to regulatory procedures and exit policies”. NIMZ may also have SEZs located in them. While SEZs mainly concentrated on exports, NIMZs have no such role, though they may export if they choose to. SEZs exist for the services sector as well while NIMZ does not.

Thus, NIMZ is going to be an all-inclusive gigantic structure combining production units, public utilities, logistics, environmental protection mechanisms, residential areas and administrative services. It may also include one or more Special Economic Zones (SEZs), Industrial Parks and Warehousing Zones, Export Oriented Units (EOUs) and Domestic Tariff Area (DTA) units.

The NMP prescribes that an NIMZ would have an area of at least 5000 hectares and that the State Government “will be responsible for selection of land suitable for development of the NIMZ, including land acquisition if necessary”.

As regards internal infrastructure of NMIZ, it will be provided by a Developer or a group of Co-developers, while external linkages will be provided by Govt. of India and the concerned State Govt. Thus, it requires Centre-State co-ordination. The NMP says that the administrative structure for NMIZ will be headed by an SPV- Special Purpose Vehicle .

While the Central Govt will be responsible for notifying the NIMZ and issuing necessary clearances; the State Governments really have many tasks to perform. Apart from selecting the land and acquiring if necessary: such as ensuring water requirements, power connectivity, infrastructure linkages, etc. .

The NMP empowers the Central Govt. with the creation of a High Powered Committee to ensure necessary coordination among central ministries and state governments and also monitor the progress of environmental and other clearances, as well as ensuring external physical

infrastructure in a time bound manner. The latter includes: Rail, Road (National Highways), Ports, Airports and Telecom and it also talks about using public private partnership model for this purpose and providing Viability Gap Funding.

State Govt may also have to provide such external linkages. Other functions of states government include, among other things;

- a) land,
- b) funding of initial cost of land,
- c) exploring funding arrangements, including from international funding institutions, long term tax free debentures, etc
- d) power connectivity,
- e) water requirements,
- f) state roads connectivity,
- g) sewerage and effluent treatment,
- h) health, safety and environmental issues, etc.

Besides the above major features of NMIZ, the NMP deals at great length on matters of

- a) institutional framework [e.g. making Department of Industrial Policy and Promotion (DIPP) as the nodal department of Govt. of India];
- b) rationalization and simplification of business regulations – dispensing with complying with 70 laws and regulations and filing sometimes as many as 100 returns a day;
- c) making labour laws flexible;
- d) exit policy for units in NMIZs that also ensures prospect of loss of job insurance policy for employees;
- e) leveraging infrastructure deficit and government procurement, etc.

A typical NIMZ will be of at least 5,000 hectares in size and will be chosen by the state governments from its own land or through acquisitions. The preference will be for non-agricultural land with adequate water supply. If needed, the states may reserve a certain share of the land for MSMEs.

Ownership of an NIMZ will either be with the state government, a state government undertaking in joint ownership with a private partner or under any other appropriate model.

Wasteland, as far as possible will be acquired and agricultural land will be kept to minimum. It should not be in ecologically sensitive area.

SPV

The administrative structure of an NIMZ will include four entities, namely an SPV, a developer, the state government and the central government. After the central government notifies an NIMZ in the official gazette, an SPV will be constituted to exercise the powers, discharge the functions and manage the affairs of the NIMZ. This SPV can be a company, including a Section 25 company, depending upon the MoU between stakeholders.

The appropriate financial and administrative structure of the SPV will depend on the financial participation of different stakeholders who will also have their nominees on the board of the SPV. However, the CEO of the SPV will be a senior central or state government official. The SPV will include an official/expert conversant with the work relating to pollution

control/environmental protection. There will also be representation to the industrial units functioning in NIMZs. The main functions of the SPV will include master planning of the zone, preparation of a development strategy and an action plan for self-regulation to serve the purpose of the policy, formulation of rules and procedures for development, operation, regulation and management of NIMZs and their enforcement.

The SPV will also expedite environmental clearance and clearances under the air and water Acts, work out an arrangements with the state government regarding revenue streams including the levy of user or service charges or fees or rent for the use of infrastructure/properties in NIMZs and the creation of specific mechanisms for specialised services.

The SPV can take up the development work on its own through various agencies/contractors or take up the development in partnership with a developer who shall be selected through a transparent process.

Labour advantages

NIMZs will put in place a comprehensive exit policy that will promote productivity while providing flexibility by reducing some of the moving rigidities in the labour market and by ensuring protection of workers' rights as laid down in the statute.

An exit policy will be worked out, keeping in view the provisions for the protection of workers' rights within the statutory framework. Firms operating in NIMZs will have a job-loss policy to insure workers against loss of employment in the event of closure or retrenchment. This policy will be used to make compensation payment to workers at the time of closure or right sizing. The SPV can also opt for a sinking fund mechanism, instead of a job-loss policy, to be funded by contributions to provide compensation to workers. Or both can operate in combination.

Similarly, the SPV will help redeploy labour from one unit to another in case of closures. This redeployment shall be from the date of closure at the same remuneration and on the same terms as before.

Under Section 25FFF of the Industrial Disputes Act there is a mandatory requirement to pay compensation equivalent to fifteen days' average pay for every completed year of continuous service, or any part thereof in excess of six months. NMP makes it 20 days.

By July 2013, Centre has already given in principal approval for 12 NIMZs.

AP has been granted another National Investment Manufacturing Zone (NIMZ) near Ongole in Prakasam district. This will be in addition to the two NIMZs already cleared in principle by the central government in Medak and Chittoor districts. The zones will be developed as integrated industrial townships with state-of-the-art infrastructure, clean and energy-efficient technology and skill development facilities. Andhra Pradesh would be the second state after Maharashtra to have more than two NIMZs. Japan, Germany, the UK, Russia and China have shown keen interest in investing in these NIMZs.

SEZs

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in 2000.

This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. To instill confidence in investors and signal the Government's commitment to a stable SEZ policy regime and with a view to impart stability to the SEZ regime thereby generating greater economic activity and employment through the establishment of SEZs, Special Economic Zones Act, 2005, was made.

The main objectives of the SEZ Act are:

- a) generation of additional economic activity;
- b) promotion of exports of goods and services;
- c) promotion of investment from domestic and foreign sources;
- d) creation of employment opportunities;
- e) development of infrastructure facilities;

It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities.

The SEZ Act 2005 envisages key role for the State Governments in Export Promotion and creation of related infrastructure. A Single Window SEZ approval mechanism has been provided through a 19 member inter-ministerial SEZ Board of Approval (BoA). The applications duly recommended by the respective State Governments/UT Administration are considered by this BoA periodically.

The SEZ Rules provide for different minimum land requirement for different class of SEZs. Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created.

The SEZ Rules provide for:

- Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs;
- Single window clearance for setting up of an SEZ;
- Single window clearance for setting up a unit in a Special Economic Zone;
- Single Window clearance on matters relating to Central as well as State Governments;
- Simplified compliance procedures and documentation with an emphasis on self certification

Incentives and facilities offered to the SEZs

The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:-

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units.
- 100% Income Tax exemption on export income for SEZ units for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Exemption from minimum alternate tax(done away with)
- External commercial borrowing by SEZ units upto US \$ 500 million in a year.
- Exemption from Central Sales Tax.
- Exemption from Service Tax.
- Single window clearance for Central and State level approvals.
- Exemption from State sales tax and other levies as extended by the respective State Governments.

The major incentives and facilities available to SEZ developers include:-

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years
- Exemption from minimum alternate tax under Section 115 JB of the Income Tax Act(done away with recently)
- Exemption from dividend distribution tax(done away with. Read ahead).
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act). 2013

The government will soon notify the Special Economic Zones (SEZ) reforms which seek to ease land requirement norms and provide for an exit policy. The government had announced these reforms in the supplementary Foreign Trade Policy (FTP).

Once a major attraction for investors, SEZs lost sheen following imposition of MAT (Minimum Alternate Tax) and DDT (Dividend Distribution Tax), besides the global slowdown.

The government had taken note of the fact that there are acute difficulties in aggregating large tracts of uncultivable land lying vacant, to set up SEZ.

For multiproduct SEZ, minimum land requirement has been brought down from 1,000 hectares to 500 hectares and for sector-specific SEZs, it has been brought down to 50 hectares.

Also, there would be no minimum land requirement for setting up ITNITES SEZs, besides easing of minimum built up area criteria.

The 170 functional SEZs have attracted an investment of over Rs 2.36 lakh crore and exports from them totalled Rs 4.76 lakh crore in 2012-13, a growth of over 2,000 per cent over the 7 years period. So far, the government has notified about 390 SEZs in different parts of the country.

Land-related Issues

Land reform (also agrarian reform, though that can have a broader meaning) involves the changing of laws, regulations or customs regarding land ownership and cultivation. Land reform may consist of a government-initiated or government-backed property redistribution, generally of agricultural land. Land reform can, therefore, refer to transfer of ownership from the more powerful to the less powerful, such as from a relatively small number of wealthy (or noble) owners with extensive land holdings to individual ownership by those who work the land. Such transfers of ownership may be with or without compensation; compensation may vary from token amounts to the full value of the land.

Land reform may also entail the transfer of land from individual ownership — even peasant ownership in smallholdings — to government-owned collective farms. The common characteristic of all land reforms, however, is modification or replacement of existing institutional arrangements governing possession and use of land.

In the years immediately following India's independence, the process of nation building considered the problems of land with a pressing urgency. In fact, the national objective of poverty abolition envisaged simultaneous progress on two fronts: high productivity and equitable distribution. Accordingly, land reforms were visualized as an important pillar of a strong and prosperous country.

The Government of India saw that agricultural development in India could be achieved only with the reform of India's rural institutional structure. It was said that the extent of the utilisation of agricultural resources would be determined by the institutional framework under which the various inputs were put to use. M. Dandekar observed: "Among the actions intended to release the force which may initiate or accelerate the process of economic growth, agrarian reform usually receives high priority". The First Five-Year Plan stated: "This (land reform) is a fundamental issue of national importance. The former Prime Minister, Indira Gandhi, emphasised: "Land Reforms is the most crucial test which our political system must pass in order to survive." Land reforms therefore became one of the vital aspects of the agricultural development policy especially after the concept of the Five-Year Plan came to stay.

The important objectives of land reform measures in India were: (1) to enhance the productivity of land by improving the economic conditions of farmers and tenants so that they may have the interest to invest in and improve agriculture, (2) to ensure distributive justice and to create an egalitarian society by eliminating all forms of exploitation, (3) to create a system of peasant proprietorship with the motto of land to the tiller and (4) to transfer the incomes of the few to many so that the demand for consumer goods would be created.

The Second Five-Year Plan emphasised the objectives of the land reforms thus:

- i. To remove the impediments in the way of agricultural production as may arise from the character of agrarian structure and to evolve an agrarian economy conducive of high levels of efficiency and productivity;
- ii. To establish an egalitarian society and to eliminate social inequality;

The land reform legislation was passed by all the State Governments during the Fifties touching upon these measures;

1. Abolition of intermediaries.
2. Tenancy reforms to regulate fair rent and provide security to tenure.
3. Ceilings on holdings and distribution of surplus land among the landlords.
4. Consolidation of holdings and prevention of their further fragmentation and
5. Development of cooperative farming.

The Zamindars acted as the intermediaries. Until Independence, a large part of agricultural land was held by the intermediaries under the zamindari, mahalwari and ryotwari systems. Consequently, the tenants were burdened with high rents, unproductive cultivation and other forms of exploitation.

By 1972, laws had been passed in all the States to abolish intermediaries. All of them had two principles in common: 1) abolition of intermediaries between the state and the cultivator and 2) the payment of compensation to the owners. But there was no clear mention about just and equitable compensation. Therefore, the Zamindari Abolition Act was challenged in the High Courts and the Supreme Court. But the Government accomplished the task of abolishing intermediary tenures bringing nearly 20 million cultivators into direct contact with the state. Nearly 57.7 lakh hectares were distributed to landless agriculturists after the successful completion of the Zamindari Abolition Act. The abolition also had a favourable economic impact on the country. By conferring the ownership of land to the tiller, the Government provided an incentive to improve cultivation. This paved the way for increase in efficiency and yield. This was an important step towards the establishment of socialism and the Government revenue increased. It also ushered in cooperative farming.

The efficacy of the legislation was, however, considerably reduced for the following reasons;

1. The act did not benefit sub-tenants and share croppers, as they did not have occupancy rights on the land they cultivated.
2. Many landlords managed to retain considerable land areas under the various provisions of the laws. Benami holdings became the order of the day in many States.
3. The problems of transferring ownership rights from the actual cultivators of the land, the tenants, the sub-tenants, share-croppers, therefore, remained far from resolved.

*→ personal cultivation,
very high
land ceilings,
cooperative
of large
farmers*

Result, land reforms remain incomplete and unfinished.

One of the major negative features of agrarian transition in India is the continued concentration of land in the hands of the upper strata of the rural society. This has not undergone any change in the past five decades, despite the reforms. In fact, leasing in by the affluent farmer is common place.

It may be inferred that the steps taken by the Government have not made any significant impact on the agrarian structure to reduce, let alone eliminate the inequality in the distribution of land or income or to afford to lend the poor the access to the land. It is also true that the land reforms did not seriously jeopardise the interest of the landholders. The structural impediments to production and equitable distribution of rural resources are very much in existence. Social, political and economic power still rests with the elite group who were elite prior to 1947 also.

On the question of increasing productivity, it is difficult to assess the exact contribution of land reforms because productivity has been more related to the technical revolution ushered in the Indian agricultural sector.

*primary reason for ↑ in agricultural productivity
was technological progress rather than land*

Reforms -

A degree of success was even registered in certain regions and states, especially with regard to issues such as the abolition of intermediaries, protection to tenants, rationalization of different tenure systems, and the imposition of ceilings on landholdings. But the progress by and large is meager. There are many factors responsible for the tardy progress but important among them are the lack of adequate direction and determination, lack of political will, absence of pressure from below, inadequate policy instrument, legal hurdles, absence of correct up-dated land records and the lack of financial support.

Most studies indicate that inequalities have increased, rather than decreased. The number of landless laborers has risen. In the opinion of some, after liberalization, privatization, and globalization (LPG) we are today at a juncture where land mostly for the urban, educated elite, who are also the powerful decision makers has become more a matter of housing, investment, and infrastructure building; land as a basis of livelihood for subsistence, survival, social justice, and human dignity has largely been lost.

The balance of power in rural India is so heavily weighed against the landless and the poor that implementing land ceiling laws is difficult. It is clear that without massive mobilisation of the rural poor and a deepening of democratic governance in rural India, very little can be achieved in this direction. West Bengal, with more than half of India's ceiling surplus land beneficiaries, provides an example of what could be achieved. Its land distribution programme called Operation Barga has been hailed as a success.

Although half of India's population continues to depend on agriculture as its primary source of livelihood, 83 per cent of farmers operate holdings of less than 2 ha in size, and the average holding size is only 1.23 ha. This is often in fragments and unirrigated. There are also those who are entirely landless, although agriculture is their main source of livelihood. They have inadequate financial resources to purchase and often depend on leasing in small plots, on insecure terms, for short periods, sometimes only for one season. Hence many face insecurity of tenure and the growing threat of land alienation and pressures from urbanisation, industrialisation and powerful interests.

They are unable to take advantage of the economies of scale, or invest in costly inputs such as irrigation, technology or machinery. They have limited access to formal credit. Hence they have few resources for land improvement or crop insurance or adequate inputs (seeds, fertilisers, and so on). They are often ignored by extension agencies and seldom receive information on new technologies or training in skill-intensive agricultural practices.

Absentee landlordism is high in some regions, (especially the hill states and rainfed areas), causing huge tracts of cultivable fallows to lie idle. Unfortunately, most tenancy laws have driven tenancy underground or made it even more informal. Micro-studies from different states show that the proportion of leased-in land is significantly higher than reported by both the NSS and Census. In some cases, it is as high as 20–25 per cent of the gross cultivated area. Tenancy contracts are oral and for a short period. The proportion of leased-in land is higher in agriculturally developed regions compared to backward regions. All classes of households participate in the lease market both as lessors and lessees. However, while in backward agricultural regions, the traditional pattern is more common wherein the small and marginal farmers dominate the lease market as lessees and large and medium farmers as lessors, in agriculturally advanced regions, the lease market is in a state of transition where all classes of

households participate. The trend towards reverse tenancy is more pronounced in these regions.

There is, therefore, a strong case for legalising tenancy and allowing leasing-in and leasing-out land with adequate safeguards to protect the interests of small and marginal farmers. Liberalisation of the lease market does not mean abrogation of existing tenancy legislations. These must be suitably amended to permit leasing-in and leasing-out of land, while making ownership rights non-alienable and secure, fixing tenure, recording of lease and allowing landowners to resume land for cultivation after expiry of lease.

Reforming tenancy laws would allow all sections to appropriately participate in the lease market depending upon their resource endowment. Studies have shown that in states like Punjab and Haryana, large and medium farmers who lease in land from small and marginal farmers invest in modern inputs, reap economies of scale and raise farm productivity. The small and marginal farmers who lease out their land also gain in terms of occupational mobility and higher incomes. In other states like Bihar and Orissa, with low wages and fewer employment opportunities, small and marginal farmers lease in land, enlarge their holding size and thus afford a reasonable level of living with all attendant benefits of tenancy like borrowing from financial institutions. The medium and large farmers in these states migrate to urban areas to take non-farm employment opportunities without any risk of losing their land. When their livelihoods become secure in the non-farm sector, they could sell their land. Liberalising tenancy also helps in consolidation of holdings as farmers prefer to lease out rather than sell the piece of land that is inconveniently located. Long-term tenancy contracts would also help raise agricultural productivity.

These constraints are further compounded for tribal and women farmers. Increasingly, as more men than women move out of agriculture, there is a shift toward the feminisation of agriculture. Many women also serve as de-facto household heads. However, women farmers typically have little direct access to land and highly unequal access to inputs and other services.

Environmental factors further disadvantage poor farmers. Water tables have been falling and soils depleting. All this is happening against the backdrop of climate change. The key question is: *how can these constraints be transformed into opportunities?* Can the disadvantaged farmers attain sustainable livelihoods and become India's advantage for both higher growth and more inclusive development?

The Way Forward

The Twelfth Plan Working Group on Disadvantaged Farmers, including Women has proposed several mechanisms for easing the land constraint faced by the landless and land-poor:

Land Transfers by Government to Disadvantaged and Women (D&W) Farmers: There should be a comprehensive assessment of all land available with the government, including ceiling surplus land, uncultivated wasteland, and so on. Unofficial estimates by organisations such as Ekta Parishad suggest much more land is available for distribution than reflected in official estimates.

All such available land should be distributed to groups of D&W farmers rather than to individual families. The land so distributed could either be registered in the group's name, or it could be given to them under a very long-term lease arrangement. The recommendation of the Eleventh

Plan that all rural families without homesteads be allotted land in the woman's name, needs to be implemented in all States, to be used for shelter and supplementary livelihoods, although the amount allotted could be subject to availability. Some States have taken important initiatives in this direction. Kerala has had a longstanding programme of giving ownership rights on land on which a homestead stands, in its land reform programme. Some 4.46 lakh agricultural labour households benefited from this: the percentage of landless families declined from 15.7 per cent in 1971–72 to 4.8 per cent in 2002–03. These schemes provided land for shelter and also for supplementary livelihoods (for example kitchen gardens, goat and poultry rearing). The West Bengal and Orissa governments have also allotted homestead plots to land-less families. Orissa has been allotting 4 to 10 cents and West Bengal has allotted up to 16 cents.

Facilitating Land Purchase

Apart from distributing all surplus land available with the government to D&W farmers, schemes could be instituted to enable the landless and land-poor to themselves purchase land. The Twelfth Plan Working Group on Disadvantaged Farmers, including Women recommends a loan-cum-grant scheme with 50 per cent being given as a low interest loan and 50 per cent being given as a grant to help groups of landless or near landless women and men purchase land collectively. The land purchased can be registered in equal parts in each group member's name, but support is needed to help the group improve the land, and even cultivate it as a group.

A case in point is a scheme started in the 1980s by the Government of Andhra Pradesh, under which poor dalit women formed small groups to buy land collectively for joint farming, with support from the NGO Deccan Development Society. Many women's groups in Medak District took advantage of the scheme. The land was equally divided and registered in the names of individual women. But they are cultivating jointly by pooling it.

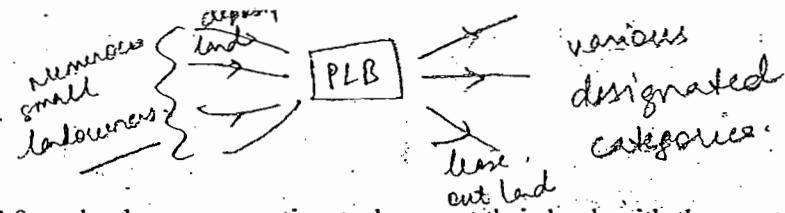
Facilitating Land Leasing

Land leasing is a significant mechanism for bringing in fallow or little used land under cultivation, and providing land access to the land-poor. This will need both legal changes and institutional innovation.

Legal changes: Tenancy should be legalised and regulated to provide security to the tenant while also protecting the landowner's rights. The contractual period should be long enough to encourage investment in land. Legalisation should also protect the landowner's rights so that s/he has an incentive to lease out the land which might otherwise remain underutilised. A group approach to leasing in and use of the land should be built into the system, as also financial and institutional support for such cultivation. In other words, leasing by women's Self Help Groups (SHGs), or groups constituted of male or female headed disadvantaged farmer families, or production cooperatives, or other forms of group farms should be permitted. Sub-leasing within the group to individual members should be banned. Financial and institutional support should also be provided for group cultivation.



Public Land Banks: Even legal guarantee may be insufficient to mitigate the landowner's fear of losing his/her title, especially since many of the lessors are themselves small and marginal farmers. Enacting a law to recognise tenancies could freeze the informal land lease market in the short run. To guard against this, the Twelfth Plan Working Group on Disadvantaged Farmers, including Women proposes the creation of a Public Land Bank (PLB) at the panchayat level. This would regulate and rationalise land demand and supply. The PLB would take 'deposits' of



land from landowners wanting to lease out their land, with the surety that they could withdraw their deposit when they wanted. The deposit could be for one season, one year, or three years and more. The PLB would lease out the land under its command to specially designated categories of disadvantaged farmers, such as marginal farmers, women, dalits, and tribals, whether leasing as individuals or in groups. These lessees would get a guaranteed lease, fixed after assessing land quality, and in a consolidated plot where possible. Institutional finance and other support could also be provided.

There can be several incentives for farmers to deposit their land in the PLB: (i) a minimum rent from the PLB even for fallow land; (ii) an additional 'topping up' rent for land that gets leased out; (iii) development of the land in terms of soil conservation and so on, via MGNREGA or other means. (iv) government guarantee to protect the owner, with owners being free to withdraw their land from the Bank with due notice. For the lessees, it would provide D&W farmers access to land for which they cannot always compete in the open market. The PLB should provide a guaranteed lease and, where possible, a consolidated plot of reasonable size. This would, in itself, improve their ability to move up the value chain and taking advantage of new opportunities.

Group Farming: An Integrated Approach to Ease Multiple Constraints To ease the constraints D&W farmers face in access to land and other inputs, and to enable them to take advantage of new market opportunities, we need an integrated approach to problem resolution. The most comprehensive solution would be group farming with individual land ownership. There are several successful examples of group cultivation in India from which lessons can be learnt and the programme expanded to other states. The best known example is of the Kudumbashree project launched in 2007 by the Kerala Government; but initiatives in Andhra Pradesh are also of note.

The Kudumbashree project initially facilitated land leasing by small groups of women, typically women's SHGs. In March 2010, an additional step was taken under which SHGs undertaking group farming can be registered as Joint Liability Groups (JLGs) a National Bank for Agriculture and Rural Development (NABARD) scheme and given financial and technical support. The state government also provides support for land preparation and reclamation (linking it with MGNREGS in some districts). There are some 38,000 JLGs in Kerala today, covering 2.5 lakh women. Such collective/group farming is carried out in all 14 districts of Kerala, covering around 24,000 ha in 2010–11. Of this, 30 per cent is fallow land which is about 9 per cent of the total current fallow land in the state. Each JLG has 4–10 women members from poor families, who lease in land, and also pool small plots owned by members. Leases range between 1 and 3 years. Rent on fallow land is low. The main crops cultivated are paddy (almost one-third the acreage), tapioca, vegetables, banana and pineapple. Group farming through joint leasing has brought substantial uncultivated land under farming, revived agriculture and created employment.

The Andhra Pradesh Mahila Samatha Society (APMSS) is another significant case of successful group farming by women. In 2001, APMSS began implementing a five-year GoI-UNDP supported Dry Land Agriculture Project by mahila sanghams in five districts. The project covered 500 villages, with women farming in groups on jointly leased in or pooled personal land. In 2005, United Nations Development Programme (UNDP) involvement ended but the programme continued under APMSS. Many of these groups survive today. There are about 175

women's groups in five districts, involving 4,376 women farmers, belonging to small and marginal farmers and landless labourers. The groups mainly cultivate paddy with little irrigation and use non-chemical farming practices. All farm operations are shared and the output is distributed among the women.

~~Group~~ farming has greatly increased food security among the participating households, which would not have been possible on an individual basis. However, the groups need sustained technical support at the field level which had been provided during the project period with UNDP funding.

The Kudumbshree and APMSS models could be tried on a pilot basis in other States, adapted to local contexts. The group enterprise model should also be replicated for other agricultural sectors, such as fisheries (for example, group pisciculture); poultry or livestock management. Group farming could also be integrated with MGNREGS for improving agricultural land. For instance, MGNREGS has been used productively for land preparation or reclamation to support group farming in Kerala (under the Kudumbshree project). Such efforts to integrate group farming with MGNREGS need to be encouraged to leverage such schemes better for improving land resources for agriculture.

Land acquisition for non-agricultural use

Faster industrialisation is both desirable and inevitable; so is faster urbanisation. Land is an essential requirement for these structural changes to proceed unimpeded. Government also needs to acquire land for a variety of public purposes, including human development and infrastructure projects. Recognising that all the land needed for development cannot be obtained in a purely voluntary manner, there is need for a fair land acquisition law which resorts to compulsory acquisition only where it is unavoidable and in a manner that seeks assessment of social impact as participatory as possible, while also ensuring that both fair compensation and Resettlement and Rehabilitation of the dislocated persons.

Independent estimates place the number of people displaced following development projects in India over the last sixty years at 60 million, and only a third of these are estimated to have been resettled in a planned manner. Most of these people are the assetless rural poor, marginal farmers, poor fisher-folk and quarry workers. Around 40 per cent of those displaced belonged to Adivasis and 20 per cent to Dalits. Given that 90 per cent of our coal, more than 50 per cent of most minerals and most prospective dam sites are in Adivasi regions, there is likely to be continuing tension over issues of land acquisition in these areas.

These problems have arisen in large part because the legal framework under which land has been acquired is outdated. It is based on the principle of eminent domain, under which the State can forcibly acquire land for a public purpose at prices which do not reflect the market price nor provide any premium to reflect the fact that the acquisition is forcible.

*feel
effort
hard*
The way forward is to move away from the colonial perspective of treating people as 'subjects', which is inherent in the doctrine of eminent domain, towards a vision of citizens, whose rights are guaranteed under the Constitution. Ultimately, we have to go beyond narrow legality to seek broader legitimacy.

Supreme Court verdict 2013 April

In a landmark judgment, the Supreme Court directed the smallest units of local governance to use their powers and take a decision on whether the Vedanta group's \$1.7 billion bauxite mining project in Odisha's Niyamgiri Hills can go forward or not.

Affirming the decision-making power of the village councils of Rayagada and Kalahandi under the Forest Rights Act (FRA), the court directed these gram sabhas to "take a decision...within three months" on any claims of cultural, religious, community and individual rights that the forest dwellers of the region may have.

"We are, therefore, of the view that the question whether STs [Scheduled Tribes] and other TFDs [traditional forest dwellers], like Dongria Kondh, Kutia Kandha and others, have got any religious rights i.e. rights of worship over the Niyamgiri hills, known as Nimagiri, near Hundaljali, which is the hill top known as Niyam-Raja, have to be considered by the Gram Sabha," said a three-member Bench in its order. "Gram Sabha can also examine whether the proposed mining area Niyama Dangar, 10 km away from the peak, would in any way affect the abode of Niyam-Raja. Needless to say, if the BMP [bauxite mining project], in any way, affects their religious rights...that right has to be preserved and protected."

Once the gram sabhas have made their decision, the court gave the Ministry of Environment and Forests (MoEF) a further two months to take a final decision on granting a forest clearance for the bauxite mining project being run as a joint venture between a State-owned mining corporation and the U.K.-based Vedanta's Indian arm.

R&R

Resettlement & Rehabilitation (R&R) provisions must be made mandatory

Not addressing these issues has meant that even when the purposes for which land is to be acquired are in the legitimate national interest and/or sub-serve a vital public purpose, there have been fractious and irresolvable conflicts over land acquisition.

On the other hand, given the huge asymmetries of information and power in the land market, there are innumerable instances of distress sales by farmers to more powerful entities at throwaway prices. In many instances, these sales have been followed by use of the land in ways that run completely contrary to the original stated purpose and have yielded wind-fall profits to land and real estate mafias. That is why there has to be a role for the government to put in place, a transparent and flexible set of rules and regulations, and to ensure its enforcement.

*Wider
balance*
Government is in the final stages of formulating *The Right to Fair Compensation, Resettlement, Rehabilitation and Transparency in Land Acquisition Bill*. The Bill seeks to balance the need for facilitating land acquisition for various public purposes, including infrastructure development, industrialisation and urbanisation, while at the same time meaningfully addressing the concerns of farmers, and those whose livelihoods depend on the land being acquired.

The reason for combining the two into a single legislation is that land acquisition and R&R are two sides of the same coin. R&R must always, in each instance, necessarily follow upon significant acquisition of land. Not combining the two within one law, risks neglect of R&R which has been the experience so far.

Even as it protects the interests of the land and livelihood losers by ensuring them fair compensation and adequate R&R, the Bill also seeks to ensure that land acquisition for vital

public purposes happens in a manner that is judicious, transparent and time-bound, so that public purposes can be served in an expeditious and efficient manner.

The Bill is a milestone in legislation that should lead to a reduction in instances of perceived injustices that have played a major role in fuelling Maoism. On the other hand, by improving the functioning of the land market, it should lead to an upgrading of the overall investment climate in the country.

The Bill lists eight categories of public purpose for which government can acquire land:

1. Land for strategic purposes relating to armed forces of the Union; national security or defence, police, safety of the people;
2. Land for railways, highways, ports, power and irrigation purposes for use by Government and public sector companies or corporations;
3. Land for the project affected people;
4. Land for Planned development or improvement of village or urban sites or for residential purpose to weaker sections in rural or urban areas;
5. Land for Government administered educational, agricultural, health and research schemes or institutions;
6. Land for persons residing in areas affected by natural calamities;
7. Land acquired by the Government for use by government itself for purposes other than those above public sector companies; or
PPP projects for the production of public goods or the provision of public services for physical infrastructure, social infrastructure and human development projects including those involving the production of intermediate goods and services for these purposes.
8. Land for private companies for the production of public goods or provision of public services for physical infrastructure, social infrastructure and human development projects including those involving the production of intermediate goods and services for these purposes.

 Under categories (7) and (8), consent of at least 80 per cent of the landowning Project Affected Families (PAFs) is sought to be obtained through an informed process as outlined in the Bill. Under PPP projects, ownership of land will continue to vest with Government so that the PPP framework can apply.

In each case of land acquisition, fair compensation and R&R provisions as laid out in the Bill will apply. The compensation will be two times the market rate (including solatium) in urban areas and 2-4 times the market rate (including solatium) in rural areas (based on a sliding scale reflecting the distance of project from urban area). The sliding scale will be determined by State government or State Land Pricing Commission/Authority. The land compensation calculated will not be taken as the base to determine the circle rate for subsequent acquisitions, in order to ensure there is no speculative price spiral.

In the interests of food security, reasonable restrictions have been placed on acquisition of multi cropped agricultural land, with the limits of these being in each case left to the States to decide. These restrictions shall not apply in the case of linear projects (such as railways, highways, major district roads, power and telegraph lines and irrigation canals)

The comprehensive R&R package for land-owners and livelihood losers includes:

1. Subsistence allowance at `3,000 per month per family for 12 months
2. The affected families shall be entitled to: (i) Where jobs are created through the project, mandatory employment for one member per affected family or (ii) `5 lakhs per family or (iii) `2,000 per month per family as annuity for 20 years, with appropriate index for inflation. The option of availing (i) or (ii) or (iii) shall be that of the affected family
3. If a house is lost in rural areas, a constructed house shall be provided as per the Indira Awas Yojana specifications. If a house is lost in urban areas, a constructed house shall be provided, which will be not less than 50 sq mts in plinth area. In either case the equivalent cost of the house may also be provided in lieu of the house as per the preference of the project affected family
4. One acre of land to each family in the command area, if land is acquired for an irrigation project
5. `50,000 for transportation
6. A one-time 'Resettlement Allowance' of `50,000

Additional benefits have been provided for SC/ ST families. The Bill also seeks to provide the same R&R package to affected families on sale/purchase of land where sale/purchase exceeds certain threshold. This threshold shall be fixed by respective States keeping in view the availability of the land and density of the population.

25 infrastructural amenities are to be provided in the resettlement area, including schools and playgrounds, health centres, roads and electric connections, assured sources of safe drinking water for each family, panchayat ghats, Anganwadis, places of worship and burial and/or cremation ground, village level post offices, as appropriate, with facilities for opening saving accounts, Fair Price shops and seed-cum-fertiliser storage facilities and so on.

In order to avoid delays, stringent time-lines have been set. Compensation will be given within a period of three months from the date of the award. Monetary R&R entitlements will be provided within a period of six months from the date of the award. Infrastructure R&R entitlements will be provided within a period of eighteen months from the date of the award. No involuntary displacement will take place without completion of R&R. In irrigation or hydel projects, R&R shall be completed six months prior to submergence.

Innovations in land for urbanisation

Work on issues related to urbanisation during the preparation of the Twelfth Plan has thrown up a number of innovative ideas to ease the land constraint in this sector:

Land Readjustment (LR) is gaining acceptance as an alternative to land acquisition as it has many advantages for land assembly. Under this process, a compact area is selected in consultation with the land-owners for urban expansion/renewal. The municipal authorities provide infrastructure which is funded by exploiting a part of land. The remaining land, whose value has increased due to provision of infrastructure, is reallocated back to participating private land-owners. In essence a participatory tool, LR avoids public discontent and protests to a great extent. It also reduces the need for raising large amounts of money for acquiring land.

India has already been experimenting with a variant of LR in Gujarat's Town Planning Schemes (TPSs). Successful LR is grounded in three main enablers:

- Fairly well-defined property rights • Streamlined, independent, and transparent evaluation processes • Strong judicial system to address public concerns

The government of Tamil Nadu is considering the Gujarat model of Town Planning scheme to address some of the issues of land acquisition and planned development. Land readjustment and pooling are successfully implemented in Gujarat. When a development plan or a new road alignment is proposed, the Town Planning scheme does not acquire the land from the private owners. Instead, it temporarily pools the required land and the area for laying roads, amenities and other public purposes are delineated and allocated. Normally about 20 per cent of land is required for roads and another 20 per cent for common amenities. The remaining area is then reconstituted into plots as envisaged in the development plan and given back to the original owners. The land re-allotted would be proportionate to the size of the original plot and the location would be as close as possible to its original location. The cost to develop the roads and other infrastructure would be raised through the collection of the development charges from the owners or through selling the land pooled for the common purpose.

This does not involve any forceful acquisition of land. More importantly, the benefit of the development is shared with the land owners who would have otherwise forfeited them for a one-time compensation which is usually lower than the market value.

No compensation is paid in this scheme. Whatever land lost is compensated through the increase in post development land price. They are free to sell the developed plot or use it. This particularly works well in the urban and adjoining areas where the cost of the developed plot is higher than the undeveloped one. Many of the development projects can be amicably implemented through this.

Simplification of procedures for conversion of land-use and change in building bye laws have been mandated under JNNURM. These reforms should be completed urgently.

Rights of Slum Dwellers: Phase-II of the Rajiv Awas Yojana (RAY) is to be launched during the Twelfth Plan. RAY mandates giving 'property rights' to slum dwellers by suitable enactment within a year of the project being sanctioned.

RAY 2011

With an aim of creating a slum-free India, government approved the launch of the phase-I of Rajiv Awas Yojana (RAY) to facilitate affordable housing for slum dwellers.

The Centre would provide financial assistance to States willing to assign property rights to slum dwellers for provision of shelter and basic civic and social services for slum re-development and for creation of affordable housing stock under the RAY scheme.

The scheme is expected to cover about 250 cities, mostly with population of more than one lakh across the country by the end of 12th Plan (2017). The scheme will progress at the pace set by the States.

As per the Cabinet Committee on Economic Affairs decision, the Centre will bear 50 per cent of the cost of slum redevelopment. To encourage creation of affordable housing stock, the existing schemes of Affordable Housing in Partnership and Interest Subsidy Scheme for Housing the

Urban Poor have been dovetailed into RAY.

In order to encourage private sector participation in slum re-development, Central assistance can be used by the States and cities towards viability gap funding.

Credit enablement of the urban poor and the flow of institutional finance for affordable housing is an important component of the scheme. The government has agreed to establish a mortgage risk guarantee fund to facilitate lending the urban poor for housing purposes with an initial corpus of Rs. 1000 crore.

The scheme has been designed on the basis of experience of the Jawaharlal National Urban Renewal Mission (JNNURM) sub-mission of Basic Services to the Urban Poor (BSUP) and the Integrated Housing and Urban Development Programme (HSDP).

Under these schemes, government had sought to take action for inclusive urban growth by enabling redevelopment of slums with basic amenities and decent housing with security of tenure.

The foundation laid by the JNNURM is now being built upon by aiming at creation of a slum free India through assignment of property rights to slum dwellers with greater inflow of additional Central assistance for slum re-development and creation of new affordable housing stock.

As in JNNURM, the Central assistance is conditional to reforms by the States. The reforms required here are directly linked to the objectives of the scheme and necessary for the scheme to be successful.

These reforms include the enactment of law and the assigning of property rights as also reforms in the policy to ease the land and affordable housing shortages.

The scheme is expected to begin in 250 cities which have an estimated 32.10 million people living in slums. They will benefit by way of property rights and access to decent shelter, basic amenities and a dignified life.

The inclusive city growth process will lead to enactment of productivity at the bottom of the pyramid and will sustain the contribution of cities to the Gross Domestic Product.

Updating and modernization of land records

The deteriorating quality of land records administration over the last four decades has been a major cause for concern. Accurate and updated land records are a veritable lifeline for millions of small and marginal farmers in India. They secure them against a range of vulnerabilities and allow them to access credit and agricultural inputs, as also the benefits of various anti-poverty programmes. Unambiguously recorded land rights, firm in law, are the foundation for investments in higher farm productivity. On the other hand, chaotic land management results in sporadic encroachments and fratricidal litigation, at great cost to the poor. It also creates a governance regime within which rent-seeking and exploitation of the weak flourish unchecked.

Rational Use of Land

Land is a fixed resource and its availability in India on a per capita basis is relatively low compared with most countries. Furthermore, the country's population is likely to continue to grow till at least 2040 whereas the land mass may actually shrink with increased coastal erosion and flooding due to climate change. In these circumstances, the rational and planned use of land must be an issue that needs the highest priority, and should be made a central focus of our resource planning. Land is a state subject, but the issues are so critical that there is need for better coordination at the national level.

There are three main areas of conflict that need to be addressed. The first relates to the allocation of available land between agriculture, industry and urban use. The second potential conflict arises from the fact that allocation across different uses means some land acquisition is therefore necessary, but the terms on which this had been done in the past are no longer acceptable. The third potential conflict arises because most of our mineral resources are in areas, which are forested and the effective exploitation of these resources calls for acquisition, which may disrupt some tribal communities.

As far as the allocation to alternative sectors is concerned, it is important to recognise that diversion of land from agricultural to non-agricultural uses is inevitable in any development process since Industry must expand and cities must also expand and in both cases land needed for this expansion can only come from agriculture. Concern is often raised in this context about the impact on food security. This problem is greatly exaggerated because the productivity of land in agriculture at present is very low and the shift of some land from agriculture to non-agricultural use can easily be offset by productivity increases, which are feasible and have been seen in many other developing countries. We need a clearer articulation of a strategy for dealing with such shifts while ensuring the continuing increase in the supply of agricultural products of the appropriate mix of grains, horticulture products and cash crops.

Compulsory acquisition is unavoidable where there is a genuine public purpose such as acquiring land for infrastructure development. There may be a case for using acquisition for certain lands of privately owned facilities which serve a public purpose but this needs to be carefully defined. To remedy the deficiencies in the existing legislation for land acquisition which dates back to colonial times, the government has introduced the Land Acquisition Relief and Rehabilitation Bill in Parliament which is expected to create a much more balanced framework protecting the rights of those whose land is being acquired, as well as those whose livelihood will be disrupted.

Land Reform and Environmental Sustainability

The land within a forest area relates to issues of land reform. It is important to have an ecological balance among the proportions of land designated for forestry, agriculture, and nonagricultural purposes, and land reform can help to maintain and sustain this balance. Land reform that can ensure more equitable landownership can go a long way in relieving pressure on forests, even more than dedicated forest development programs that look on forests as a narrow environmental issue, devoid of a human dimension. The human element in forests, however, is very important, especially in several states of India where groups of populations have depended on forests for their livelihood for generations.

The concept of social forestry, later Joint Forest Management and in 2006, the Forests Rights law were the steps taken by the government to settle the issue.

Importance of Land Reform to India's Future

From an economic perspective, the question of land is linked to critical issues of agricultural productivity, agrarian relations, industrial uses, infrastructure development, employment opportunities, housing, and other related issues. Each one of these aspects is crucial for enhancing national security by ensuring consistent economic growth, food security, goods for export, and so on, which reinforce the country's economic strength, and therefore, its bargaining power in the international community.

The case has been made above for an ecological balance between the proportion of land designated for forestry, agriculture, and nonagricultural purposes. There is a need to explore the linkages among rural poverty, landlessness, and skewed land tenure systems with particular attention to the problems of deforestation.

Traditionally, impoverished farmers moving into forests have been identified as the principal, direct agents of forest loss. Hence, land reform that can ensure more equitable landownership may well do more to relieve pressure on forests rather than any other policy of forest resource development. In this context, and as suggested above it would be helpful to explore the efficacy of social forestry programs already undertaken in states such as Andhra Pradesh.

Patterns of land use also have an impact on soil erosion and land degradation. For instance, agricultural practices designed to suit market conditions presuppose a permissive use of agrochemicals to maximize productivity. Land is rigorously exploited to generate immediate, short-term profit, often at the expense of a long-term impact in the form of severe land degradation. In arid and semiarid regions, the introduction of perennial irrigation in order to increase yield causes salinization of the land. Irrigation on poorly drained land has waterlogged the soil, causing salts in the groundwater to rise and accumulate on the surface, turning farmland into a salt-encrusted desert. Artificial fertilizers and chemical sprays undermine the natural fertility of soils and increase its vulnerability to erosion. Of a total land expanse in India of 329 million hectares, nearly 141 million hectares (43 percent) of the land is subject to water and soil erosion. Other types of land degradation such as water logging, alkaline and arid soils, salinity, ravines, and gullies affect another 34 million hectares.

Given the fragile nature of the ecosystem and land quality that has resulted from such a dependency on chemical inputs, care must be exercised in determining land-use patterns in the future. Agriculture is expanding to wastelands that are not suited for cultivation, hence pushing India's small farmers into a less fertile land base. Additionally, the rising demand for irrigated agriculture has led to massive overexploitation of groundwater. And, with the demand for more water, local wells often dry up, leaving small and marginal farmers to either pay for expensive state-provided water or abandon the unproductive farm. In response to the same crisis in water access, wealthier farmers, corporations, and the state resort to expensive technology-dependent extraction of groundwater, which exacerbates the overall problem of groundwater depletion. The ecological consequences of the current dominant model of development are serious and need to be addressed.

Tribal Displacement and Deprivation. The concept of land as a commodity comes into conflict with traditional concepts of common property and with societies, such as those of many tribal peoples throughout India, who generally do not have a documented system of land rights. The issue of land use arises in this context because many tribal groups, 7 percent of the total Indian

population, live in resource-rich regions. Consequently, both the government and the private sector have a keen interest in gaining access and control over the land or its mineral wealth. In the process, depriving tribal groups of land has become the norm, as they are routinely displaced, and, in most cases, not even able to claim compensation since they have no legal proof of ownership.

It is estimated that over 20 million people have been displaced by large projects (e.g., dams, railroads) since independence, and a majority of these people have been tribal groups. This has happened despite the fact that special legal provisions exist to protect the land and other assets of tribal people. Driven away from their homes and with little or no resettlement assistance, they join the ranks of the landless. One attempt at correcting this ongoing marginalization was the official endorsement of five principles that valued the preservation of tribal land use patterns and land distribution practices.

The Panchsheela, or five principles of tribal development, state the following:

1. Tribal people have the right to develop according to their own culture and join the mainstream as equals, while maintaining their identity. Tribal rights on tribal lands and forest will be safeguarded.
2. A team built from among tribals will develop their land.
3. State administration in tribal areas will work through traditional tribal structures.
4. Achievements in tribal areas will be judged according to ~~human growth~~ rather than productivity.

The resource-rich regions of the tribal peoples in India have been drawn into the plans for national development, with its emphasis on industrialization and ever-higher productivity. Already, industries and irrigation schemes built on large dams have displaced many tribal people and transformed them into landless migrant labor. The government has presented tribal development schemes as a principal tool for poverty alleviation. However, these schemes have not taken into account the total dependence of the tribal population on land and their lack of other productive assets. It is critical that the unique existence and subsistence patterns of tribal people be empathetically understood so that economic development can be harmonized with social change.

From the 12th FYP Document

India has had a long history of social discrimination, closely linked with denial of access to land. Specific land tenure systems prevailing at the time of independence also created their own set of problems. The deteriorating quality of land records administration over the last four decades has compounded the hardships of the poor. And in the recent past, the drive to acquire land for development has posed fresh challenges, most especially for the scheduled tribes. The last few years have witnessed a number of new government initiatives, including the Hindu Succession (Amendment) Act, 2005 and the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, which are a response to both historical injustices and recent challenges. In January 2008, the Prime Minister approved the constitution of two High Level bodies—the National Council for Land Reforms under the Chairmanship of the Prime Minister and a Committee on State Agrarian Relations and the Unfinished Tasks in Land Reforms under the Chairmanship of the Union Minister for Rural Development. The Union Government has drafted The Right to Fair Compensation, Resettlement.

Rehabilitation and Transparency in Land Acquisition Bill

The constraint posed by land is emerging as a key challenge in ensuring both inclusiveness and sustainability of the growth process. There is a constraint faced by the landless, small and marginal farmers within agriculture, as also the constraint faced by the growing need for land for the processes of urbanisation and industrialisation.

Contract farming

Farming is an age-old means of livelihood for millions of Indians. However, there have been few systems/models in which farmers are assured of a market for their produce, leave alone a remunerative price. Farmers have on occasion had to throw their produce away for want of buyers. This is one side of the coin. On the other is the agri-based and food industry, which requires timely and adequate inputs of good quality agricultural produce. This underlying paradox of the Indian agricultural scenario has given birth to the concept of Contract Farming, which promises to provide a proper linkage between the 'farm and market.'

Recognising the need for and merits of such a linkage with the farming/producing community, several corporates involved in agrocommodity trading, processing, exports, etc. have attempted to establish convenient systems/models that ensure timely and consistent supply of raw material of the desired quality and low cost. This article discusses a few successful cases of contract farming and a brief note on the bottlenecks and criticisms levelled against this emerging alternative farm business model.

Contract farming is defined as a system for the production and supply of agricultural/horticultural produce under forward contracts between producers/suppliers and buyers. The essence of such an arrangement is the commitment of the producer/ seller to provide an agricultural commodity of a certain type, at a time and a price, and in the quantity required by a known and committed buyer. Contract farming usually involves the following basic elements - pre-agreed price, quality, quantity or acreage (minimum/maximum) and time.

According to the contract, the farmer is required to plant the contractor's crop on his land, and to harvest and deliver to the contractor a quantum of produce, based upon anticipated yield and contracted acreage. This could be at a pre-agreed price. Towards these ends, the contractor supplies the farmer with selected inputs, including the required technical advice. Thus, the contractor supplies all the inputs required for cultivation, while the farmer supplies land and labour. However, the terms and nature of the contract differ according to variations in the nature of crops to be grown, agencies, farmers, and technologies and the context in which they are practised. For example, contract farming in wheat is being practised in Madhya Pradesh by Hindustan Lever Ltd (HLL), Rallis and ICICI.

Under the system, Rallis supplies agri-inputs and know-how, and ICICI finances (farm credit) the farmers. HLL, the processing company, which requires the farm produce as raw material for its food processing industry, provides the buyback arrangement for the farm output. In this arrangement, farmers benefit through the assured market for their produce in addition to timely, adequate and quality input supply including free technical know-how; HLL benefits through supply-chain efficiency; while Rallis and ICICI benefit through assured clientele for their products and services. The consortium is also planning to rope in other specialist partners including insurance, equipment and storage companies.

Contract → all inputs for cultivation

farmer → Land + Labour

Small farms and contract farming

In production agriculture, the trend in India is towards fragmentation rather than consolidation. The average size of landholdings declined from 2.2 hectares in 1970-71 to 1.06 hectares in 2003. Nearly 88 percent of the farmers have less than 2 hectares of land, and account for about 44 percent of the operated area (NSSO, 2006). Although these farms are small, indications are that they are more efficient than larger farmers in terms of land productivity, presumably due to a high share of family labor on small farms. The share of marginal and small farmers (of less than 2 hectares) in the total value of agricultural output is about 51 percent, substantially higher than their 44 percent share of area operated.

While smallholders, by virtue of available family labor and intensive cultivation practices, can be highly productive, they typically have a small marketable surplus and face high transaction costs in marketing their produce. Diversifying out of traditional crops towards high value agriculture poses two key challenges. First, higher production risk (susceptibility to pest attack and climatic adversities) and price risk associated with high value agriculture compared to grains often deters diversification. Second, lack of resources (financial assets as well as access to credit) coupled with inadequate market and crop knowledge often restricts shifts to new enterprises and investments in variable and fixed inputs. Small farmers often find themselves locked in a situation of income uncertainty and low risk bearing capacity, thus constraining shifts towards higher value and income generating activities. Again, contract farming models that can share risk and overcome resource constraints emerge as a possible approach to facilitate the transformation of small holders to high value agriculture.

Right to Homestead Bill July 2013

After legislating the Right to Information and Education and the Right to Work and Food through the Mahatma Gandhi National Rural Employment Guarantee Act and the Food Security Ordinance (July 2013) the government's next step seems to be aimed at legally upholding the right to a home. A task force set up by the Rural Development Ministry including government officials and civil society members is ready with a draft of the National Right to Homestead Bill 2013. The Bill aims to ensure that "every shelterless poor family has a right to hold homestead of not less than 10 per cent. Within a period of 10 years commencing from the date of notification". According to the National Land Reforms Policy draft, more than 31 per cent of households in the country are landless. Almost 30 per cent own less than 0.4 hectares, meaning 60 per cent of the population owns only five per cent of the country's land. The draft Bill calls for State governments to notify an implementation plan within one year to identify beneficiaries, make an inventory of available lands and acquire more, and develop and allot plots. It mandates that the Central government will bear 75 per cent of the cost through a National Homestead Guarantee Fund.

Public Distribution System and related issues

The Public Distribution System (PDS) evolved as a system of management of scarcity and for distribution of food grains at affordable prices. Established by the Government of India under Ministry of Consumer Affairs, Food, and Public Distribution and managed jointly with state governments in India, it distributes subsidized food and non-food items to India's poor. Major commodities distributed include staple food grains, such as wheat, rice, sugar, and kerosene, through a network of Public distribution shops, also known as Ration shops established in several states across the country. Some States/UTs also distribute additional items of mass consumption through the PDS outlets such as pulses, edible oils, iodized salt, spices, etc. Over the years, PDS has become an important part of Government's policy for management of food economy in the country. PDS is supplemental in nature and is not intended to make available the entire requirement of any of the commodities distributed under it to a household or a section of the society.

PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government, through FCI, has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the State Governments. The operational responsibility including allocation within State, identification of families below the poverty line, issue of Ration Cards and supervision of the functioning of FPS, rest with the State Governments. As of date there are about 4.99 lakh Fair Price Shops.

PDS, with its focus on distribution of food grains in urban scarcity areas, had emanated from the critical food shortages of 1960. PDS had substantially contributed to the containment of rise in food grains prices and ensured access of food to urban consumers. As the national agricultural production had grown in the aftermath of Green Revolution, the outreach of PDS was extended to tribal blocks and areas of high incidence of poverty in the 1970s and 1980s.

PDS, till 1992, was a general scheme for all consumers without any specific target. Revamped Public Distribution System (RPDS) was launched in 1992 in 1775 blocks throughout the country. The Targeted Public Distribution System (TPDS) was introduced with effect from 1997.

The Revamped Public Distribution System (RPDS) was launched with a view to strengthen and streamline the PDS as well as to improve its reach in the far-flung, hilly, remote and inaccessible areas where a substantial section of the poor live. It covered 1775 blocks wherein area specific programmes such as the Drought Prone Area Programme (DPAP), Integrated Tribal Development Projects (ITDP), Desert Development Programme (DDP) and certain Designated Hill Areas (DHA) identified in consultation with State Governments for special focus, with respect to improvement of the PDS infrastructure. Thus, RPDS included area approach for

ensuring effective reach of the PDS commodities, their delivery by State Governments at the doorstep of FPSs in the identified areas, additional ration cards to the left out families, infrastructure requirements like additional Fair Price Shops, storage capacity, etc. and additional commodities such as tea, salt, pulses, soap, etc. for distribution through PDS outlets.

In 1997, the Government of India launched the Targeted Public Distribution System (TPDS) with focus on the poor. Under the TPDS, States are required to formulate and implement foolproof arrangements for identification of the poor for delivery of food grains and for its distribution in a transparent and accountable manner at the FPS level. The scheme when introduced, was intended to benefit about 6 crore poor families for whom a quantity of about 72 lakh tonnes of food grains was earmarked annually. The identification of the poor under the scheme is done by the States as per State-wise poverty estimates of the Planning Commission on the methodology of the "Expert Group on estimation of proportion and number of poor" chaired by Late Prof Lakdawala. The allocation of food grains to the States/UTs was made on the basis of average consumption in the past i.e. average annual off-take of food grains under the PDS during the past ten years at the time of introduction of TPDS.

The quantum of food grains in excess of the requirement of BPL families was provided to the State as 'transitory allocation'. Over and above the TPDS allocation, additional allocation to States was also given. The transitory allocation was intended for continuation of benefit of subsidized food grains to the population Above the Poverty Line (APL) as any sudden withdrawal of benefits existing under PDS from them was not considered desirable. The transitory allocation was issued at prices, which were subsidized but were higher than the prices for the BPL quota of foodgrains.

The end retail price is fixed by the States/UTs after taking into account margins for wholesalers/retailers, transportations charges, levies, local taxes etc.

Antyodaya Anna Yojana (AAY): AAY is a step in the direction of making TPDS aim at reducing hunger among the poorest segments of the BPL population. A National Sample Survey Exercise points towards the fact that about 5% of the total population in the country sleeps without two square meals a day. In order to make TPDS more focused and targeted towards this category of population, the "Antyodaya Anna Yojana" (AAY) was launched in 2000 for one crore poorest of the poor families. AAY contemplates identification of one crore poorest of the poor families from amongst the number of BPL families covered under TPDS within the States and providing them food grains at a highly subsidized rate of Rs.2/- per kg. for wheat and Rs.3/- per kg. for rice. They are being provided 35 kg. of food grains(25kg wheat & 10 kg rice) a month at Rs.2/- per kg. or rice at Rs.3/- per kg. The States/UTs are required to bear the distribution cost, including margin to dealers and retailers as well as the transportation cost. Thus the entire food subsidy is being passed on to the consumers under the scheme.

PDS achievements

After June 1997, PDS has now become pro-poor. The urban bias has been eliminated. Though PDS is supplemental in nature, now the enhanced allocation of food grains fulfils around 50% of the monthly cereal requirement of an average BPL household. Even so after the new food security ordinance of 2013. In accordance with the commitment of the Government to create a hunger free India and to reform the PDS so as to serve the poorest of the poor, the AAY scheme was launched in 2000. Partly because of the PDS system, the poverty levels have decreased to 22% by 2011-12 (NSSO July 2013) as consumption increased, among other reasons.

The Public Distribution System of India is not without its defects. With a coverage of around 40 crore BPL (Below Poverty Line) families, a review of the PDS has discovered the following structural shortcomings and disturbances:

1. Growing instances of the consumers receiving inferior quality food grains in ration shops.
2. dealers are found to replace good supplies received from the Food Corporation of India with inferior stock and sell FCI stock in the black market.
3. bogus cards
4. Many FPS dealers resort to malpractice, illegal diversions of commodities, hoarding and black marketing
5. Identification of BPS- many undeserving inclusions and exclusions
6. Regional allocation and coverage of FPS are unsatisfactory and the core objective of price stabilization of essential commodities has not met.
7. Poor supervision of FPS and lack of accountability have spurred a number of middlemen who consume a good proportion of the stock meant for the poor.
8. The stock assigned to a single family cannot be bought in installments. This is a decisive barrier to the efficient functioning and overall success of PDS in India. Many BPL families are not able to acquire ration cards either because they are seasonal migrant workers or because they live in unauthorized colonies.

To improve the current system of the PDS, the following suggestions are furnished for:

1. Vigilance squad should be strengthened to detect corruption
2. Personnel-in-charge of the department should be chosen locally.
3. Margin of profit should be increased for honest business
4. Frequent checks & raids should be conducted to eliminate bogus and duplicate cards.
5. The Civil supplies Corporation should open more Fair Price shops in rural areas.
6. The Fair Price dealers seldom display rate chart and quantity available in the block-boards in front of the shop. This should be enforced.

In aggregate, only about 42% of subsidised grains issued by the central pool reach the target group, according to a Planning Commission study released in 2008.

Steps taken to strengthen PDS

- Citizens' Charter
- PDS (Control) Order, 2001
- Aadhaar-based delivery
- RTI
- Certain reforms in the July 2013 Food security ordinance(read ahead)

Chattisgarh model

Initially, the Fair Price Shops (FPS) were in private hands. But Govt removed these private shopkeepers and gave the responsibility of managing the ration shops to women's self-help groups, panchayats and cooperative societies. This was a major legal reform and for this, the government had to fight several cases in the high court.. Then Govt focussed on making sure that those running the shops earned a proper income. For this, Govt increased their commission four times. Govt opened these shops in all the panchayats and provided an interestfree loan up to Rs 70,000. The shops were also given free rations for a month. Govt created a system to monitor the goods from the warehouse to the shops.

When Govt started the scheme, it not only wanted to feed the poor but also eradicate malnutrition. According to the Centre's scheme, only 5 kg of rice is to be given per person while here we are giving 35 kg per family. Keeping in mind the guarantee for nutritional security, Govt is providing pulses and salt at affordable rates.

The warehousing capacity of the state has been increased five times in the past five years.

Govt put in place a system to take the ration directly from the warehouse to the shops. The system has been computerised to stop any wrongdoing on the way. To monitor it in the panchayats, govt have formed committees of distinguished locals. When the goods leave the godown, the village members are informed through an sms. They check the goods and make a panchnama. Using this system, Govt has reduced the leakage from 40 percent to four percent.

The core PDS is based on advanced technology. Govt distributed smart ration cards instead of the usual ration cards in some big cities and several villages of Mahasamund district. The consumers can use these smart cards to buy their monthly quota from any fps. As soon as the consumer pays his bill, all his information is passed on to the server. Using this technology, the leakages can be reduced to four percent.

Besides those in the BPL (below poverty line) category, Govt tried to include other sections of society in this scheme. We have included the homeless, widows, leprosy patients, labourers, small and marginal farmers as well as hostels in the PDS. In the Centre's scheme, rice is given at Rs 3 per kg and this scheme covers only 67 percent of the population. Chattisgarh is covering 90 per cent of the population and giving rice at Rs 2 per kg. Chattisgarh is giving 35 kg of rice to the families while centre is giving 5 kg per person.

Food Security Ordinance: Main features

The National Food Security Ordinance is a historic initiative for ensuring food and nutritional security to the people. It gives right to the people to receive adequate quantity of foodgrains at affordable prices. The Food Security Bill has special focus on the needs of poorest of the poor, women and children. In case of non-supply of foodgrains now people will get Food Security Allowance. The bill provides for grievance redressal mechanism and penalty for non compliance by public servant or authority. Other features of the Ordinance are as follows.

Coverage of two thirds population to get highly subsidized foodgrains

Upto 75% of the rural population and upto 50% of the urban population will have uniform entitlement of 5 kg foodgrains per month at highly subsidized prices of Rs. 3, Rs. 2, Rs. 1 per kg. for rice, wheat, coarse grains respectively. It will entitle about two thirds of our 1.2 billion population to subsidised foodgrains under the Targeted Public Distribution System (TPDS).

Poorest of the poor continue to get 35 kg per household

The poorest of poor households would continue to receive 35 Kg foodgrains per household per month under Antyodaya Anna Yajna at subsidized prices of Rs 3, Rs 2 and Rs 1. It is also proposed to protect the existing allocation of foodgrains to the States/UTs, subject to it being restricted to average annual offtake during last three years.

Eligible households to be identified by the States

Corresponding to the coverage of 75% rural and 50 % of urban population at all India level, State wise coverage will be determined by the Central Government. The work of identification of eligible households is left to the States/UTs, which may frame their own criteria or use Social Economic and Caste Census data, if they so desire.

Special focus on nutritional support to women and children

There is a special focus on nutritional support to women and children. Pregnant women and lactating mothers, besides being entitled to nutritious meals as per the prescribed nutritional norms will also receive maternity benefit of at least of Rs. 6000/- Children in the age group of 6 months to 14 years will be entitled to take home ration or hot cooked food as per prescribed nutritional norms.

Food Security Allowance in case of non supply of foodgrains

The Central Government will provide funds to States/UTs in case of short supply of food grains from Central pool. In case of non-supply of food grains or meals to entitled persons, the concerned State/UT Governments will be required to provide such food security allowance as may be prescribed by the Central Government to the beneficiaries.

States to get assistance for intra-State transportation and handling of foodgrains

In order to address the concern of the States regarding additional financial burden, Central Government will provide assistance to the States towards cost of intra-State transportation, handling of foodgrains and FPS dealers' margin, for which norms will be developed. This will ensure timely transportation and efficient handling of foodgrains.

Reforms for doorstep delivery of foodgrains

It also contains provisions for reforms in TPDS through doorstep delivery of foodgrains, application of information and communication technology (ICT) including end to end computerisation, leveraging 'Aadhaar' for unique identification of beneficiaries, diversification of commodities under TPDS etc for effective implementation of the Food Security Act. Some of these reforms are already underway.

Women Empowerment— Eldest women will be Head of the household

Eldest woman of eighteen years of age or above will be head of the household for issue of ration card, and if not available, the eldest male member is to be the head of the household.

Grievance redressal mechanism at district level

There will be state and district level redressal mechanism with designated officers. The States will be allowed to use the existing machinery for District Grievance Redressal Officer (DGRO), State Food Commission, if they so desire, to save expenditure on establishment of new redressal set up. Redressal mechanism may also include call centers, helpline etc.

Social audits and vigilance committees to ensure transparency and accountability

Provisions have also been made for disclosure of records relating to PDS, social audits and setting up of Vigilance Committees in order to ensure transparency and accountability.

Penalty for non compliance

It provides for penalty to be imposed on public servants or authority, if found guilty of failing to comply with the relief recommended by the District Grievance Redressal Officer (DGRO).

Expenditure

At the proposed coverage of entitlement, total estimated annual foodgrains requirement is 612.3 lakh tons and corresponding estimated food subsidy for 2013-14 costs is about Rs.1,24,724 crore.

Evaluation of the Ordinance

The ordinance is a modest initiative. It consolidates various food-related programs and entitlements that have made gradual headway during the last decade. Provisions of the bill dealing with food grain entitlements are important but even more so is Children's and women's entitlements. These include, as seen above, cooked midday meals for all school-going children and nutritious food (either a cooked meal or a take-home ration) for all children below the age of 6. These child nutrition programs are already in place; they are mandatory under Supreme Court

orders. Permanent legal entitlements made possible now could strengthen and energize these initiatives.

The bill also provides for maternity benefits — 1,000 rupees per month for six months — for all pregnant women, after three months of pregnancy. This is a small step, and since the benefits are not indexed to inflation, their real value could erode very quickly. Nevertheless, the principle of universal maternity benefits is important and provides a useful foothold for further action.

Some shortcoming in the Ordinance are: special entitlements for vulnerable groups, community kitchens and strong accountability measures, among others.

Some provisions in the bill are based on considerable experience and evidence. The value and effectiveness of India's school meal program are reasonably well established. The program covers more than 100 million children in more than a million schools. Several studies have documented the wide-ranging benefits of school meals in India, from higher school attendance and better child nutrition to remunerative employment for rural women and the erosion of caste barriers. The case for a permanent school meal program under the law is widely accepted.

The debatable parts of the bill relate to the Public Distribution System. Food commodities, mainly rice and wheat, have been distributed at subsidized prices for a long time to Indian households, according to the type of ration card they possess: A.P.L. (above poverty line) and B.P.L. (below poverty line). The bulk of food subsidies are meant to reach households in the latter category, which comprises about one-third of the population. But the process of targeting these households has proved very cumbersome, unreliable and divisive. At least three national surveys show that about half of all poor households in rural India do not have a B.P.L. card. Further, as the economist Amartya Sen pointed out 20 years ago, "benefits meant exclusively for the poor often end up being poor benefits." This is one reason why the performance of the Public Distribution System has been far from satisfactory in many states.

Other states, however, have dropped the distinction between households above and below the poverty line and moved toward a more inclusive approach. In Tamil Nadu, the food distribution system covers everyone and works very well. Other states that have also moved toward a more inclusive system in recent years include Andhra Pradesh, Chhattisgarh, Himachal Pradesh, Orissa and Rajasthan, among others. All of them have combined this move with other reforms of the Public Distribution System, and the results have been impressive.

Chhattisgarh's experience is particularly interesting because it used to have a very inefficient and corrupt system. It was turned around in a few years based on a clear political decision to make it work. Today, a large majority of rural households in Chhattisgarh are entitled to 35 kilograms of rice every month at a nominal price. By all accounts, distribution is highly regular, and the system makes a major contribution to economic security in rural areas. There is a crucial lesson here for the national food security bill.

The ordinance has many flaws as far as the Public Distribution System is concerned. For instance, the identification of eligible households is left to the discretion of the government. In the absence of clear eligibility criteria, no one is really entitled to anything as a matter of right; this defeats the purpose of having a law. Similarly, the shift to per-capita food entitlements on a system that is currently based on household entitlements is likely to be very disruptive.

An aspect of criticism is that the Public Distribution System is expensive and that cash transfers would serve much the same purpose at lower cost. In some circumstances, cash transfers are certainly appropriate. Cash-based social security pensions for widows and the elderly are doing relatively well in India and deserve to be expanded.

However, there are many good reasons to be skeptical of a hasty transition from food subsidies to cash transfers. The infrastructure required for mass transfers in cash would take a long time to build. The Public Distribution System, on the other hand, is in place, and huge food grain stocks more than 80 million tons and growing are available, so why not make good use of them without delay?

In any case, the bill does not preclude a transition to cash transfers if and when they prove to work better than food subsidies – not just in theory but also on the ground. The immediate issue is not “cash versus food,” but to put in place an effective system of income support and social security. Leaving poor people to their own devices is neither socially just nor smart economic policy.

Finally, the food security bill is a fraction of what is required to tackle India's enormous nutrition problems.

FAQ

National Food Security Ordinance (NFSO), aims to provide wheat and rice at highly subsidized rates of Rs. 3 and Rs. 2 respectively to about 67% population of the country was promulgated on July 5th 2013. The Ordinance provides legal right to the beneficiaries to get food grains. In the case of non supply they can claim monetary compensation.

*Administrative issues,
Logistics issues,
Production issues*

- As per the Ordinance, only 67% of the population will be covered under TPDS. Why the coverage cannot be universalized? The entitlement proposed in the Bill are based on recent trends in production and procurement of foodgrains. The average annual procurement of foodgrains during 2007-08 to 2011-12 has been about 60.24 million tons. In comparision, the foodgrain requirement for covering the whole population under TPDS, even with an entitlement of 5 kg per person per month, is estimated at 72.6 million tons. Requirement for OWS would be additional. It is not feasible to meet such a high level of foodgrain requirement at the current levels of production and procurement.
- For BPL households, the entitlement of 5 kg. means reduction in what they are currently getting under TPDS? Will it not hurt them? At present, the TPDS covers 6.52 crore Below Poverty Line (BPL) families, including 2.50 crore

Antyodaya Anna Yojana (AY) families on the basis of population estimates of 1999-2000 of Registrar General of India and poverty estimates of 36% (1993-94) of Planning Commission. The rest of the families are covered as Above Poverty Line (APL). The AY and BPL families are allocated 35 kg foodgrains per month. Allocation to APL families is subject to availability of foodgrains. The Central Issue Prices (CIPs) of wheat / rice are Rs 2/3 per kg for AY families, Rs.4.15/ 5.65 per kg for BPL families and Rs.6.10/ 8.30 per kg for APL families. As can be seen, only about one fourth of the total estimated households at present have fixed entitlement of 35 kg. per family per month. NFSB on the other hand proposes to give legal entitlement to receive 5 kg of foodgrains per month to about 67% of the population at the all India level. Within this coverage, entitlement of AY households, which constitute the poorest of the poor, is being protected at 35 kg per household per month. Further, all the households covered by the Ordinance under TPDS will be entitled to receive wheat and rice at Rs.3 and 2 per kg, which is the current AY price. As a result, the existing BPL households also, who will face reduction in their entitlement in terms of quantity of foodgrains, stand to gain in terms of highly subsidized prices.

- Why the right to food is restricted to only food grains and does not include pulses, edible oils, etc? There is huge dependence on imports for meeting the domestic demand for pulses and edible oils. Also, the procurement infrastructure and operations for pulses and oilseeds are not strong at this moment. In the absence of assured overall domestic availability of these commodities and weak procurement operations, it is not possible to confer a legal right for their supply. The Government is however implementing schemes for supply of subsidized pulses and edible oils to targeted beneficiaries. Simultaneously, steps will be taken to improve procurement operations for pulses and oilseeds.
- The Ordinance seems to address only the basic requirements in terms of foodgrains and seems to lack focus on nutritional aspects. How can this then be called a comprehensive approach to food security? Malnutrition is no doubt a serious issue facing the nation. It is however, not a correct assessment to suggest that the Bill does not address the issue at all. It does seek to address the problem of malnutrition among pregnant women and children which has to be the focal point of our strategy to address this challenge. There is a special focus in the Ordinance on nutritional support to women and children. Pregnant women and lactating mothers, besides being entitled to nutritious meals as per the prescribed nutritional norms, will also receive maternity benefit of not less than Rs. 6000/- Children in the age group of 6 months to 6 years will be entitled to take home ration or hot cooked meal as per the prescribed nutritional standards. Higher nutritional norms have been prescribed for children in the age group of 6 months to 6 years who are malnourished. Children in the lower and upper primary classes will be entitled to nutritious meals in the schools as per the prescribed nutritional norms.
- Whether the Government has sufficient foodgrains to meet the obligations under the Ordinance? Total annual requirement of foodgrains, including foodgrains required for

other welfare schemes, is estimated at 612.3 lakh tons. Procurement of foodgrains (wheat and rice), both in absolute quantity and in terms of percentage to production, has improved in recent years. The average annual procurement, which was 382.2 lakh tons, i.e. 24.3% of the average annual production during 2000-2001 to 2006-07, has gone up to 602.4 lakh tons during 2007-08 to 2011-12, i.e 33.2% of the average annual production. It will therefore be possible to meet the requirement at the current levels of production and procurement of foodgrains. Even with an estimated marginal decline in foodgrains production in 2012-13, the requirements for the Ordinance will be met.

It is argued that the Ordinance will dissuade the farmers, especially the small and marginal farmers, from producing foodgrains as they will be assured to get highly subsidized foodgrains to meet their consumption requirement. Production of foodgrains is a means of livelihood for farmers for which they are adequately rewarded by way of MSP for their produce. The reach of MSP is expanding every year and in the wake of the increased requirement for implementation of the Ordinance, more and more farmers will be brought under the ambit of MSP operations. Therefore, contrary to dissuading farmers, the Ordinance will in fact encourage them to produce more. Access to highly subsidized foodgrains to small farmers on the other hand will ease the burden on their limited earnings and allow them the option to spend the money so saved on other necessities and hence improve their quality of life.

The fear however remains that in view of the attractive MSP for rice and wheat, cropping pattern may change to these crops and others may be neglected.

- States have been complaining about additional financial burden that the legislation on food security imposes on them. How will Central Government bring States on board as it is the States who have to implement the Ordinance? Additional food subsidy implication is about Rs. 23,800 crore per annum. This additionality will be borne completely by the Central Government. States had expressed their concern about additional burden on them, especially on account of setting up of grievance redressal machinery and intra-state transportation of foodgrains, fair price shop dealer's margin etc. These concerns were based on provisions of the original Bill, which was introduced in Lok Sabha in December, 2011. However, keeping into consideration the recommendations of the Standing Committee and views of the State Governments, the Ordinance now provides that Central Government will provide assistance to States in meeting the expenditure incurred by them on transportation of foodgrains within the State, its handling and FPS dealers' margin as per norms to be devised for this purpose. Further, with respect to grievance redressal mechanism, the Ordinance gives flexibility to State Governments to either set up separate mechanism or use the existing machinery.
- In a Central legislation, how fair is it to put the responsibility of payment of food security allowance on State Government? It is not correct to say that this responsibility is being squarely placed on States. Such responsibility will lie on States only in case they fail to distribute the entitled foodgrains or meals after having received the foodgrains from the Central Government. Section 23 of the Ordinance provides that in case of short supply

of foodgrains from the central pool to a State, the Central Government shall provide the State Government funds for meeting obligations under the Act. The obligation for paying the food security allowance to the ultimate beneficiary, under section 8, is however on State Govts. as distribution of foodgrains/meal as per entitlement will be their responsibility.

- How soon the Ordinance is expected to be actually implemented by States? Some preparatory work is required before the Ordinance can be implemented. For example, the actual identification of the households, within the coverage determined for each States/UT under TPDS, is to be done by State Governments, in accordance with guidelines to be evolved/specify by them. State Governments will therefore be required to first evolve suitable criteria for identification and thereafter undertake the actual work of identification. Allocation and distribution of foodgrains under the Act can take place only after the exercise of identification of households is complete. The Ordinance accordingly provides that State Government shall complete the identification within 180 days after its commencement. This period may however differ from State to State and if any State is ready to implement it early, they will be encouraged to do so. For the interregnum, the Ordinance contains transitory provisions for continuation of existing schemes, guidelines etc.
- Any rights based approach can work only if there is an independent grievance redressal mechanism. What does Ordinance provide in this regard? The Ordinance provides for an effective and independent grievance redressal mechanism at the District and State levels. This will include a District Grievance Redressal Officer for each District to enforce the entitlements and investigate and redress grievances. There is also provision for setting up of State Food Commission, which will either *suo motu* or on receipt of complaint inquire into violations of entitlements. The Commission will also hear appeals against orders of DGRO and have powers to impose penalty. Any aggrieved beneficiary can approach these authorities. Identification of households to be covered is proposed to be left to States. Every State will adopt different criteria, leading to a situation of households with same socio-economic condition getting the benefit in one State but not in other State. How desirable is this? The Bill as introduced in the Lok Sabha in December, 2011 provided that guidelines for identification will be prescribed by the Central Government. Keeping in view the wide inter-State variations in the socio-economic conditions, it was felt that any criteria evolved by the Central Government for the country as a whole may not properly reflect these diversities, and therefore invite criticism. It was also difficult to evolve a consensus with State Government over the issue of criteria to be adopted. Therefore the work of identification is now proposed to be left to States, which may develop their own criteria.
- It is generally believed that the Public Distribution System needs a major overhaul. How does the NFSO propose to address this? PDS is operated under the joint responsibility of Central and State Governments wherein the Central Govt. is responsible for procurement, storage and bulk allocation of foodgrains to States, and the operational responsibilities including allocation within States, identification of eligible families, issue of

ration cards, supervision over functioning of fair price shops etc. lies with State Govts. Accordingly, the NFS Ordinance provides that the Central and State Governments shall endeavour to undertake necessary reforms in TPDS such as doorstep delivery of foodgrains; end-to-end computerization to prevent diversion; transparency; preference to Panchayats, SHGs, co-operatives in licensing of fair price shops, management thereof by women/their collectives, etc.

The Department of Food and Public Distribution has already initiated number of measures to streamline and strengthen Targeted Public Distribution System (TPDS), some of which are given below.

End-to-end computerization of TPDS operations:

With a view to provide necessary infrastructure and financial support to States/UTs, the Government is implementing a Plan Scheme on 'End-to-end Computerization of TPDS Operations' for implementation in all States/UTs on cost-sharing basis. Total estimated cost of Component-I of the scheme is Rs. 884.07 crore, and comprises of activities, namely, digitization of ration cards/ beneficiary and other databases, computerization of Supply-Chain Management, setting up of transparency portal and grievance redressal mechanisms.

Digitisation of beneficiary database will help in de-duplication of ration cards, weeding out the bogus ration card and better targeting of subsidies. With computerisation of supply-chain, the movement of foodgrains upto FPS levels can be tracked and the problem of leakage and diversion can be addressed. Transparency portal will strengthen the functioning of FPSs and ensure accountability at various levels. Beneficiaries can also register their grievances through toll-free numbers and seeks its resolution.

Other steps being impressed upon States/UTs:

Campaign by States to review BPL/AAY lists to eliminate ghost ration cards: As on 31.3.2013, a total of 364.01 lakh bogus/ ineligible ration cards have been eliminated in 28 States:

Door-step delivery of food grains to FPS: Foodgrains to be made available at the door step of fair price shops in order to check leakages and diversions. 20 States/UTs have reported implementation of door-step delivery.

FPS licenses be given to SHGs, gram panchayats, cooperatives etc.: Out of about 5.16 lakh FPS in operation, about 1.21 lakh FPS are being run by such organizations in 30 States.

Viability of FPS dealers: States have been asked to reassess and increase the margins being given to FPS dealers. 14 State/UT Governments have confirmed that FPS in these States are selling non-PDS items such as edible oil, pulses, milk powder, soaps etc.

- There have been numerous cases of foodgrains rotting due to lack of storage facilities. What provisions have been made in the NFS Ordinance to create more storage? The NFS Ordinance requires Central as well as State Government to take steps for creation and maintenance of scientific storage facilities at the Central and State levels. While the Central Government is expected to create storage facilities for safe storage of stock of foodgrains in the Central Pool, States/UTs need to create intermediary storage facilities to be able to store foodgrains at decentralized locations for meeting the distribution needs.

A. Available storage capacity and steps to augment it

The Storage capacity available with the FCI is 397.02 lakh MTs as on 31.5.2013. The storage capacities available with State agencies for storage of Central Stock of foodgrains is about 341.35 lakh MTs. As a result, a total of about 738 lakhMTs of storage capacity was available for storage of Central stock of foodgrains which stood at 739 lakh MTs as on 30.6.2013. The Government is successfully implementing the Private Entrepreneurs Guarantee (PEG) Scheme to augment the Covered Storage capacity. This scheme incentivizes private investment for construction of storage godowns by giving guarantees to hire godowns constructed under this scheme for a period of ten years, thereby, ensuring for the investor, a fair return on his investment.

A capacity of about 203 lakh MTs as on 31.5.2013 has been approved for the construction of godowns in 19 States out of which a capacity of 145.06 lakh MTs has been sanctioned for construction. A total capacity of 71.08 lakh MTs has been completed under the scheme as on 31.5.2013.

For ensuring long-term scientific storage, the Government has also approved construction of 20lakh MTs of storage capacity in silos within the overall sanctioned capacity of the PEG Scheme.

The Government has finalized a Plan scheme especially for the North East, for creation of an additional storage capacity of 5.40 lakh MTs through the FCI, in the next 3 to 4 years. These capacities once created in the NE region, would take care of the storage requirements of about 3 to 4 months.

B. Rotting of foodgrains

There is a well established quality control mechanism for scientific storage of foodgrains followed in FCI godowns for proper storage and to avoid damage during storage. Department of Food & Public Distribution has issued instructions to all State Governments/UT Administration and Food Corporation of India from time to time to take required measures, for proper enforcement of quality control mechanism of foodgrains during procurement, storage and

distribution. Some quantities of foodgrains however may get damaged during storage due to various reasons such as storage pest attack, leakages in godowns, procurement of poor quality stock, exposure to rains in case of unscientific storage because of lack of storage space, floods, negligence on the part of concerned officials in taking precautionary measures etc

Will it be inflationary?

It may for the following reasons

- MSPs will go up feeding into general inflation
- 5kg is not enough and the rest of the grain will have to be sourced from market and so inflation
- To add to the above, the market has relative little grain as the FCI procures enormously thus putting inflationary pressures on market prices
- Fiscal deficit can also add to price rise
- In a drought year like 2002-03 when the production fell drastically, imports will add to external and fiscal pressures which may whip-up prices

The ordinance: Hunger and malnutrition

There were doubts on how effectively the legislation will tackle all factors perpetuating malnutrition in India. The ordinance currently stipulates five kg of foodgrain, classified as "coarse grain" (including rice, wheat, and millets) per person per month. However, Indian Council of Medical Research (ICMR) guidelines stipulate at least 16 kg for adults and seven kg for children. The ordinance also fails to provide access to the entire basket of nutrients necessary to effectively improve the nutrition status of the target population. Some say that the ordinance is "too focused on calories" and not on diet diversity.

"The Food Security Bill does not give access to diversified food, which is what food security is all about". Critics say that there rampant micronutrient deficiency and related diseases that perpetuate chronic under nutrition. While providing food grains will help increase access to calories, it will not ensure beneficiaries get all important nutrients.

Most cite iron deficiency and related anemia which claims 22,000 maternal deaths per year, according to ICMR. Latest ICMR data shows 87 per cent of pregnant women and 75 per cent of children below five years of age suffer from iron-deficiency anemia. UNICEF data shows that Vitamin A and iodine deficiencies are also significant public health problems relevant to the malnutrition challenge.

However, as the above FAQ shows, the ordinance specifically provides for free meals to pregnant and nursing women (six months after childbirth) along with children up to 14 years, through local anganwadis (primary healthcare centres). These free meals can help pregnant

women gain weight and maintain it as they nurse. It will consequently increase weights at birth. More than a fourth of all newborns are 'low birth infants' weighing less than 2.5 kg, according to latest UNICEF data. A healthy infant weight is around 3 kg at birth, according to UNICEF.

Also, studies continue to find links between nutritional status and sanitation. IFPRI has found in an ongoing exploratory analysis that access to clean toilets is most significant when explaining declining malnutrition in India's 'Hunger States'.

Chhattisgarh Food Security Act, 2012

It was enacted by the Chhattisgarh government in 2012. The Act divides households into four groups - Antyodaya, Priority, General and Excluded households. The priority households will have monthly public distribution system (PDS) entitlement of 35 kg rice, wheat flour, pulses, gram and iodised salt at subsidised price. The new initiative will put a burden of Rs. 2311 crore on the state exchequer. The act will not cover those who are income tax payees, own over 4 hectares of irrigated or 8 hectares of non-irrigated land and who are liable to pay property tax in urban areas. The Act would benefit 42 lakh families. It will also cover families headed by a destitute, a widow or a differently abled person. It will also take care of poor, children living in hostels/ashrams, pregnant women as well as those hit by disaster.

The Act was amended in July 2003. The new Act would now be called "Chhattisgarh Food and Nutrition Security Act, 2012". The Chhattisgarh Food Security Act 2012 was passed in December 2012 to ensure "access to adequate quantity of food and other requirements of good nutrition to the people of the state, at affordable prices, at all times to live a life of dignity". Under the Act, about 90 per cent of the population of Chhattisgarh will have public distribution system entitlements, mostly under the priority and antyodaya categories, entitled to 35 kg of rice per month at a token price of Rs 2 and Rs 1 (Rs 2 for BPL and Rs 1 for antyodaya), besides 2 kg of pulses (chana) at Rs 5 per kg and free iodised salt.

Since the scheme would provide chana, dal and iodised salt that have rich nutritious values, the Act had been amended to include nutrition security also. The Act also guarantees free nutritious meals or take-home rations in anganwadis, schools and other institutions for children below the age of six, school children, pregnant and lactating women, destitute persons and other vulnerable groups.

Malnutrition

Malnutrition is the condition that results from eating a diet in which certain nutrients are lacking, in excess (too high an intake), or in the wrong proportions. A number of different nutrition disorders may arise, depending on which nutrients are under- or over-abundant in the diet. In most of the world, malnutrition is present in the form of under-nutrition, which is caused by a diet lacking adequate calories and protein, not enough food, and of poor quality. Extreme undernourishment is starvation. While malnutrition is more common in less-developed countries,

it is also present in industrialized countries. In wealthier nations it is more likely to be caused by unhealthy diets with excess energy, fats, and refined carbohydrates. A growing trend of obesity is now a major public health concern in lower socio-economic levels and in developing countries as well.

The World Health Organization have reported hunger and related malnutrition as the greatest single threat to the world's public health. Emergency measures include providing deficient micronutrients through fortified sachet powders or directly through supplements.

Malnutrition in India

Malnutrition as said above refers to the situation where there is an unbalanced diet in which some nutrients are in excess, lacking or wrong proportion.^[6] Simplify put, we can categorise it to be under-nutrition and over-nutrition. Despite India's dramatic increase in GDP since 1991, more than one third of the world's malnourished children live in India. Among these, half of them under 3 are underweight and a third of wealthiest children are over-nutritated.

One of the major causes for malnutrition in India is gender inequality. Due to the low social status of Indian women, their diet often lacks in both quality and quantity. Women who suffer malnutrition are less likely to have healthy babies. In India, mothers generally lack proper knowledge in feeding children. Consequently, new born infants are unable to get adequate amount of nutrition from their mothers.

Deficiencies in nutrition inflict long-term damage to both individuals and society. Compared with their better-fed peers, nutrition-deficient individuals are more likely to have infectious diseases such as pneumonia and tuberculosis, which lead to a higher mortality rate. In addition, nutrition-deficient individuals are less productive at work. Low productivity not only gives them low pay that traps them in a vicious circle of under-nutrition, but also brings inefficiency to the society, especially in India where labour is a major input factor for economic production. On the other hand, over-nutrition also has severe consequences. In India national obesity rates in 2010 were 14% for women and 18% for men with some urban areas having rates as high as 40%. Obesity causes several non-communicable diseases such as cardiovascular diseases, diabetes, cancers and chronic respiratory diseases.^[9]

25% of all hungry people worldwide live in India. Since 1990 there has been some improvements for children but the proportion of hungry in the population has increased. In India 44% of children under the age of 5 are underweight. 72% of infants and 52% of married women have anaemia. Research has conclusively shown that malnutrition during pregnancy causes the child to have increased risk of future diseases, physical retardation, and reduced cognitive abilities.

Poverty, high percentage of female illiteracy, child marriage, discrimination, and diseases at birth are major causes for child malnutrition in the State.

Malnutrition is relatively simple to measure. The most common measures of malnutrition require only three key pieces of information: the person's age, weight, and height. From these three, it's possible to determine if a person is:

- * Stunted, meaning the person has a low height for her age - an indication of *chronic malnutrition* over a long period of time
- * Wasted, meaning the person has a low weight for her height - an indication of *acute malnutrition* in the child at present
- * Underweight, meaning the person has a low weight for her age - a indication of *general malnutrition*

The HUNGaMA (Hunger and malnutrition report 2011 of GOI) survey includes weight, height, age, and a fourth measure called mid-upper arm circumference to provide a comprehensive picture of nutrition.

Another metric to assessing malnutrition is the mid-upper arm circumference (MUAC). The circumference of the child's upper arm half way between their shoulder and elbow provides an indication of acute malnutrition independent of the child's age. If the child's arm is less than 11.5cm in circumference, she is severely malnourished; if the child's arm is between 11.5 and 12.5cm in circumference, she is moderately malnourished. These values are appropriate for children from 6 months to 60 months.

Reasons for malnutrition

Socio-economic status.

In general, those who are poor are at risk for under-nutrition, while those who have high socio-economic status are relatively more likely to be over-nourished. Anaemia is negatively correlated with wealth.

When it comes to child malnutrition, children in low-income families are more malnourished than those in high-income families. Children of Muslim households and those belonging to scheduled castes or tribes also face higher rates of malnourishment. This phenomenon is most prevalent in the rural areas.

Region

Under-nutrition is more prevalent in rural areas, again mainly due to low socio-economic status. In urban areas, overweight status and obesity are over three times as high as rural areas.

In terms of geographical regions, Madhya Pradesh, Jharkhand, and Bihar have very high rates of under-nutrition. States with lowest percentage of under-nutrition include Mizoram, Sikkim, Manipur, Kerala, Punjab, and Goa, although the rate is still considerably higher than that of developed nations. Further, anaemia is found in over 70% of individuals in the states of Bihar, Chhattisgarh, Madhya Pradesh, Andhra Pradesh, Uttar Pradesh, Karnataka, Haryana, and

Jharkhand. Less than 50% of individuals in Goa, Manipur, Mizoram, and Kerala have anaemia. Punjab, Kerala, and Delhi also face the highest rate of overweight and obese individuals.

Steps taken to eradicate malnutrition

Apart from the above, the following is being done

- a) Icds
- b) Mid day meals scheme
- c) Indira Gandhi Matritwa Sahyog Yojana where are cash transfers

Nutrifarms

An intervention to fight hidden or nutritional hunger (deficiency of micronutrients) through agricultural technology has, for the first time, found a place in the Indian budget. Finance minister P Chidambaram in the 2013-14 budget allocated Rs 200 crore for starting pilot programmes on nutri-farms. The idea of nutri-farms is based on bio-fortification technology, in which a crop is made rich in a nutrient either through conventional plant breeding or using genetic modification.

A pilot programme on nutri-farms for introducing new micro-nutrient-rich crop varieties such as iron-rich bajra (pearl millet), protein-rich maize and zinc-rich wheat is to start soon.

The technology has to be need based and a lot of under-utilised crops, in addition to our staple crops, like wheat and rice, can be brought under it. We cannot ask people to change their eating habits suddenly nor can we force them to eat jowar and bajra instead of wheat and rice and hence bio-fortification would play a key role.

There are different technologies for biofortification and ICAR will certainly look for promising technologies, like genomic research, where micro-nutrient providing genes could be inserted in plants. This can help fight iron and beta carotene deficiencies.

An international initiative to commercially cultivate bio-fortified pearl millet in India has been in the pipeline for several years. The project involved commercialisation of nutri-farms in India by 2012 and distribution of iron and zinc fortified pearl millet in Rajasthan, Maharashtra, Gujarat and Uttar Pradesh.

International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) in Andhra Pradesh has been working on bio-fortification of pearl-millet to improve its iron and zinc nutrients. Bio-fortified pearl millet can increase the absorption level of iron by people by 5 to 10 per cent and grain yield by 5 to 6 per cent. The new crop can be one of the strongest weapons against anaemia. It has 50-65 parts per million of iron; about twice of modern wheat varieties provide. Its increased zinc content is crucial for a person's immunity, brain functions and reproductive health.

GHI

The Index was adopted and further developed by the International Food Policy Research Institute (IFPRI), Washington and was first published in 2006 with the Welthungerhilfe, a German non-profit organization (NGO). Since 2007, the Irish NGO Concern Worldwide joined the group as co-publisher. The 2012 GHI was calculated for 120 developing countries and countries in transition, 57 of which with a serious or worse hunger situation. GHI is updated annually by IFPRI and its partners. This statistical tool is calculated as follows:

$$\text{GHI} = \frac{\text{PUN} + \text{CUW} + \text{CM}}{3}$$

PUN is the proportion of the population that is undernourished; CUW is prevalence of underweight children under five and CM is proportion of children dying before the age of five.

The GHI combines three equally weighted indicators: 1) the proportion of the undernourished as a percentage of the population; 2) the prevalence of underweight children under the age of five; and 3) the mortality rate of children under the age of five. The data for PUN are based on UN Food and Agriculture Organization; CUW is based on World Health Organisation (WHO) and Demographic Health Survey (DHS) data; and CM data are from UNICEF. The index ranks countries on a 100 point scale, with 0 being the best score, values less than 4.9 reflect "low hunger", values between 20 and 29.9 are "alarming", and values exceeding 30 are "extremely alarming" hunger problem.

India's hunger index value has improved from 24.2 in 1990 to 23.5 in 2011 and 22.9 in 2012, but it still remains among countries with an "alarming" level of hunger. All other countries in the BRICS (Brazil, Russia, India, China and South Africa) grouping have performed better than India in dealing with hunger, with Brazil and Russia having a "low" hunger index and China and South Africa placed among those with "moderate" hunger. Further, India ranks below neighbours Sri Lanka, Pakistan and Nepal. These relative rankings have remained unchanged since 2011 GHI report. India, ranked 65th among 79 countries, alongside Bangladesh and Timor-Leste, which are ranked 68th and 73rd, respectively, as countries with a high proportion of underweight children.

Inter-state hunger levels

Madhya Pradesh has been categorised as extremely alarming based on ISHI Jharkhand, Bihar and Chhattisgarh performed badly with a hunger index 11 score exceeding 25. Punjab, Kerala, Andhra Pradesh and Assam had the lowest scores. All other states had a hunger index score exceeding 20.

The under-five mortality was below five deaths per hundred children only in Kerala and Tamil Nadu; Uttar Pradesh, Orissa, Chhattisgarh, Jharkhand and Madhya Pradesh had under-five

V
2/1 Child
drought
Scheme
M.M. → 1/1

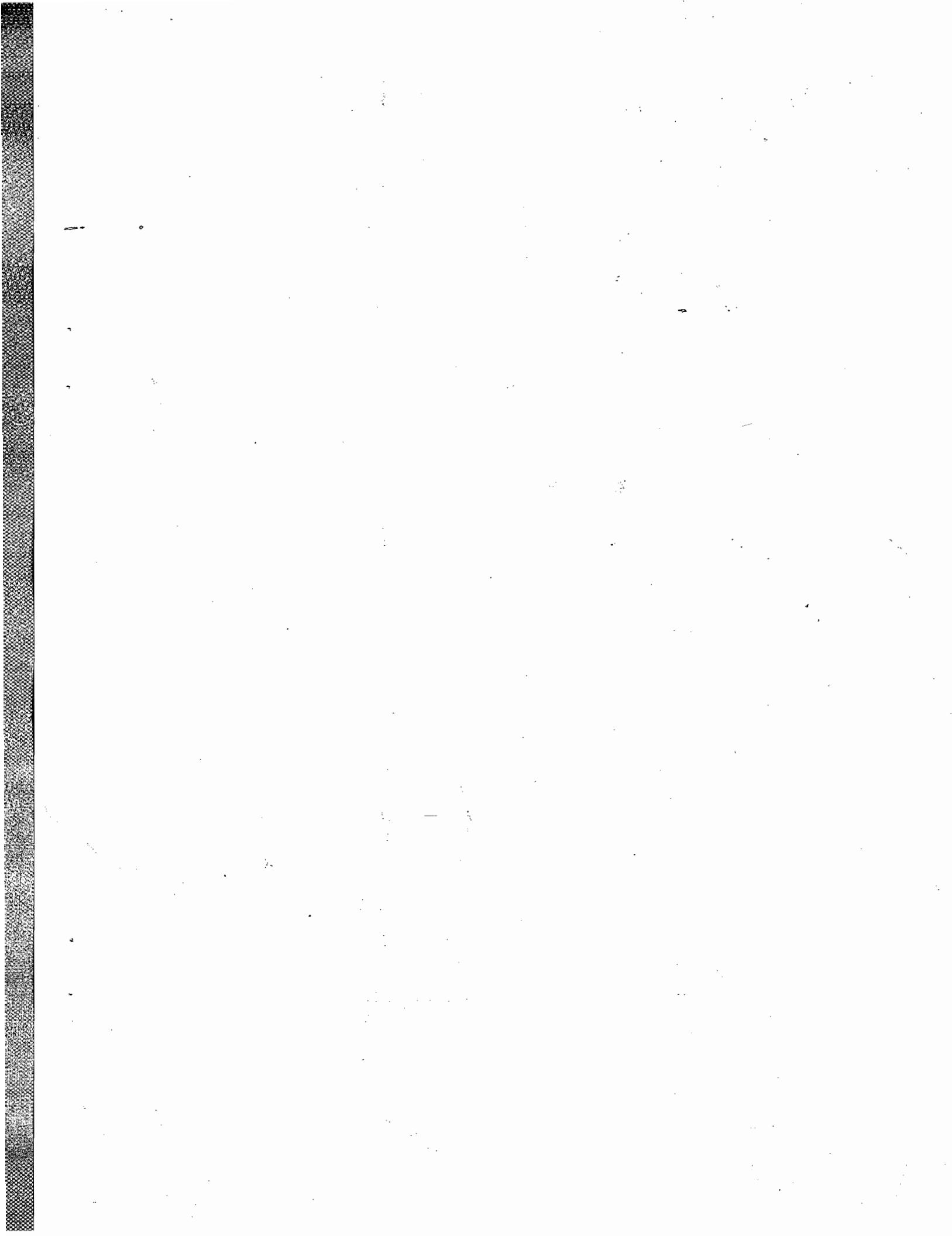
mortality rate exceeding nine deaths per hundred children. Proportion of underweight children under age-five was below 30 percent only in three states — Punjab, Kerala and Tamil Nadu. Prevalence of calorie under-nourishment was over 25 percent among the southern states of Maharashtra, Kerala, Tamil Nadu, Karnataka; this might perhaps be attributable to the diet and climate of these states

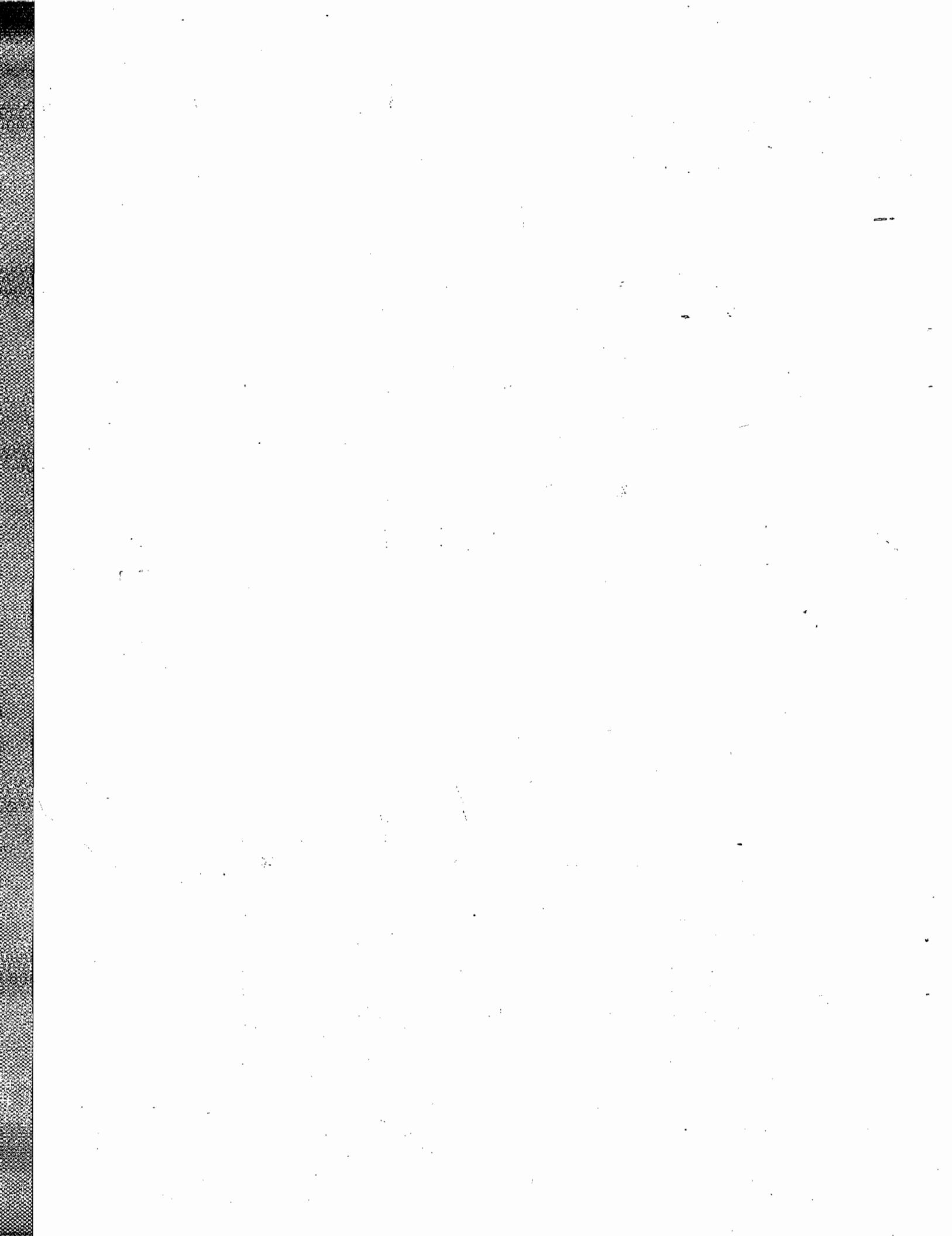
Bolsa Família

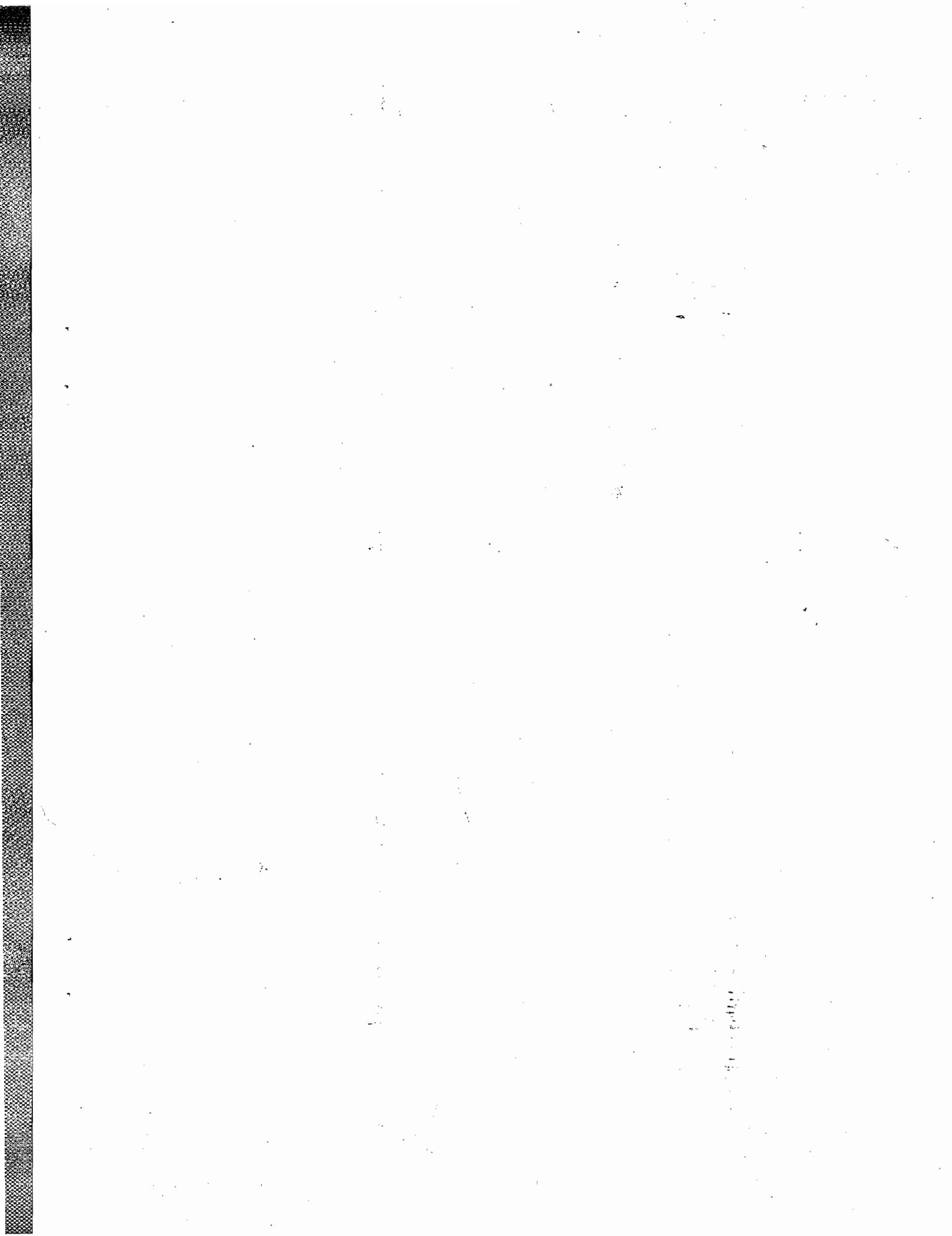
Bolsa Família is a social welfare program of the Brazilian government, part of the Fome Zero network of federal assistance programs (Brazilian government program introduced by President Luiz Inácio Lula da Silva in 2003, with the objective to eradicate hunger and extreme poverty in Brazil). Bolsa Família provides financial aid to poor Brazilian families; if they have children, families must ensure that the infants attend school and are vaccinated. The program attempts to both reduce short-term poverty by direct cash transfers and fight long-term poverty by increasing human capital among the poor through conditional cash transfers. It also works to give free education to children who cannot afford to go to school.

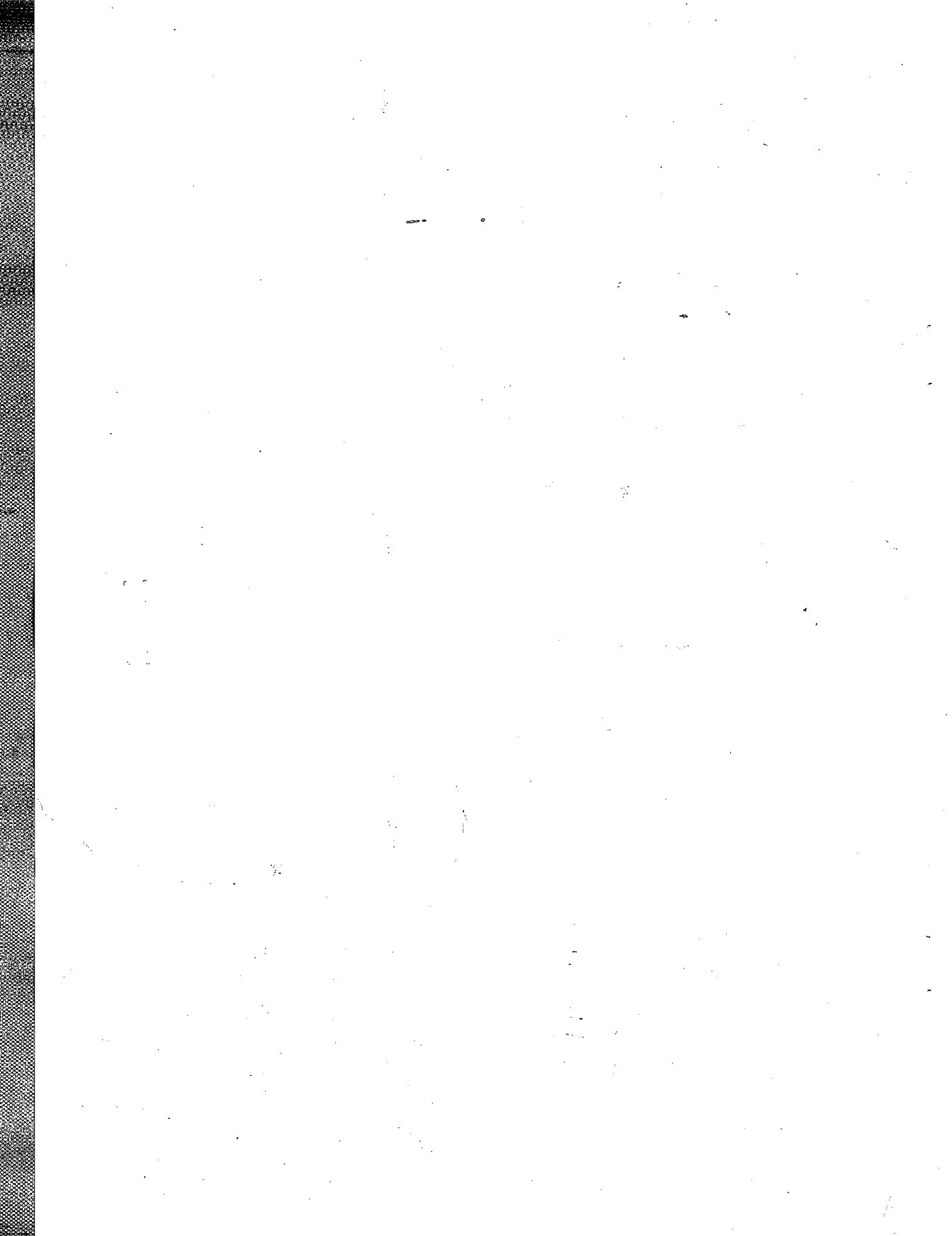
Bolsa Família is currently the largest conditional cash transfer program in the world, though the Mexican program Oportunidades was the first nation-wide program of this kind.

- why not cash instead of cooked food? (MDM)
 - who will cook — mothers go for work
 - how will the money be actually used? (P)
 - ↳ drink, etc.
 - social — education will be (fully) impacted:
 - ↳ school — cd + meal
 - ↳ socialise — interact with other kids
 - ↳ conducive environment in school
 - ↳ getting educated → nutrition
 - hot-cooked meal — not dry ration.
 - Aadhar coverage — not possible here.
 - community play.
- (O) studies the design of MDM to look for probable glitches in its execution.









Subsidies

A subsidy is a grant or other financial assistance usually given by the government to various agents - producers and consumers for a variety of purposes. Subsidies can be direct - cash grants, interest-free loans - or indirect - tax breaks, low-interest loans, depreciation write-offs, viability gap funding, investment allowance etc. Subsidies are used for a variety of purposes, including welfare, shielding from price shocks, employment, production and exports.

Subsidies are regarded by some as a form of protectionism or trade barrier by making domestic goods and services artificially competitive against imports. Subsidies may distort markets, and can impose large economic costs and can lead to inefficiencies. Financial assistance in the form of a subsidy usually comes from one's government.

Production Subsidy

A production subsidy encourages suppliers to increase the output of a particular product by partially offsetting the production costs or losses. The objective of production subsidies may be to expand production of a particular product at a lower price. In such case, the government is also supporting the consumer. For example, agricultural subsidies and fertiliser subsidies in India.

Export Subsidy

An export subsidy is a support from the government for products that are exported, as a means of assisting the country's balance of trade and payments. Subventions in loans and freight subsidy for exporting to far flung countries are examples. Chinese exchange rate policy is a major indirect subsidy to their exporters.

Employment Subsidy

An employment subsidy serves as an incentive to businesses to provide more job opportunities to reduce the level of unemployment in the country, for example, tax concessions to the employment intensive industries. Another form of employment subsidy is the social security benefits.

More in the classroom

Economic Effects

- Non inflationary growth
- Welfare
- Greater production

- International price competitiveness
- Protection to domestic producer
- Subsidies can correct for the under consumption of goods with positive externalities

However, the benefits can be maximised only when the subsidies are transparent, well targeted, and suitably designed for effective implementation without any leakages.

As mentioned above, subsidies have certain negative effects also. Fiscal burden; ruining the producers of other countries, for example, US cotton subsidies etc.

Subsidies in India

The Indian government has, since Independence, subsidised many industries and products. Being a welfare state, Government is compelled to do so. There are public and private goods and some in between. Pure public goods, such as defence and law and order, are identified by the twin characteristics of non-rivalry and non-excludability. Consumption of such a good by one citizen does not diminish the availability to another, and no citizen is denied access to such a good. However, the problem arises in case of many other services, for example, roads, that do not clearly fall into exclusive categories of pure public or pure private goods. They have varying degrees of publicness and therefore belong to an intermediate category. Various studies over more than a decade have revealed how the proliferation of subsidies in India is an outcome of expansion of Government activities in the provision of goods and services that are not pure public goods.

In recent years, the subsidy question has assumed serious dimensions because of the negative externalities generated. While emphasizing the need for merit subsidies (read ahead), Containment and targeting of subsidies is suggested, an essential element of fiscal reforms strategy, as it can serve the following objectives:

- remove economic distortions, thereby improving economic efficiency and growth;
- achieve redistributive objective;
- reduce budgetary burden and release precious resources;
- raise investment and capital formation levels and
- improve the environment by realigning the incentive structure to favour environmentally sound practices.

In the three-way classification of government expenditure — general services, social services and economic services — general services cover fiscal and administrative services like justice, jails and police, which are in the nature of pure public goods. Governments, both at the Central and State levels, actively participate also in the provision of a range of non-public goods under the heads of social and economic services where the users are identifiable and user charges can be levied.

General services consist of i) organs of state ii) fiscal services iii) administrative services iv) defence services, and v) miscellaneous services. These services can be taken as public goods because they satisfy, in general, the criteria of non-rival consumption and non-excludability. The entitlement to these services is common to all citizens. Since they are to be treated as public goods, they are assumed to be financed through taxes.

Important service categories in social services are i) education consisting of general education, technical education, sports and youth services, and art and culture, ii) health and family welfare, iii) water supply, sanitation, housing and urban development, iv) information and broadcasting, v) labour and employment and vi) social welfare and nutrition.

Under the heading of economics services, the following are included i) agriculture and allied activities, ii) rural development, iii) special area programmes, iv) irrigation and flood control, v) energy, vi) industry and minerals, vii) transport, viii) communications, ix) science technology and environment and x) general economic services.

Budgetary subsidies arise when the budgetary cost of providing a good or a service exceeds the recovery made from the users of the good or service. Subsidies are financed either from tax or non-tax revenue, or result in a deficit. Since some subsidies are less justifiable than others, it is important to categorise services in terms of their desirability vis-à-vis subsidisation.

A recent government report (prepared by NIPFP) suggests a three-tier hierarchy of Government social and economic services:

Merit I – Elementary education, primary health-care, prevention and control of diseases, social welfare and nutrition, soil and water conservation, ecology, and environment.

Merit II – Education (other than elementary), sports and youth services, family welfare, urban development, forestry, agricultural research and education, other agricultural programmes, special programmes for rural development, land reforms, other rural development programmes, special programmes for north-eastern areas, flood control and drainage, non-convention energy, village and small industries, ports and light houses, roads and bridges, inland water transport, atomic energy research, space research, oceanographic research, other scientific research, census surveys and statistics, and meteorology.

Non-Merit – All others

Only a part of the Central Government subsidies is clearly visible in the Government's budget document. Such explicit subsidies are on food, fertilizer and fuel. Others are those 'hidden' in the provision of social and economic services.

Food subsidies

Food subsidies in India comprises subsidies to farmers through support prices and purchase operations of the Food Corporation of India (FCI), consumer subsidies through the public

distribution system (PDS), and subsidies to FCI to cover all its costs. Food subsidies are mainly on account of paddy and wheat. The rapid increase in food subsidy in recent years is attributable to what is called the 'economic costs' of foodgrains, which include the minimum support prices paid to farmers in the procurement process. From 2013, the food security commitments further add to the cost.

Minimum support prices (MSP) are based on the recommendations of the Commission on Agricultural Costs and Prices (CACP). In practice, the notified purchase prices have been consistently higher than the MSP recommended by the CACP in recent years.

Periodically, an official committee is set up to recommend the volume of minimum buffer stocks to be maintained at the beginning of each quarter for the purpose of food security. Purchases of the FCI are open-ended in that it has to accept all the grains that are sold to it at the declared purchase price, and this sometimes results in mounting stocks well beyond the buffer stock norms as in 2013 when the buffer is more than 80mt- well beyond the need.

Government from time to time fixes the central issue prices (CIP) of rice and wheat, which together with transportation and retailers' margins, determines the prices at which consumers receive their entitlements at the fair-price outlet in the PDS system.

The main benefits of food subsidies are the resultant food security provided to the citizens, particularly the poor at affordable prices, and incentives to the farmers to keep foodgrains production at a comfortable level.

Large stocks of foodgrains raise the subsidy bill through increased handling and carrying costs along with the losses. Besides, withdrawing such large quantities from the market also results in rising open market prices of foodgrains, neutralizing much of the consumer benefits that the subsidy provides. There are severe regional imbalances in the operation of the entire food subsidy scheme, as FCI's purchase operations are mainly confined to five areas – Punjab, Haryana, Western Uttar Pradesh, Andhra Pradesh and now Chhattisgarh. The implication for the present policy of purchase is that farmers of only a few States get the entire farmers' subsidy. A large percentage of these farmers are, by the nature of operations, not poor.

An analysis of food subsidies in India leads to the conclusion that a large part of the recent problems arise from the relatively high MSPs. In recent years, with the MSPs announced by the Government at levels higher than those recommended by the CACP, procurement has been high and off-take low, resulting in an inevitable build-up of stocks and a bulging food subsidy bill.

The declared MSP has had several other negative fallouts. The first is the impact on foodgrain prices. Since the issue price and the purchase price are linked, higher purchase prices result in higher issue prices and if the issue price is not raised, fiscal deficit balloons.

Further, with a large part of the marketed surplus in FCI warehouses, the lower supply exerts an upward pressure on prices in the open market. Everyone except those farmers with marketable surpluses of foodgrains are affected adversely.

Second, the exclusive attention to wheat and rice has distorted the cropping pattern of farmers in favor of these two foodgrains alone. The higher water and fertilizer intensity of these two crops in turn has had adverse environmental impacts.

Third, the concentration of FCI purchases in just two foodgrains and a few States has facilitated tax exportation by some of these States. Although necessities like foodgrains are normally kept outside the tax net, Punjab and Haryana have imposed taxes such as mandi fees on the purchases of foodgrains. With FCI paying such taxes, the tax gets exported to consumers in other States.

Fourthly, Inefficiencies in the FCI is also responsible for the subsidy bill. Since all costs of FCI are automatically reimbursed in the extant system, there is little incentive to raise efficiency and reduce costs.

Suggestions by experts

MSP should correspond to the CACP-determined C2 cost, which includes all cash costs and imputed cost of family labor. Since these estimates may vary across regions, a simple average of these costs should be used as the uniform MSP. Further, the purchase operations should not be open-ended. Before every sowing season, procurement targets should be fixed on the basis of norms and a margin of error of about 10 per cent. FCI should suspend purchase operations once targets are achieved. The FCI should have the flexibility of adding to these target quantities in specific markets only in case overall procurements fall short of the target in other markets. Decentralization of procurement may should be pursued as a long-run objective to usher in greater efficiency in the purchase and distribution operations, and to distribute the benefits of the price support operations more evenly across the country. In order to enforce efficiency, the reimbursement of costs to FCI should be based on normative unit costs and actual quantity involved, instead of reimbursement on actual basis. DBT may be used to cut costs.

Fertilizer subsidy

In order to control the fluctuations in fertilizer prices, the Government of India regulates the fertilizer market through the Retention Price Scheme (RPS). The RPS is essentially a cost-plus approach with some norms for capacity utilization. The plant specific retention prices (RP) are revised every quarter so that price increases in plant inputs can be taken into account. The retail price of fertilizers is fixed and is uniform throughout the country. The difference between the retention price (adjusted for freight and dealer's margin) and the price at which the fertilizers are

provided to the farmer is paid back to the manufacturer as subsidy. Transportation costs are also compensated.

It was in the aftermath of the economic crisis of 1991 that a serious attempt was made to reform RPS to rationalize the fertilizer subsidies. Government decontrolled the import of complex fertilizers such as di-ammonium phosphate (DAP) and muriate of potash (MOP) in 1992, and extended a flat-rate concession on these fertilizers. But, urea imports continue to be restricted.

It is found that the magnitude of fertilizer subsidy has been increasing and the units are being subsidized for their inefficiency; deserving farmers are excluded and rich farmers are taking benefits.

DBT is the solution to some extent.

Another relevant factor is the distortion of the NPK ratio due to subsidisation of urea and not others.

In the context of Nation's food security, the declining response of agricultural productivity to increased fertilizer usage in the country and to ensure the balanced application of fertilizers, the Government has introduced the Nutrient Based Subsidy (NBS) Policy in 2010 for decontrolled P & K fertilizers. As per this policy, the fertilizers namely DAP, MOP, NPKS complexes, MAP, TSP, Ammonium Sulphate (AS) and Single Super Phosphate (SSP) are provided to the farmers at the subsidized rates based on the nutrients (N, P, K & S) contained in these fertilizers. Additional subsidy is also provided on the fertilizers fortified with secondary and micronutrients as per the Fertilizer Control Order such as Boron and Zinc.

The nutrient based fertilizer subsidy ensures that nutrient are subsidized and not only urea. Thus, farmer can buy what his soil requires and thus benefit from it apart from the other benefits at the macro level.

Fuel subsidies

Till the beginning of the last decade, prices of motor spirit, high speed diesel, kerosene for public distribution system (PDS) and domestic liquified petroleum gas (LPG) were decided by the Government and administered through the Oil Coordination Committee (OCC), and there was an elaborate system of cross-subsidisation of PDS kerosene and domestic LPG through higher prices of motor spirit. Part of the subsidy burden was borne by the PSEs and the rest was borne by the government. Thus, subsidisation in the oil sector was in the nature of a quasi-fiscal operation.

International crude prices are rising steeply and so the fiscal burden to subsidise the fuel is unbearably high. Various public policy options are being considered. Fuel subsidies are found to be badly targeted, with the richest ten percent of households receiving seven times more in

benefits than the poorest ten percent. Although subsidy reform would generate substantial fiscal savings, the associated increases in fuel and other prices would lower household real incomes of all income groups. Better targeting of fuel subsidies would fully protect lower income households while still generating substantial net fiscal savings. Lessons from subsidy reforms in other countries are identified and discussed.

LPG subsidy benefits largely the higher expenditure groups in the urban areas. With regard to kerosene, on a per capita basis, the urban areas receive a larger subsidy. The limited availability of subsidized kerosene in rural areas biases its use in favour of lighting rather than cooking. Moreover, the kerosene subsidy in rural areas is regressive as higher expenditure groups receive more subsidized kerosene than lower expenditure groups. Kerosene subsidy is prone to misutilisation with about half the subsidized kerosene supplies diverted and never reaching the intended groups. These arguments suggest that the LPG and kerosene subsidies need to be revamped.

Generally, it is assumed that clean fuels like kerosene, that are relatively environment-friendly compared to fuel wood, are not used as they are not affordable because of high prices and low purchasing power of the poor households.

LPG subsidy reform

As decided by the National Committee on DBT and approved by the Cabinet, the Direct Transfer of LPG subsidy to the bank accounts of LPG consumers began in June, 2013 in 18 districts.

While the programme was formally launched in Tumkur district of Karnataka, the direct transfer began in 18 districts simultaneously.

The system put in place is that all LPG consumers with Aadhaar numbers and whose bank accounts are seeded with Aadhaar numbers would be given an advance amount of Rs.435/- per cylinder booked, immediately on booking a cylinder. This would be credited automatically in their accounts. They would be supplied LPG cylinders at the market price. The net effect on them is nil as their net cash outflow is equal to the subsidized price of an LPG cylinder.

Other consumers who do not have Aadhaar seeded bank accounts continue to get LPG cylinders at subsidized rates. They have been given a short period of time for seeding their bank accounts with Aadhaar numbers. The Oil Marketing Companies are making renewed efforts to collect the bank account details of LPG consumers to be given to banks for seeding.

The benefits are in the form of elimination of ghost cards and thus significant amounts are saved. Also, the service could be availed of anywhere in the country.

Another LPG reform is that the number of subsidised cylinders available to the eligible persons is reduced to 9 and the rest, if necessary, can be sourced from the open market at commercial rates.

Kerosene

The need for better targeting of subsidies and fiscal consolidation was sought to be extended to kerosene in Kotkasim block in Rajasthan's Alwar district. Kotkasim is running a pilot project of direct cash transfer of kerosene subsidy into the bank accounts of poor using Aadhaar unique identity scheme. The project to deliver subsidies directly to the poor started in Kotkasim in December 2011. Kerosene is now sold in all the Public Distribution System (PDS) shops there at Rs 44.50 per litre, the open market price set by public sector oil companies. In the rest of the country, it is sold at a highly subsidised price — Rs 15.25 per litre in Rajasthan — and the central government pays the difference to oil companies. In Kotkasim, the central government gives the subsidy amount to district administration, which transfers it to eligible ration card holders.

The project covers around 20,000 ration card holders, who had to open zero-balance, no-frills bank accounts for getting the subsidy. Initial public resistance was overcome by the district administration by transferring three months of subsidy in advance to the bank accounts.

However, the pilot did not do well as bank accounts could not be opened; banks were far away; Aadhaar seeding did not take place; upfront payment for the whole kerosene at market rate by the consumer and later he/she would get the money into his account did not work out etc.

Terms of debate

Subsidizing consumers of petroleum (or fuel) products is a common phenomenon in many developing and emerging economies, including in India. Fuel subsidies generally arise out of a desire to shield consumers, especially poor households, from high and often volatile fuel costs for lighting, cooking, and transportation. However, fuel subsidies are both inefficient and inequitable. They encourage overconsumption of fuel, delay the adoption of energy-efficient technologies, and crowd out high-priority public spending, including spending on physical infrastructure, education, health and social protection. Most of the benefits of fuel subsidies also go to higher income groups who tend to consume more fuel. Recognition of these shortcomings has led to an active debate in India as to the merits of replacing these subsidies with better targeted safety net measures.

Fuel subsidy reform has been on the Indian government's policy reform agenda over the last decade. A number of reports have been produced that analyze the approach to fuel pricing in India, the need for fuel subsidy reform, and reform options.

Recognizing the need to reform subsidies, the Indian government has appointed several committees to assess how best to address the issues raised by fuel subsidies:

- Rangarajan Committee Report, 2006. This report recommended that international (or “trade parity”) prices be used as a reference for a more market-based approach to pricing of petrol and diesel. It also recommended that subsidized kerosene should be restricted to below poverty line (BPL) families and the retail price of LPG be raised.
- Parikh Committee Report, 2010. This report recommended that the prices of petrol and diesel be fully liberalized. It also recommended that: (i) subsidized kerosene sold through the public distribution system (PDS) be targeted to BPL families, and its price raised each year according to the growth in nominal agricultural GDP per capita; (ii) the price of kerosene sold outside of the PDS system be set close to that of diesel to eliminate incentives for diversion.
- Nilekani Task Force Interim Report, 2011. This task force was set up to work out modalities for the replacement of in-kind fuel and fertilizer subsidies by direct cash transfers to households using the Unique identification (UID) system currently being rolled out nationwide. The report argued that this would substantially reduce the fiscal cost of subsidies by eliminating the leakage that exists under the current system through beneficiaries receiving multiple benefits (duplication) or benefits for non-existent families or family members (ghost beneficiaries). The report also set out an action plan for implementing pilot reforms.
- Kelkar Committee Report, 2012. This report set out a “roadmap for fiscal consolidation”, including a timeline for the reduction of fuel subsidies. It recommended the elimination of diesel subsidies over a two-year period followed by full price deregulation in 2014. It also recommended the elimination of LPG subsidies over a period of three years, and the reduction of more politically sensitive kerosene subsidies by one-third over the same period.

Subsidy levels are calculated as the difference between international reference prices and regulated retail prices. International reference prices are calculated as the sum of international import prices (inclusive of international freight and insurance charges, as well as landing charges), product taxes (including customs tariffs, central government excises, and state sales taxes), and transport and marketing margins.

The degree of under-pricing differs across products as follows:

India's government has recently taken a number of measures to reform its fuel subsidy system. In June 2010, petrol pricing was liberalized and the intention to liberalize diesel prices announced. In its 2012/13 budget speech, the government stated its intention to limit all central subsidies (including those on fuels) to less than 2 percent of GDP in 2012/13, and reducing them to under 1.75 percent of GDP over three years. In January 2013, the government announced that oil-marketing companies would have greater flexibility in setting diesel prices and that bulk users of diesel would pay unsubsidized prices. However, the government has yet to set out a clear plan and timeline for reforming remaining fuel subsidies.

The magnitude of fuel subsidies has escalated due to increasing international fuel prices. Most of this increase was due to increasing diesel subsidies, which account for about 60 percent of the

total volume of these four fuel products consumed in the country.

The government has financed subsidies through both budgetary and non-budgetary sources(oil bonds). The increase in subsidies over the years was financed mainly by the government issuing oil bonds to OMCs in lieu of direct transfers from the budget, and by increasing financing from upstream companies and OMCs. No oil bonds have been issued since 2009/10. The subsequent sharp increase in subsidies over the next two years has been financed mainly from the budget and by upstream companies. (more in the class: pricing energy etc)

Welfare and fiscal considerations

The impact of increasing domestic fuel prices on the welfare of households arises through two channels. First, there is a direct impact on households faced with higher prices for fuels consumed for cooking, heating, lighting, and personal transport. Second, there is an indirect impact through higher prices for other goods and services consumed by households as higher fuel costs are reflected in increased production costs and consumer prices. Also to be noted is the effect of fiscal savings and spending the same on gainful economic investment.

Such savings can be routed into education, health, or infrastructure.

India's vast subsidies have been severely criticised as allegedly increasing economic inefficiency.

(Cross subsidization is the practice of charging higher prices to one group of consumers in order to subsidize lower prices for another group. For example, petroleum goods in India.)

Subsidy targeting (See above)

Effects of subsidies

Economic effects of subsidies can be broadly grouped into

- Allocative effects: these relate to the sectoral allocation of resources. Subsidies help draw more resources towards the desired sector
- Redistributive effects
- Fiscal effects
- Trade effects

Subsidies may also lead to unintended economic effects as seen above.

Subsidy issues in India

Subsidies have proliferated in India for several reasons. In particular this proliferation can be traced to the expanse of governmental activities and political compulsions(populism). Some of the major issues that have emerged in the literature are indicated below:

- Whether the magnitude and incidence of subsidies, explicit and implicit, have yielded results-

absolutely and relatively.

- decline of real public investment in agriculture is observed due to subsidies which could have been spent on capital formation
- Whether agricultural subsidies distort the cropping pattern and lead to inter-regional disparities in development
- Whether general subsidies on scarce inputs like water and power have distorted their optimal allocation
- Whether subsidies like (food subsidies) have a predominant urban bias
- Whether subsidies are mistargeted
- Whether subsidies have a deleterious effect on general economic growth of sectors not covered by the subsidies
- Whether agricultural subsidies are biased against small and marginal farmers
- How should government services be priced or recovery rates determined
- What is the impact of subsidies on the quality of environment and ecology

Sustainability Issues

An example of potential environmental or sustainability issues arising from the current subsidy structure can be seen in interrelated problems of water and energy consumption in the agricultural sector.

During the Green Revolution in the 1960s and 70s, India's agricultural productivity grew greatly, in part due to a dramatic increase in agricultural irrigation, particularly from groundwater sources. While that increase in irrigation has helped the nation feed itself, it has also created a groundwater crisis, the dimensions of which have become increasingly clear in recent years. Groundwater tables are falling in many areas of the country, from around 20 cm per year in Punjab to 3 to 5 meters per year in parts of Gujarat. The medium to long-term risks to agriculture in such a scenario range from an eventual decline in water resources, to the intrusion of salt-water in coastal areas.

As groundwater tables drop, the pumping of groundwater from deeper and deeper wells requires an ever-increasing amount of electricity. Because electricity for agriculture is subsidized, there is little incentive for farmers to adopt water-saving techniques, creating a vicious circle of water and energy consumption.

Recently, the government of Gujarat has engaged in a pilot program to experiment with ways to shift incentives for farmers toward more water- and energy-efficient technologies and practices. Thus, being a fiscal tool, subsidies can be used for positive outcomes.

Public Policy**Recent trends****Benefits of subsidies**

The relative distribution of the benefits of a subsidy may be studied with respect to different classes or groups of beneficiaries such as consumers and producers, as also between different classes of consumers and producers.

- In case of food subsidy, PDS suffers from considerable leakage and apart from a low coverage of poor; the magnitude of benefit derived by the poor is very small.
- In case of electricity, the subsidy rates have been rising for both agriculture and domestic sectors because the unit cost has been rising faster than the relevant tariff-rate. Also, there is considerable variation in the level of per capita electricity subsidy indicates that, in the richer States, the per capita subsidy is substantially higher as compared to that in the poorer States.
- In case of public irrigation, water has a very high marginal productivity when used in conjunction with HYV of seeds, chemical fertilisers, power and other related inputs. It is the richer farmers who may derive relatively larger benefits because of their capacity to use these allied inputs.
- Subsidies to elementary education form about half of the total subsidies on general education. However, this is not true for all individual States: the share of elementary education is lowest in the high income States and the highest in the low income States (Goa, Punjab and West Bengal actually give higher subsidies to secondary education than primary education). A negative correlation between the level of per capita income and the share of subsidies to elementary education is thus discernible. Most subsidies to higher education accrue predominantly to the better-off sections of society as they have an overwhelming advantage in competing out prospective candidates from the poorer sections in getting admission to courses that are characterised by scarcity of seats.
- For subsidies of health, the greater emphasis on curative health care expenditure often reflects a bias towards the better-off people whereas preventive health care expenditure with much larger externalities would clearly be of greater help to the economically weaker sections of the society.

Agenda for reform

The study brings to the fore the massive magnitude of subsidies in the provision of economic and social services by the government. The macroeconomic costs of unjustified subsidies are mirrored in persistent large fiscal deficits and consequently higher interest rates. In addition, unduly high levels of subsidisation reflected in corresponding low user charges produce serious micro-economic distortions as well. Its prime manifestations include excessive demand for subsidised services, distortions in relative prices and misallocation of resources. These are discernible in the case of certain input based subsidies. These problems are further compounded where the subsidy regime is plagued by leakages which ensure neither equity nor efficiency.

The agenda for reform should therefore focus on:

- Reducing the overall scale of subsidies
- Making subsidies as transparent as possible
- Using subsidies for well defined economic objectives
- Focusing subsidies to final goods and services with a view to maximising their impact on the target population at minimum cost
- Instituting systems for periodic review of subsidies
- Setting clear limits on duration of any new subsidy schemes



Learning outcomes

While almost all six to fourteen year olds in India are enrolled in school, thanks to the RTE, their performance is far below expected levels. The common view is that the problem can be addressed by filling gaps in the system such as inadequate infrastructure or teacher shortage. However, these inputs can only ensure "schooling for all" but not "learning for all". Following are the details about what is the ground level reality and what initiatives are being taken up to fill the learning gaps.

Current available data on student achievement suggest children are performing far below the level that is expected of them. Take a typical Standard V class. The estimates from the Annual Status of Education Report (ASER) 2012 suggests that of all rural children enrolled in Standard V, only half can fluently read text from a Standard II textbook. In arithmetic, only half of all Standard V children can do a basic 2-digit subtraction problem with borrowing - a skill that is expected in Standard II. Of the children who have these basic skills, many have higher-level capabilities too. But for the half who have reached Standard V and do not have the fundamental skills of reading or arithmetic, there are very serious risks of not gaining much from continuing in school and completing eight years of schooling. Using ASER figures, we can estimate that over 100 million children in India are two or more years below their grade level. Under the current circumstances, such children are very unlikely to reach the levels of capability expected of children after eight years of schooling, as mandated by the Right to Education (RTE) Act.

One way to diagnose is to attribute it to: some schools continue to lack adequate infrastructure; several states still face a severe shortage of teachers. Besides, the poor quality of institutional support for teachers' professional development is another reason. These commonly identified challenges related to inputs and institutions are visible even to the common man. The usual assumption is that if these gaps are filled, children will learn well.

But there is another less visible problem that plagues Indian classrooms. This may be at the root of why children are not learning. Going back to the typical Standard V classroom, try to imagine the challenge for the teacher. In our typical school, the Standard V teacher uses the Standard V textbook, trying to cover the material and activities that the textbook lays out. But whom should she teach? And how should she do it? Should she focus on those children who have basic skills, who are more likely to attend school regularly and are therefore easier to teach? What should she do with the other half of the class who are not even at Standard I or II level? This is a problem faced by almost all primary school teachers. Try to imagine the daily challenge for the teacher in her classroom. Try to imagine what this "low learning trap" does to children.

Sadly, it appears as though educated citizens, education experts, planners and policymakers, central, state and local governments do not see this problem. A typical Indian school (government or private) focuses on completing curriculum and is not structured to provide extra help to children who are not moving ahead at the expected pace or to those who are falling behind. Without the learning support that is critical, a large fraction of Indian children slip through the cracks. The problem is made worse by textbooks and curriculum whose pace and content accelerates through the primary school years. An excellent paper by Pritchett-Beatty in 2012, titled "The Negative Consequences of Overambitious Curricula" lays out the issue very well - "If the official school curriculum covers too much, goes too fast and is too hard compared

to the initial skill of the students and the ability of the schools to teach this can produce disastrous results. An overambitious curriculum causes more and more students to get left behind early and stay behind forever". Unlike the problems of access and inputs that are visible, the situation of low learning worsens quietly within classrooms and schools and is invisible to the world outside.

What has been done so far to tackle this less visible problem? During the last century, schools all over the world have been organised by age and grade. According to their progression in age, children move from one grade to the next, regardless of the underlying learning composition of students. What if we were to tweak this organisational principle of schools, and group children by level of learning rather than by grade? Would these changes in grouping accompanied by appropriate changes in instruction lead to more effective teaching situations and better learning outcomes?

Using the principle of "teaching by level", several large-scale experiments have been tried in recent years in India with promising results. In June 2008, the Bihar government conducted month long "[summer camps]" Children enrolled in Standards III, IV and V who were not yet at Standard II level were targeted for the camps. At camp, children sat in groups with other children at the same ability level, regardless of their age or grade. Each instructor had children who were at the same learning level and used appropriate materials and methods for children at that level. The idea was to start with where the children were and utilise the free time in the summer holidays to move children towards where they needed to be. The modest goal for the summer camp was to bring all these children who had fallen behind to at least a Standard II level. Although the camps were hurriedly organised, an external, randomised, evaluation by MIT's Poverty Action Lab showed significant improvements in learning for the targeted children who attended summer camp. Even more noteworthy is the fact that the gains that the summer camp children made were sustained even two years later.

Other states have incorporated the "teaching-by-level" concept into the normal working of the school during the school year. In 2009-2011, the Punjab government implemented a state-wide programme to improve basic learning outcomes. Two hours during the school day were set aside for this purpose. During this time, children from Standard I to V were grouped by their learning level and existing teachers were assigned to the groups. Teachers were trained to use appropriate methods and materials with each group. As each child progressed, she or he could move into the next group. Clear goals, strong training, mentoring and monitoring for teachers, systematic assessment and periodic review helped to ensure that the programme delivered good results.

During the last school year, in two districts in Bihar (Jehanabad and East Champaran) and another two districts in Haryana (Kurukshetra and Mahendragarh), similar interventions were implemented by the district administrations. For example, in Jehanabad, in August 2012, of the 16,000 children who were assessed, only 30% of children in Standards III, IV and V could read simple paragraphs or short stories. An evaluation showed that the number rose to 72% by the end of February 2013, despite many discontinuities due to holidays in that period.⁴ Further, the Jehanabad effort also led to increased attendance in schools, increased parent awareness not just about schooling but also about learning, a visible energising of the entire school system, and improved school functioning. These district-level experiments have led the Bihar state government to think seriously about a scale up in the 2013-2014 school year.

*Issue of 'intense curriculum' — not acc to the ability
of the children.*

SRI RAMS IAS

Achieving learning for all

To address the challenge of teaching-learning in primary grades we must make concerted efforts to tackle three issues. To help all children in Standards III, IV and V reach the level expected of them at their grade, there is a dual challenge: first, basic skills need to be built, and built fast and in a durable way. Second, these children have to be enabled to be able to cope with what is required of them for the grade in which they are studying. Finally, to alleviate this dual challenge in the future, by the end of Standard II children need to have developed foundational skills of reading, writing, critical thinking, arithmetic and problem solving.

Teacher training on a continuous basis is also important as RTE emphasises on it.

The education chapter in the 12th Five Year Plan document places children's learning outcomes at the centre of the stage. The spirit of the RTE Act also is to "guarantee" that by the time children complete eight years of schooling, they become capable of dealing with whatever lies ahead for them. The prevailing belief among decision-makers is that increasing inputs, improving infrastructure and "tightening systems" will lead to the change we desire. While the input based and "business as usual" "theory of change" may be necessary to achieve "schooling for all", it will not enable India to reach the goals of "learning for all". Like the cases described above, it is essential that we take a close look at solutions that have been implemented and found to be effective and successful. In each of these cases, a fundamental departure from "business as usual" was needed along with a major shift in the usual mindset of the decision-makers and implementers. Setting of clear and achievable goals, grouping children by ability instead of age/grade, supporting teachers, conducting systematic basic assessment, and steadfast leadership have enabled government school teachers (and their cluster coordinators, block and district officials) to achieve results in six months that they had not been able to catalyse in the last 4-5 years!

Almost all children in the 6-14 age group in India are enrolled in school. In the coming school year, we must undertake concrete steps for putting India's children on the path of achieving the full potential of their capabilities. Each state must publicly declare their learning goals and articulate concretely their plans for achieving higher learning outcomes for at least the next two to three years. It is urgent that we face our realities squarely to fulfill children's hopes for the coming school year and enable India to reach its national goals for growth and equity.

Education index

The United Nations publishes a Human Development Index every year, which consists of the Life Expectancy Index, Education index, and Income index. The Education Index is calculated from the Mean years of schooling index for adults and the Expected years of schooling index for children.

Narayana Murthy Committee on Higher Education

To boost the involvement of the private sector in higher education in India, the committee, headed by Infosys Technologies founder N R Narayana Murthy, has suggested path-breaking measures like free land for 999 years, 300 per cent deduction in taxable income to companies for contributions towards boosting higher education and 10-year multiple entry visas for foreign research scholars. The committee said accreditation should be made mandatory for all universities and programmes run by such universities.

To enable students from unprivileged backgrounds to avail of services quality higher education, the panel suggested proposed a scholarship fund with a corpus of Rs 1,000 crore. "All

accreditation → ?

National Knowledge Commission → ?

SRI RAM'S IAS

contributions made by the corporate sector for this fund should be granted tax exemption of up to 300 per cent of their contribution," it said. The committee also said a National Educational Loan Fund with a corpus of Rs 100,000 crore should be set up by public sector banks to disburse long-tenure loans.

On land for educational institutions, the committee said that all norms floor space index should be relaxed to encourage compact city campuses and ensure optimal land utilisation in urban areas.

To ensure big companies were invited to participate in the process of developing higher education, personal invitations should be sent by the prime minister to 25 Indian companies and 25 eminent, high net worth individuals to start a university on meeting the set conditions, the panel said.

The panel's report was considered while framing the final document for the 12th five-year Plan.

EDI

Educational Development Index (EDI) is developed by National University of Educational Planning and Administration. For third year in a row, Puducherry has topped the EDI and is followed by Lakshwadeep and Punjab. Punjab has shown a remarkable progress and has moved from the seventh to the third rank. Bihar and Jharkhand remain at the bottom of ladder at 35th and 34th rank.

The score of Puducherry is 0.870, much less than an ideal figure of 1, which means that there is still scope for further improvement.

The EDI is prepared after taking into account four components - access, infrastructure, teachers and outcomes. In case of access, the two important factors were looked into - availability of schools per 1,000 child population and ratio of primary to upper primary schools.

The study was based on the data received from as many as 1.36 million schools spread over 637 districts across 35 states/UTs. In other findings, the overall enrolment of students in class I-V is better for private schools compared to government schools.

THE HIGHS AND LOWS		
Overall	BEST PERFORMERS Puducherry, Punjab, Lakshwadeep	WORST PERFORMERS Bihar, Jharkhand and Assam
Infrastructure	Sikkim, Punjab and Puducherry	Assam, Bihar and Meghalaya
Access	Arunachal Pradesh, Meghalaya and Jammu & Kashmir	A&N Islands, Lakshwadeep and Jharkhand, Bihar

Social protection

It is defined by the United Nations Research Institute For Social Development, is concerned with preventing, managing, and overcoming situations that adversely affect people's well being.^[1] Social protection consists of policies and programs designed to reduce poverty and

vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to manage economic and social risks, such as unemployment, exclusion, sickness, disability and old age.

Most common types of social protection:

- Labor market interventions are policies and programs designed to promote employment, the efficient operation of labor markets and the protection of workers.
- Social Insurance mitigates risks associated with unemployment, ill health, disability, work-related injury and old age, such as health insurance or unemployment insurance.
- Social Assistance is when resources, either cash or in-kind, are transferred to vulnerable individuals or households with no other means of adequate support, including single parents, the homeless, or the physically or mentally challenged.

ADB has made Social Protection Index (SPI); simple indicator that divides total expenditures on social protection by the total number of intended beneficiaries of all three social protection programs e.g., social insurance, social assistance, and labor market programs. The SPI can be disaggregated into the depth and breadth of coverage of social protection. Depth means the average size of benefits received by actual beneficiaries, and breadth means the proportion of intended beneficiaries who actually receive benefits. The SPI can also be disaggregated into its impact on the poor and the non-poor, as well as into its impact on women and men. In general, the SPI can be used to highlight the relative importance of those three major social protection programs.

In mid-2013, ADB SPI report lauded MGNREGA of India. Giving a pat on the back to the government's flagship Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), a recent study by the Asian Development Bank has said it is a very effective labour market programme. However, India's performance for over all social protection is below average. India was rated 0.051 on the Social Protection Index (SPI) of the ADB that measures national social protection programmes to address poverty and vulnerability. India, which lagged behind countries including Mongolia, Vietnam, Sri Lanka and Nepal, spent just 1.7 per cent of its GDP on social protection programmes.

FRBM Act

Fiscal Responsibility and Budget Management (FRBM) Act was made in the year 2003. The FRBM Act 2003 was further amended. The FRBM Act provides rules for fiscal responsibility of the Central Government.

The main objectives of FRBM Bill / Act are:-

- To reduce fiscal deficit
- To adopt prudent debt management.
- To generate revenue surplus.

The amendment of the FRBM Act 2003 which, inter alia, incorporates a "Medium-term Expenditure Framework Statement" (MEFS) is a significant initiative taken in 2012-13 towards fiscal consolidation. Under the amended FRBM Act, the government seeks to:

- Eliminate effective revenue deficit (which excludes grants for creation of capital assets from revenue expenditure) by 2014-15.
- The MEFS would set out three-year rolling targets for expenditure indicators as part of the strategy to improve the quality of public expenditure management.

FRBM 2012-13

- o Introduction of amendments to the FRBM Act as part of Finance Bill, 2012.
- o Concept of "Effective Revenue Deficit" and "Medium Term Expenditure Framework" statement are two important features of amendment to FRBM Act in the direction of expenditure reforms.
- o Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets. This will help in reducing consumptive component of revenue deficit and create space for increased capital spending.
- o "Medium-term Expenditure Framework" statement will set forth a three-year rolling target for expenditure indicators.
- o Recommendations of the Expert Committees to streamline and reduce the number of centrally sponsored schemes and to address plan and non-plan classification to be kept in view while implementing Twelfth Plan.
- o Central Plan Scheme Monitoring System to be expanded for better tracking and utilisation of funds.

Government is resolved to keep central subsidies under 2% of GDP in 2012-13. Over next 3 years, to be further brought down to 1.75%. Subsidies related to administering the Food Security Act will be fully provided for.

Nss

Poverty has decreased by 15.3% between 2004-05 and 2011-12, according to NSSO data (July 2013).

According to the latest figures, the percentage of the country's population living below the poverty line declined from 37.2% in 2004-05 to 21.9% in 2011-12. This means there are nearly 26 crore poor in the country as against 40.73 crore in 2004-05. In urban areas, around 13.7% people are living below poverty line while in rural India 25.7% are poor. In rural areas, the number has reduced from 32.58 crore to 21.72 crore.

Poverty decline was sharpest in poorer states of Odisha and Bihar. Odisha has registered the sharpest decline with percentage of BPL population came down from 57.2% in 2004-05 to 32.6% in 2011-12. In Bihar there is substantive decline with the percentage of the BPL population coming down from 54.4% in 2004-05 to 33.7% in 2011-12.

Rajasthan is among the better performers as poverty in the state declined from 34.4% in 2004-05 to 14.7% in 2011-12. In Madhya Pradesh 48.6% people were poor which has come down to 31.7% in 2011-12. In Gujarat, there were 31% poor in 2004-05 which has reduced to 16% in 2011-12. There were 40.9% poor in Uttar Pradesh in 2004-05 which has declined to 29.4% in 2011-12. Andhra Pradesh marked a significant decline in poverty from 29.6% in 2004-05 to 9.2% in 2011-12.

The decline in poverty was comparatively steeper in rural areas, where the percentage of people living below poverty line fell to 25.8 per cent (2011-12) from 42 per cent (2004-05). The poverty rate declined in rural areas by nearly 17 percentage points, between 2004-05 and 2011-12 against around 12 percentage points in urban areas at an all-India level.

According to this assessment of poverty, using the Suresh Tendulkar Committee methodology, in Sikkim, Goa, Tamil Nadu, and Andhra Pradesh recorded the lowest poverty rate in urban areas in 2011-12. Sikkim had the lowest at 3.6 per cent BPL; Goa was at 4 per cent, Tamil Nadu stood at 6.3 and Andhra was 6.2.

The data also show that the steepest decline in poverty was in India's poorer states. Moreover, among the five states where rural areas performed better in terms of reduction of BPL include Madhya Pradesh, Rajasthan, Uttar Pradesh, Chhattisgarh and Jharkhand.

Some question the decline as the line has to be redrawn according to the Rangarajan committee that is expected to submit the report by December 2013. The line was drawn at Rs 28.65 per capita daily consumption in cities and Rs 22.42 in rural areas at current prices. The official argument is that whatever be the poverty line, there will be decline in percentage terms.

Plan panel's earlier figures showed that poverty was declining by 1.5 percentage points from 37.2% to 29.8% between 2004-05 and 2009-10. The commission had the NSSO do the survey all over again(68th round) as poverty figures were magnified as 2009-10 was a drought year,

The employment readings from the NSSO data:

The latest round of NSS - the 68th employment-unemployment round - brings good news for jobs. The data for 2011-12 shows that total employment in the economy has risen from 460.2 million in 2009-10 to 472.9 million in just two years. This is good news compared to the previous five-year period that saw an increase of only 2.5 million jobs over 2004-05 and 2009-10.

Another piece of news is may be good is the number that is employed in agriculture. Some like Santosh Mehrotra interpret it as follows: that the pace of structural transformation in the economy - that is, a shift in employment out of agriculture towards industry and services - has gained pace. Employment in agriculture had been rising since Independence in absolute terms, and it rose by 21 million during 2000-05. But it fell during 2004-05 and 2009-10 by 14 million. It has since continued to decline. During 2009-10 and 2011-12, agricultural employment fell by 13 million in absolute terms, the fastest decline in such employment. The share of agriculture in total employment was 60% in 1999-2000 and fell to 53% in the 10-year period ended 2009-10. In 2011-12, the share of agriculture in total employment stood at 49%, a four-percentage-point fall within two years.

*Structural
transformation
of economy* However, the decline may also be read as farmers in distress are leaving agriculture which also gives rise to feminisation of agriculture with all the attendant miseries.

*not
supported
by job
market* One of the disturbing facts that the 2009-10 NSS data showed was that for the first time, manufacturing employment saw an absolute decline when the sector grew by over 9%. During 2004-05 and 2009-10, manufacturing employment fell by 5 million after having increased by 12 million in the first half of the decade. Also, services employment, which increased by over 18 million during 2000-05, rose by merely 3.5 million during 2005-10 even though services output grew by about 10% per annum during the period. The only saving grace was the construction sector that provided 18 million work opportunity during 2004-05 and 2009-10. This is jobless growth.

*Moderate
inflation* The good news continues when one looks at increasing industrial as well as services employment in 2011-12. During 2009-10 and 2011-12, industrial employment (manufacturing + non-

manufacturing) grew by 14.5 million. While the break up between manufacturing and non-manufacturing sector employment is not given for 2011-12, it is expected that it is mostly in the construction sector.

During 2004-05 and 2009-10, it was the 18 million increase in construction employment, offset by a 5 million decline in manufacturing jobs, that resulted in an increase of 13 million jobs in the five-year period in the industrial sector as a whole.

Services sector employment has witnessed an overwhelming increase in these two years. While it grew by merely 3.5 million during 2004-05 and 2009-10, it rose by 11 million in just two years, during 2009-10 and 2011-12.

The rise in regular and salaried employment highlighted by this latest NSS round is also noteworthy. During this two-year period, regular workers increased by 13 million. This is good news given that regular wage/salaried employment is considered employment with better work conditions and some measure of social security. However, unlike the earlier five-year period of 2005-10, self-employment increased by 11 million and casual workers declined by 12 million.

Men and women continue to fare differently in terms of job opportunities. During 2000-05, 26 million females joined the workforce. More than 90% of the incremental workforce among rural females became self-employed in agriculture - a sign of rural distress. In the latter half of the decade, by contrast, while male employment increased by 23.2 million, female employment declined by 20.7 million. Around 20 million rural females withdrew over 2005-10 from the workforce, and most of them from agriculture.

Minimization of unemployment

Even during 2009-10 and 2011-12, the female labour force participation rate, especially for rural females, continues to fall. However, compared to a withdrawal of 21 million females from the workforce in the second half of the decade, there is an increase of about 1.5 million female workers, guided by greater opportunities in urban areas, during 2010-12.

Get out!

One interpretation for female labour force participation rate receding is: family incomes are high; education should be preferred so that a higher job with better skills could be available. Another reading is that women are not being preferred in a job market that is shrinking.

Thus, the five-year period between 2004-05 and 2009-10, recording the highest growth rates of over 8% per annum, experienced jobless growth, except in construction. Findings from the latest survey seem to suggest the reversal of this phenomenon.

Centrally sponsored schemes: Chaturvedi committee

States will get more flexibility in utilizing funds for centrally sponsored schemes after the cabinet in June 2013 approved a proposal to restructure such programmes. The cabinet cleared the Planning Commission's suggestion to reduce about 170 such programmes to 66. Now the district collectors would have to deal with fewer schemes. Guidelines have been made flexible for the states and 10% flexibility has been introduced. Scheme guidelines will be tailored to suit the requirements of the states, which will allow to incur expenditure under any programme of up to 10% of the central fund allocation for the scheme.

To suit the requirements of the states, the cabinet has also approved that a scheme may have state-specific guidelines which may be recommended by an inter-ministerial committee

constituted for this purpose. Besides, the financial assistance to the states in these schemes would be provided through the consolidated funds of the states," the government said in a statement.

Centrally sponsored schemes are development measures. No scheme has been abolished. For 2013-14, Rs.1,86,816 crore has been compressed into 66 programmes, out of which Rs.18,700 crore will be flexible" for utilization by the states. The cabinet also decided to list 17 schemes as flagship programmes of the government. These will be schemes with significant outlays for major interventions in health, education, irrigation, urban development and infrastructure. A committee headed by Planning Commission member B.K. Chaturvedi had in 2011 recommended reducing the number of government schemes from 147 to 59 to minimize overlaps in scheme objectives and improve monitoring. This decision has taken into consideration the diversity of the states in accordance with the needs.

Several states for long have been demanding the streamlining of centrally sponsored schemes and making them flexible.

At the National Development Council meeting in December 2012, many other states had also demanded greater flexibility over funds in centrally sponsored schemes, especially since they are expected to contribute 10-30% of a scheme's funding.

In May 2013, a Group of Ministers, headed by Agriculture Minister Sharad Pawar, had approved merging of 147 CSS into 70 schemes.

The ministerial panel had approved setting up of a flexi-funds system in each scheme, under which state governments can use 10 per cent of the Budget allocated for CSS within the broader framework of the flagship programme.

Critical analysis: The Union cabinet s approved a Planning Commission proposal to downsize Centrally Sponsored Schemes (CSS) from the current 147 schemes to 66. It will inject flexibility in implementation by creating a "flexible fund", of up to 10 per cent of scheme outlays, for state governments to develop their own schemes. These proposals are an important step in reforming social policy administration. CSS have long been criticised for encouraging a centralised, one-size-fits-all approach. These reforms could pave the way for an ambitious restructuring that not only reduces centralisation but also builds an inter-governmental transfer system that privileges local innovation and rewards outcomes.

CSS are specific-purpose fiscal transfers from the Centre to states for implementing social sector programmes, including the Sarva Shiksha Abhiyan and MGNREGA. Over the years, CSS have become rather popular. Fiscal transfers through CSS now rival constitutionally designed routes, like grants under Article 275 or revenue sharing arrangements. In 2012-13, fiscal transfers through CSS and the Additional Central Assistance exceeded Rs 3,08,000 crore, while transfers through revenue share arrangements and grants in aid, amounted to Rs 3,66,000 crore.

By design, CSS privilege a centralised administrative system and, typically, cover domains that are state and local government subjects, such as health and rural roads. Yet, key decisions like

budgetary allocations and implementation strategies are taken by the Centre. State governments contribute a share of the finances and implement the scheme, but have little or no say in design. Many CSS do require state governments to prepare annual plans, identifying priorities and budgetary requirements. But it is the Centre's priorities that get funded. The consequence is that states often lack ownership, and when implementation is weak, the Centre can easily blame states, as it often does.

The proliferation of CSS in recent years has deepened this centralisation. States end up pooling the bulk of their financial resources for contributing their share of CSS. As Indian politics becomes more decentralised, the administrative architecture and delivery mechanism also should.

Administratively, CSS are difficult to implement. Each scheme has its own planning, monitoring and accounting requirements. Additionally, many CSS have set up and fund societies that run parallel to the state administration and local government. The result is a institutional environment with multiple, parallel and stand-alone management systems where responsibilities overlap. Worse, this bewildering array of implementation systems and overlapping responsibilities allows every level of government to pass the buck. Not only do these parallel bodies perform functions that are constitutionally the domain of local governments but the multiplicity of implementation arrangements also makes integrated district plans the backbone of local government impossible.

Trimming the number of CSS and introducing a flexible fund will certainly help streamline management and plant the seeds for greater state ownership. But if the design flaws in CSS are to be fixed, the scope of the restructuring will have to be broadened to include the following change: the integrating parallel bodies back into the state administration and local government structure and clearly articulating roles for each level. The expert committee report on panchayats and CSS under Mani Shankar Ayyar (April 2013) expands on this method to develop model "activity maps" for all CSS. These offer useful starting points for integrating parallel bodies and ensuring an optimal division of labour across levels of government.

DRDA
W. B.
Sarkar

In this scenario, the role of the state and Central government would shift from being micro-managers to being goal setters and performance monitors. This could serve as the foundation for an outcomes-based fiscal transfer system where state and local governments are given money on condition of meeting certain clear outcome targets.

JSY

About 56,000 women die in India every year due to pregnancy-related complications, according to the Ministry of Health and Family Welfare, and the maternal mortality ratio (defined as the number of maternal deaths per 100,000 live births) is 212. Nearly half of these deaths occur due to sepsis and hemorrhage that are preventable through safe deliveries and adequate maternal care available in hospitals.

Government of India launched the Janani Suraksha Yojana (JSY) in 2005 under the National Rural Health Mission (NRHM) to ensure safe motherhood. JSY has so far reached 10 million pregnant women.

The scheme hopes to reduce maternal and neo-natal mortality by encouraging institutional care of poor, pregnant women. JSY is fully sponsored by the Central Government and provides cash incentives including out-of-pocket expenditure incurred by pregnant women in the form of Rs.1,400 for rural women and Rs 1,000 for urban women.

There is also cash reimbursement for transport and incentives to Accredited Social Health Activists (ASHAs) to ensure that mothers opt for institutional delivery.

The Central Government has identified nine high focus states to be covered under the programme as they account for 48% of the country's population, 62% of maternal deaths and 70% of infant deaths based on data from the Sample Registration System (SRS) health bulletin in 2007-09 and the Annual Health Survey (AHS) conducted in 2011. The states where there is a low rate of Institutional deliveries are classified as 'Low Performing States(LPS)' (the states of Uttar Pradesh, Uttarakhand, Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Assam, Rajasthan, Orissa and Jammu and Kashmir), whereas the remaining states are termed as High Performing States(HPS).

For the effective monitoring of the scheme, monthly meeting of all ASHAs /health workers working under an ANM (auxiliary nurse midwife) should be held by the ANM, on one day of every month, at any of Anganwadi Centres falling under the ANM's area of jurisdiction. Monthly reports and Annual reports also need to be submitted to the department in a format decided by the government for the effective monitoring at the government level.

The scheme has increased its reach from 738,911 beneficiaries in 2005-06 to 10,937,383 beneficiaries in 2011-12. The highest number of beneficiaries in 2011-12 was in Uttar Pradesh, a high focus state, at 2,327,830 followed by Bihar (1.43 million) and Madhya Pradesh (1.08 million). Goa had the least number of beneficiaries (1,673) during 2011-12.

The overall allocation for the scheme increased from Rs 38.3 crore in 2005-06 to Rs 1,741 crore in 2011-12.

Due to JSY, Uttarakhand has almost halved its maternal mortality ratio followed by U.P (3.8%) and Assam (2.3%), which means fewer women are dying during pregnancy/child birth. (MMR is defined as the number of maternal deaths per 100,000 live births).

The scheme has, however, come in for criticism that although it promotes the use of institutional care, infrastructure like primary health centres are not available. And the available units are not equipped to deal with institutional delivery. The government has now extended the programme to cover newborns: the Janani Shishu Suraksha Karyakram seeks to eliminate out-of-pocket expenses for pregnant women and sick newborns and provide proper institutional care for the sick newborns. The government has allocated Rs1,437 crore for the programme under NRHM.

Accomplishments

- Janani Suraksha Yojana has increased its reach from 738,911 beneficiaries in 2005-06 to nearly 11 million in 2011-12
- Government has increased spending on the programme from Rs 38 crore in 2005-06 to over Rs 1,700 crore in 2011-12
- Uttarakhand has almost halved its maternal mortality ratio followed by Uttar Pradesh and Assam

JSY and IGMSY

Both are targeted at pregnant mothers and new borns. JSY as seen above seeks to achieve MMR reduction by promoting institutional delivery. It is operated by the Union Health Ministry.

Indira Gandhi Matritva Sahyog Yojana has a wider objective. It is operated by the Women & Child Development Ministry. It targets mother & child. It helps by providing her compensation for wage loss due to childbirth through cash Transfer but women who get paid maternity leave i.e, working women are not entitled to such cash transfers. These benefits are available for first two live births .It is necessary to merge the two schemes in the exercise to reduce the centrally sponsored schemes- as they have very similar objectives.

Development and the spread of Extremism

Assessments of India's internal security challenges take into consideration various threats in various regions, how they are connected- insurgencies, terrorism etc; communalism, international crime syndicates etc.

A succession of high-profile terrorist attacks across India outside the areas of chronic terrorist and insurgent conflict through 2008, culminating in the dramatic and devastating attacks in Mumbai on November 26, 2008, created an enveloping atmosphere of insecurity in the country. Apart from terrorism and insurgency, lesser conflicts including caste and communal conflicts, as well as criminal disruption appear to have attained a measure of stability over the decades. Poor governance and declining standards of administration including within the areas of security and justice have been observed to be among the reasons.

In the realm of security, globalisation has produced a whole new range of interactive threats and risks. Globalisation has also led to a blurring of the distinction between external and internal threats.

While it has enormously benefited many, the unequal and often inequitable process of globalization has at the same time marginalized large populations, generating a widening schism between two emerging worlds. Nowhere is the schism more dramatically manifest than in Asia. India's external environment hardly lends itself to stability, and this is demonstrated with particular urgency by the 2009 Failed State Index. According to the index, 25 of the 60 states most at risk of failure are located in Asia. Significantly, every country that shares India's borders is among those countries listed Afghanistan ranks 7th; Pakistan, 10th; Myanmar, 13th; Bangladesh, 19th; Sri Lanka, 22nd; Nepal, 25th; Bhutan, 48th; and China, 57th. South Asia is also the new epicenter of global terror with "Af-Pak" at its core and Bangladesh having an important place. This is the quintessential "bad neighborhood," arguably "the most dangerous place on earth."

Extreme uncertainty and instability, consequently, afflict all aspects of South Asia's enveloping geopolitical context. Briefly, the principal elements that compound regional destabilization include:

1. The release of a variety of violent nationalist and subnationalist movements across Asia and Eastern Europe
2. The resurgence of radical political ideologies of mass mobilization, including religious particularly but not exclusively Islamist extremism, ethnic fundamentalisms, and Maoism, across wide regions
3. The emergence of "new ways of warfare" specifically terrorism and sub-conventional wars and their adoption by both nonstate actors and a number of state entities to secure political goals
4. The proliferation of technological force multipliers and sophisticated weapons and explosives among nonstate groups, facilitated by irresponsible, predatory, and rogue states

5. Widening areas of escalating environmental, economic, resource, and social stresses
6. Rising challenges to state power, the progressive weakening of governments, and widening spheres of non-governance and disorder

Three principal streams of conflict presently dominate the Indian internal security scenario: Islamist extremism and terrorism, left-wing (Maoist) insurgency, and ethnic fundamentalisms and militancy. End-of-year assessments for 2011 indicated that as many as 254 of India's 640 districts are afflicted by chronic conflict variables connected with these various threats. In addition to these theaters of chronic extremism, sporadic attacks have also been executed across the length and breadth of the country, principally by Pakistan-backed Islamist terrorist groups, though now also including at least attack by an incipient extremist group based in Hindutva (the Hindu right wing).

Islamist terrorism, overwhelmingly spawned and supported by Pakistan, finds its principal locus in the north Indian state of Jammu and Kashmir, but has seen progressive expansion through terrorist mobilization, subversion, and attacks across the country. As international pressure to decrease terrorism in Jammu and Kashmir mounted on Pakistan, and as domestic circumstances in the country worsened rapidly, Pakistan's Inter-Services Intelligence (ISI) handlers have found it expedient to increasingly redirect the terrorist groups into areas outside Jammu and Kashmir. A steady stream of Islamist terrorism and subversion has been sustained in widening theaters across India over the past several years, culminating in the startling attacks in Mumbai in November 2008.

The networks and support structures of a multiplicity of Islamist terrorist organizations operating in India have been painstakingly constructed by the ISI and, backed by enormous flows of financial support from West Asia and affluent expatriate Muslim communities in the West, are engaged in a sustained strategy of "erosion, encirclement, and penetration". There is now no doubt that the Mumbai carnage of November 26–29, 2008, was engineered by the Pakistan-based Lashkar-e-Taiba (LeT), which has been permitted to operate openly in Pakistan under the name Jamaat-ud-Dawa (JuD) since its supposed ban in 2002. In addition to the Lashkar formation, the most significant terrorist groups created by the ISI that operate in India include what can be spoken of as the "Harkat Triad," comprising the Harkat- ul-Jihad Islami (HuJI), the Harkat-ul-Mujahideen (HuM), and the Jaish-e-Mohammad (JeM), each of which is also linked with the Afghan jihad, the Taliban, and al Qaeda.

There are a number of other Pakistan-based groups operating in India, playing roles of varying significance in the machinery of Islamist terror that has been assembled over the years, including some that have substantial Indian membership. Students Islamic Movement of India (SIMI) has been involved in terrorist activities principally as a facilitator for various Pakistan-based groups since the 1990s, providing a range of services, such as couriers, safe havens, and communication posts for specific terrorist operations or terrorist cells. There has always been an Indian face to terrorism. Terrorism in Kashmir, which has been unambiguously Islamist despite its

subnationalist pretensions, was initiated by Indian cadres. Similarly, the 1993 Mumbai blasts were engineered by an Indian organized-crime group, the Dawood Ibrahim gang. Thereafter, groups such as the al Umma, the Deendar Anjuman, the National Development Front, and the Islamic Sevak Sangh, among others, executed a succession of serial blasts throughout the 1990s. Crucially, however, the transition of each of these groups to terrorist activities and often the very creation of these groups has been facilitated and supported by Pakistani agencies and actors.

Naxalism

Naxalism refers to militant Communist movement operating in different parts of India under different organizational names. In the eastern states of the mainland India (Chhattisgarh, Jharkhand, West Bengal and Odisha), they are usually known as, or refer to themselves as Maoists while in southern states like Andhra Pradesh they are known under other titles. They have been declared as a terrorist organization under the Unlawful Activities (Prevention) Act of India (1967).

The term 'Naxal' derives from the name of the village Naxalbari in West Bengal, where the movement had its origin. The Naxals are considered far-left radical communists, supportive of Maoist political sentiment and ideology. Their origin can be traced to the split in 1967 of the Communist Party of India (Marxist), leading to the formation of the Communist Party of India (Marxist-Leninist). Initially the movement had its centre in West Bengal. In later years, it spread into less developed areas of rural southern and eastern India, such as Chhattisgarh, Odisha and Andhra Pradesh through the activities of underground groups like the Communist Party of India (Maoist). For the past 10 years, it has grown mostly from displaced tribals and natives who are fighting against exploitation from major Indian corporations and local government whom they believe to be insensitive and indifferent.

Research and Analysis Wing estimated that 20,000 armed cadre Naxalites were operating in addition to 50,000 regular cadres and their growing influence prompted Indian Prime Minister Manmohan Singh to declare them to be the most serious internal threat to India's national security.

In 2009, the Indian Central government announced a new nationwide initiative, to be called the "Integrated Action Plan" (IAP) for broad, co-ordinated operations aimed at dealing with the Naxalite problem in all affected states (namely Karnataka, Chhattisgarh, Odisha, Andhra Pradesh, Maharashtra, Jharkhand, Bihar, Uttar Pradesh, and West Bengal). Importantly, this plan included funding for grass-roots economic development projects in Naxalite affected areas, as well as increased special police funding for better containment and reduction of Naxalite influence in these areas.

In 2011, the number of Naxal affected areas was reduced to 83 districts across nine states.

These conflicts go back to the failure of implementing the 5th & 9th Schedules of the Constitution of India.

Practically all Naxalite groups trace their origin to the CPI (ML). A separate offshoot from the beginning was the Maoist Communist Centre, MCC later fused with the People's War Group to form the Communist Party of India (Maoist). (read ahead)

Ethnic Fundamentalists

Ethnicity-based insurgencies are endemic in India's northeast region, with Assam, Manipur, and Nagaland being the worst-affected states. A ceasefire exists between the government and the two principal insurgent groups in Nagaland, and a negotiated solution is being sought to the half century old insurgency in this state. Lesser insurgencies afflict Meghalaya, Tripura, and Arunachal Pradesh. There is a vast proliferation of ethnic insurgent groupings representing progressively narrower tribal interests. A majority of the surviving insurgencies in the region are "degraded" large organized criminal operations focusing overwhelmingly on extortion, with little coherent ideological or political content or consistency.

The border-management problem in Northeast India is gigantic. The Bangladesh border a total of 4,095 kilometers long is by far the most urgent and intractable crisis. Illegal migration, the existence of terrorist safe havens across the border (many of which have recently been dismantled by the Sheikh Hasina government), the growth and entrenchment of organized criminal gangs and syndicates with powerful political and communal influence and patronage along this border, and a strengthening network of well-funded institutions for the communal mobilization of the migrant community are some of the dangerous trends that counterinsurgency forces are required to contend with in the region.

Emerging Trends

India's development offers one of the most dramatic studies in contrast. Despite the most extraordinary dynamism in certain thriving sectors of the economy amply confirms Michael Renner's phrase that "scarcity and abundance may very well coexist." To take some examples, India's GDP grew from \$331 billion in 1992 (the first year of reforms) to \$2 trillion in 2013, yet India's current rank in the UN Human Development Index—136th—is abysmal. In the Global Hunger Index, India ranks very low.

There were many Indians on Forbes' 2012 list of billionaires, but 22% of the country's population is BPL (2013 July)

The essential lesson here is that "development" is not a smooth, unidirectional process that benefits all and harms none. Indeed, the processes of development within India mirror the broader disjunctions between a globalizing world order and states and societies that are progressively marginalized by or isolated from the processes of globalization. These disjunctions feed into cycles of local violence and radical mobilization across the ideological spectrum.

One unique driver of ethnic mobilization in India is the appeal to caste and tribal identity. Identity conflicts also have the potential to coalesce into other patterns of conflict, such as the mobilization under the Maoist banner, as has already occurred in many states in India's east, where caste and tribal conflicts have been tapped by the spreading Maoist insurgency. Such

patterns of conflict, which simultaneously harness identity and ideology for mass and violent mobilization, could see an extension over the coming decades.

Population, Environment, Ecology, and Resource Conflicts

Environmental stresses and resource crises as a result of population growth, overexploitation of the natural environment, consequential pollution from the irresponsible utilization of resources, and poor resource and waste management, have significant potential for conflict creation. Further, these factors constitute immediate risks in terms of the broader concept of human security, inflicting enormous distress on large populations and directly jeopardizing the country's developmental potential. The declining per-capita availability of fresh water is one of the most urgent concerns in this context.

Rampaging and poorly managed urbanization is creating new and urgent security challenges. Urban vulnerability to political destabilization, terrorism, organized criminal violence, and administrative disorders has been one of the most underestimated aspects of urban development in India.

It is significant that the rising proportion of the population in urban centers projected to rise from around 30% in 2011 to 40% in 2020 will not result in any relief in rural India, where the population will increase from 742 million in 2001 to 810 million in 2020. As much as 63% of India's population growth in the first quarter of the present century is expected to be in its most undeveloped states, increasing the share of these states in India's population from 40% to 50%. These are the areas that have demonstrated the most rapid growth of disorder and misgovernance in the recent past. Moreover, the more progressive states of South India have "completed the demographic transition" with very low growth rates of population and an increasing age profile. This could provoke massive migration from the north to these states, and such migrants could take with them the culture of lawlessness and violence that afflicts so many of their states of origin.

Ghettoization has characterized the political economy of urban settlements in India; with ghettos marked by the "concentration of poverty and de-concentration of opportunity." Caste, communal, and class ghettos are a consistent feature of most Indian cities and create the specter of the "gated city" in a tense standoff between sections of its own people. These broad aspects of the city have given rise to escalating trends in crime and a widening sphere of urban terrorism. The Indian city lends itself to terrorism. The sheer size of some Indian cities (Delhi, for instance, has a population greater than 171 of the world's 227 countries), the pervasive and insidious contempt for law, the scant regard for municipal regulations, the absolute anonymity provided by the city's chaos and the lack of a centralized and comprehensive identity system contributed to an air of license and disorder.

At the national level, the Ministry of Home Affairs (MHA) is charged with the maintenance of internal security and the responsibility of protecting states from external aggression and internal

"disturbances" under Article 355 of the Constitution of India. Responsibility for maintenance of "public order" and "police," under List II of the constitution (the State List), is, however, vested in the various state governments. This division of responsibility has created a fragmented system that has contributed enormously to the evasion of responsibility by both the central government and the states, and an enduring neglect of the internal security apparatus. The Union Government has the constitutional authority to seize control of a state under certain circumstances of a breakdown in public order (Articles 257, 258, 365, and 356), and a national emergency can also be declared under Article 352, if "a grave emergency exists whereby the security of India or of any part of the territory thereof is threatened, whether by war or external aggression or armed rebellion."

Despite these apparently sweeping powers, there has been a progressive decline in the central government's capacities to influence states on issues relating to internal security management, despite the very significant central outlays supporting police modernization, the augmentation of state security capacities, and the underwriting of the security-related expenditures of the states. The infirmities of the system were highlighted by the Group of Ministers' 2001 report on internal security, which noted that constitutional, legal, and structural infirmities had "eroded the Union Government's authority to deal effectively with any threat to the nation's security" and called for the "appropriate restructuring of the MHA." The report also underlined the growing incapacity of state governments to "deal with grave offences, which have inter-state and nation-wide ramifications."

The lack of sustained investment in and the neglect of the transforming role of the police within a modernizing state system has enormously compromised the capacities, efficiency, and effectiveness of state police organizations. Constant political interference and a subordination of legal mandate to partisan political objectives has undermined the ability of the police to deal effectively with internal security problems.

The infirmity of the states' internal security apparatuses has resulted in a constant clamor for central assistance and the "paramilitary panacea" the deployment of increasing numbers of Central Paramilitary Forces (CPMF) in local disorders across the country.

The central government's MHA presides over a multiplicity of CPMFs, most prominently the Central Reserve Police Force (CRPF), the largest of these forces. The CRPF is a "striking reserve to assist the State/Union Territories in Police operations to maintain law and order and contain insurgency," and in 2006 it was designated the "lead agency" to respond to terrorism and insurgency in the country.

Other CPMFs that play a prominent role in the more acute aspects of internal security management include the Assam Rifles (strength: 65,290); the Border Security Force (210,261), the Indo-Tibetan Border Police (50,326), the Central Industrial Security Force (103,860), the Sashastra Seema Bal (armed border police: 48,934), and the National Security Guard (7,334).

The MHA also supervises India's principal domestic intelligence agency, the Intelligence Bureau (IB), which operates across the country through its network of subsidiary intelligence bureaus.

The MHA also maintains a range of specialized technical, forensic, training, and research organizations in support of internal security and policing operations for both central and state organizations. In addition, the National Technical Research Organisation, operating under the national security adviser in the prime minister's office, provides specialized technical intelligence flows to both internal and external security agencies.

The principal instrument for the projection of a coherent Indian framework of internal security management is the centralized Indian Police Service (IPS), which provides the top leadership cadre for almost all central and state police, paramilitary, and intelligence organizations.

In addition to the various central organizations explicitly involved in internal security operations, forces drawn from the 1.1 million strong Indian Army can also be called "in aid to civil authority" to deal with a wide range of emergencies and crises, including "maintenance of law and order, maintenance of essential services, disaster relief and other types of assistance."

While the preceding outline of central and state forces and organizations available for internal security management creates an illusion of great strength, the reality is that India is afflicted by an acute crisis of capacity.

The crisis of the police has been widely and repeatedly recognized at the national level, with numerous national and state police commissions calling for sweeping reforms. The Supreme Court of India finally intervened in September 2006 with a seven-point directive

There is concern whether the police structure today has relevance and validity in the rapidly changing circumstances of the 21st century, with insurgency, sub-conventional warfare, and terrorism and the rising specters of WMD terrorism and cyber-crime and cyber-terrorism.

Perhaps the most visible and dramatic index of the crisis in policing is the general deficit of manpower in all ranks of the police, both in absolute numbers of sanctioned posts and in the numbers of vacancies that exist against such sanctioned posts. At the level of police leadership, according to the MHA data on the shortage of IPS officers, there is a 28.11% deficiency in the number of IPS officers in position (as of January 1, 2011), against sanctioned strengths, and worse, most states feel that the sanctioned strength is deficient. The overall crisis of manpower in the police is even more acute. According to norms set by the United Nations, a minimum police-to-population ratio of 1 to 450 (222 per 100,000) should be maintained for peacetime policing. Most Western countries maintain ratios well above this minimum standard; for instance, the ratio is as high as 559 per 100,000 in Italy and 465 per 100,000 in Portugal. Significantly, most of these countries have policing needs that are certainly less demanding than those confronting India, where the culture of the rule of law is far from entrenched and virtually all compliance needs enforcement. Yet, India's police-to-population ratio stands at a bare 125 per 100,000.

This dismal picture is, in some measure, balanced out by India's extraordinary growth in the recent past and the economic and political resilience that the country has demonstrated in the face of recurring challenges. Financial resource deficits that threatened the very possibility of resolving the country's many problems are a thing of the past, though a range of other structural impediments persist. There is a real danger, however, that widening spheres of disorder may come to threaten the dynamic core on which India's successes and future potential are founded.

Nevertheless, a range of factors constrain the scope of extremism in India and favor although they cannot guarantee broad stability. Critically, while cyclical conflagrations and radicalization on the fringes variously supported by external powers and internal elements remain a reality, extremism fails to secure sufficient traction among the masses to present a coherent and national challenge to the state. The reasons are many. Chief among them is a cultural proclivity to nonviolence, or at least a rejection of extreme violence. The constitutional edifice, for all its political neglect, is extraordinarily inclusive. Democratic processes, imperfect and even occasionally perverse as they are, do create the spaces for the articulation of grievances and the relatively peaceful expression of political discontent. The sheer diversity of the population is a source of manifold frictions, but it also prevents mobilization on a national scale under any single divisive or extremist banner. These and other structural and cultural factors constrain even radical players from their greatest excesses. Thus, for instance, electoral considerations have repeatedly forced the Hindu (majority) Right to accommodate Muslim (minority) concerns. Parties that exploit narrow caste mobilization find it necessary to progressively widen their caste base as their electoral successes open up a larger regional or national platform. Similarly, even where some state agencies have colluded with extremist elements—as, for instance, in the Gujarat riots of 2002 constitutional checks and balances do eventually reassert themselves to bring offenders to some measure of justice.

Deep national, psychological, and civilizational reserves manifest themselves in the face of catastrophic emergencies. Indeed, India has an extraordinary record of defeating a number of the most virulent insurgencies and terrorist movements and of exhausting and outlasting the country's many adversaries. Harnessing complex national reserves to adopt coherent national perspectives and policies remains a crucial challenge, but it is clear, especially in the wake of the November 26, 2008, attacks in Mumbai and the rising challenge of the Maoist insurgency, that the national leadership now recognizes the core imperatives of response.

Successes in certain spheres especially in the realms of economic growth and globalization over the past decade and a half have also fed a surge in confidence, a relative augmentation of competence, and the launch of a wide range of initiatives intended to address the country's cumulative deficits. While the initial impact has been limited, this combination of factors is expected to snowball once it secures a certain critical mass. Crucially, with a vibrant democracy, substantially non-doctrinaire economic perspectives, progressive engagement with modernity and a globalizing order, and a culture of tolerance and pragmatism, the Indian people have positioned themselves on the right side of history. This reality, above all else, warrants the expectation that India will not only endure but flourish.

Excerpts from PM's speech at the CMs meet on internal security in mid-2013(post-Bastar)
Steps taken by the government include strengthening the security apparatus, improving road connectivity in 34 most Left Wing Extremist affected districts, relaxation of norms of various development schemes in the affected areas, and the Integrated Action Plan for 82 selected tribal and backward districts.

In the last couple of years there has been a substantial reduction in the number of incidents and deaths caused by Left Wing Extremist groups and an increase in the number of Naxalite surrenders. But, major violent attacks by Naxalites like the recent one in Chhattisgarh are setbacks that have occurred periodically.

The year 2012 saw a significant improvement in the security situation in Jammu and Kashmir. Our strategy to prevent cross-border infiltration by militants and our intelligence based counter-terrorism operations in Jammu and Kashmir have resulted in a decline in the level of terrorist violence by about one-third in 2012 as compared to 2011. In fact, terrorist violence parameters in 2012 have been the lowest since the upsurge in terrorist activities two decades ago. The record inflow of tourists and pilgrims during 2012 also points to an improved security situation in the State.

The implementation of several infrastructure projects in Jammu and Kashmir is progressing well. The Himayat and Udaan schemes which aim at providing additional gainful employment to the youth have also achieved a fair measure of success.

The security situation in the North East continues to be complex, with insurgency, extortion and agitations being the main disruptive elements in the hands of the insurgents. However, there has been considerable progress in dialogue with several insurgent and ethnic separatist groups in the North-Eastern region. A Memorandum of Understanding has been signed with both factions of Dima Halam Daogah of Dima Hasao in Assam. Three Meitei insurgent groups have signed a Memorandum of Understanding in February 2013. Talks with the National Socialist Council of Nagaland are continuing.

The Gorkhaland Territorial Administration (GTA) has been set up as an autonomous body in August 2012 to administer the Gorkhaland region and ensure its all-round development. The Centre is committed to providing financial assistance of Rs 200 crore per annum for three years for projects aimed at developing the socio-economic infrastructure in the GTA areas.

GOI is committed to undertaking and bringing to a satisfactory conclusion dialogue with all groups and organizations which are willing to give up violence to seek solutions within the framework of our Constitution. GOI is equally firm in the determination to continue assisting the States of the North-East to enhance their law and order enforcement capabilities, so that the people of the North-East enjoy the normal fruits of democracy and development.

On the front of communalism, there is the increase in number and intensity of incidents of communal and sectarian violence during 2012 as compared to the previous year. Maintenance of communal harmony is critical for our continued growth and prosperity. Crimes against women and children are increasing. We have recently enacted several laws providing stringent punishment for such crimes and more sensitive treatment of victims during investigation and trial. These include the Criminal Law (Amendment) Act, 2013; The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Protection of Children from Sexual Offenses Act, 2012.

We also need to put in place institutional mechanisms to ensure the safety and security of women and children, particularly in the urban context. Such mechanisms include sensitization of police personnel, particularly at levels with which the victim comes into contact, setting up dedicated help-lines, measures for safety at the work place, and so on.

Capacity building and modernization of State Police Forces are absolutely essential for meeting the emerging challenges to internal security which range from terrorism to urban policing. The Centre is supporting States in this regard. The scheme for modernization of State Police Forces has been extended for a further period of five years with a total outlay of about Rs. 12,000 crore. An amount of Rs. 433 crore has been additionally provided for Mega City Policing in the six cities of Kolkata, Mumbai, Chennai, Bengaluru, Ahmedabad and Hyderabad.

Goi is committed to improving border management and coastal security. Greater focus and priority than before is being given to the work of fencing and construction of additional Border Outposts along the India-Bangladesh border, the construction and up-gradation of roads along the India-China, India-Nepal and India-Bhutan borders as well as the development of integrated check posts on the India-Pakistan and India-Nepal borders. We are also continuing implementation of the Border Area Development Programme and of Phase II of the Coastal Security Scheme. Time has now come to view the challenges of terrorism, communal violence and Left Wing Extremism in a holistic manner.

Extremism

It is any ideology (particularly in politics or religion), considered to be far outside the mainstream attitudes of a society or to violate common moral standards. In liberal societies, individuals or groups that advocate the replacement of democracy with a more authoritarian regime are labelled extremists; in authoritarian societies, those who espouse liberal ideals are labelled as extremists by the ruling class or government.

Extremists are usually contrasted with centrists or moderates. Political agendas perceived as extremist often include those from the far left or far right, as well as radicalism or fundamentalism..

The term "extremism" is usually pejorative, but it is sometimes used in a purely descriptive sense, referring simply to a viewpoint that is inconsistent with existing norms, rather than implying that the extremist position constitutes a threat (to the society, government, mainstream morality, etc.).

Fourth-generation warfare (4GW)

It is a conflict in which one of the major participants is not a state but rather a violent non-state actor.

Supreme Court and police reforms

In 2006, the Supreme Court of India delivered a historic judgment in Prakash Singh vs. Union of India instructing central and state governments to comply with a set of seven directives laying down practical mechanisms to kick-start police reform. The Court's directives seek to achieve two main objectives: functional autonomy for the police - through security of tenure, streamlined appointment and transfer processes, and the creation of a "buffer body" between the police and the government (SSC)- and enhanced police accountability, both for organisational performance and individual misconduct. The 7 directives are

- Constitute a State Security Commission (SSC) to:
 - (i) Ensure that the state government does not exercise unwarranted influence or pressure on the police
 - (ii) Lay down broad policy guideline and
 - (iii) Evaluate the performance of the state police
- Ensure that the DGP is appointed through merit based transparent process and secure a minimum tenure of two years
- Ensure that other police officers on operational duties (including Superintendents of Police in-charge of a district and Station House Officers in-charge of a police station) are also provided a minimum tenure of two years
- Separate the investigation and law and order functions of the
- Set up a Police Establishment Board (PEB) to decide transfers, postings, promotions and other service related matters of police officers of and below the rank of Deputy Superintendent of Police and make recommendations on postings and transfers above the rank of Deputy Superintendent of Police
- Set up a Police Complaints Authority (PCA) at state level to inquire into public complaints against police officers of and above the rank of Deputy Superintendent of Police in cases of serious misconduct, including custodial death, grievous hurt, or rape in police custody and at district levels to inquire into public complaints against the police personnel below the rank of Deputy Superintendent of Police in cases of serious misconduct
- Set up a National Security Commission (NSC) at the union level to prepare a panel for selection and placement of Chiefs of the Central Police Organisations (CPO) with a minimum tenure of two years

AFSPA

The Armed Forces (Special Powers) Act (AFSPA), was passed 1958, by the Parliament. It grants special powers to the armed forces in what the act terms as "disturbed areas" in the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. It was later extended to Jammu and Kashmir as The Armed Forces (Jammu and Kashmir) Special Powers in 1990.

The Republic of India has seen a history of insurgency in the states of Kashmir, Punjab, Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Each of these states are in regions that border with Pakistan or China - countries which India has border disputes with.

State or central government can exercise the power to declare areas as being disturbed following which armed forces could be deployed. For declaring an area as a 'disturbed area' there must be a grave situation of law and order on the basis of which Governor/Administrator can form opinion that an area is in such a disturbed or dangerous condition that use of Armed Forces in aid of civil power is necessary.

According to the Armed Forces Special Powers Act (AFSPA), in an area that is proclaimed as "disturbed", an officer of the armed forces has powers to:

- To arrest without a warrant anyone who has committed cognizable offences or is reasonably suspected of having done so and may use force if needed for the arrest.
- To enter and search any premise in order to make such arrests, or to recover any person wrongfully restrained or any arms, ammunition or explosive substances and seize it.
- Stop and search any vehicle or vessel reasonably suspected to be carrying such person or weapons.
- Any person arrested and taken into custody under this Act shall be made over to the officer in charge of the nearest police station with the least possible delay, together with a report of the circumstances occasioning the arrest.
- Army officers have legal immunity for their actions.

In 2004, in the wake of intense agitation and the indefinite fast undertaken by Irom Sharmila, Central Government set up a five-member committee under the Chairmanship of Justice B P Jeevan Reddy, former judge of the Supreme Court. The panel recommended that the law be scrapped.

Pressure groups

Pressure groups (also known as Advocacy groups, lobby groups, campaign groups, interest groups, or special interest groups) use various forms of advocacy to influence public opinion and/or policy; they play an important part in the development of political and social systems. Groups vary considerably in size, influence, and motive; some have wide ranging long term social purposes, others are focused and are a response to an immediate issue or concern.

Motives for action may be based on a shared political, faith, moral, or commercial position. Groups use varied methods to try to achieve their aims including lobbying, media campaigns, publicity stunts, polls, research, and policy briefings. Some groups are supported by powerful business or political interests and exert considerable influence on the political process, others have few such resources.

Some have developed into important social, political institutions or social movements. Some powerful lobby groups have been accused of manipulating the democratic system for narrow commercial gain and in some instances have been found guilty of corruption, fraud, bribery, and other serious crimes; lobbying has become increasingly regulated as a result. Some groups, generally ones with less financial resources, may use direct action and civil disobedience and in some cases are accused of being a threat to the social order or 'domestic extremists'. Research is beginning to explore how advocacy groups use social media to facilitate civic engagement and collective action.

Pressure groups are defined by the following key features:

- They seek to exert influence from outside, rather than to win or exercise government power.
- Pressure groups do not make policy decisions, but rather try to influence those who do (the policy-makers). In that sense, they are 'external' to government.
- They typically have a narrow issue focus. In some cases, they may focus on a single issue (for instance opposing a planned irrigation project).
- Their members are united by either a shared belief in a particular cause or a common set of interests. People with different ideological and party preferences may thus work happily together as members of the same pressure group.

Functions of pressure groups

Pressure groups carry out a range of functions. These include:

- Representation
- Political participation
- Education
- Policy suggestion/communication

Pressure groups and political-parties

Conventionally, political parties are the bodies which are regarded as providing the mechanism through which people's interests are represented in the political system. They also function as a

means of political communication, in that individuals can express their own views to politicians by becoming members of political parties and can represent their party's viewpoint to others in the community.

Pressure groups can be seen as providing an additional form of representation within the political system and an additional channel of political communication.

The difference between political parties and pressure groups is as follows:

- Political parties' main aim is to attain political power in central and local government.
- Pressure groups are based on interests or issues and causes and are organised on a functional basis. Their main aim is to influence the decisions of those who have political power, but not to seek it for themselves.

With the smaller political parties - for example, the Aam Aadmi Party - which have little likelihood of attaining any political power, the distinction is somewhat blurred as they may act very much like pressure groups for much of the time.

Pressure groups are sometimes referred to as interest groups or lobbies.

Types of pressure groups

Sectional groups

Sectional groups are also known as PROTECTIVE, DEFENSIVE or INTEREST groups. They represent and defend the interests of particular sections of society - often economic interests, but also consumer and professional interests. Examples include:

- FICCI, CII
- trade unions like INTUC
- Consumers' Association like Common Cause

Cause groups

Cause groups are also known as Promotional groups. These are usually formed for a specific purpose - to promote a particular cause or campaign on a particular issue. In this sense, they have no other function apart from their role as pressure groups. Examples include:

- Mazdoor Kisan Shakti Sangathan and National Campaign For People's Right To Information
- Prashant Bhushan's Centre for Public Interest Litigation

Insider groups

Insider groups are those which are regarded as legitimate by the government and are consulted on a regular basis.

Insider groups generally have a better chance of influencing policy because they are likely to be consulted in advance - for example when government is considering a policy initiative, when it issues a Green or White Paper, when the legislation is being drafted, etc.

Examples of insider groups include the CII, INTUC, SEWA of Ila Bhatt

Outsider group

Outsider groups are those which are not closely involved with decision makers and which find it more difficult to get their voices heard.

They are more likely to be protest groups, which use campaigning methods to influence public opinion and to draw attention to their arguments. They are, however, less likely to influence policy because they do not usually become involved in the debate until government has already decided its position.

Examples of outsider groups include Medha Patkar's NBA, ADR for electoral reforms. There is some overlap with the sectional/cause division of pressure groups - many sectional groups are insiders; many cause groups are outsiders. But there are exceptions.

Methods

Pressure groups can exert influence in a variety of ways. These include:

- Ministers and civil servants
- Parliament
- Political parties
- Public opinion
- Direct action

Pressure groups may try to influence decision makers directly - for example, ministers and civil servants; they may try to influence opinion formers - for example, MPs and the media; or they may try to influence public opinion.

Which route they take will depend on a number of factors, including:

- The resources available to them
- Whether or not they are an insider or outsider group.

Their tactics will vary according to what they are trying to achieve at any particular time.

Ministers and civil servants

Pressure groups are likely to be at their most effective when policies are being drafted, are at their discussion stage or are in a detailed implementation stage. Therefore insider groups which have contacts with senior civil servants and ministers will be able to have a major input into new legislation.

The contacts may be formal - involving official discussions with ministers and detailed negotiation with civil servants - or more informal, involving an exchange of views and opinions. These contacts may be enhanced by 'social' connections, such as public school or university friendships, trade union relationships, etc.

It is not only the groups which gain from this process: the government gains also, by finding out useful information which would not otherwise be available to it and by gaining cooperation from organisations which may be required to put new measures into operation.

The implementation stage of legislation offers a further opportunity for pressure groups to exert influence. This is mainly concerned with the details, but much legislation does not become operative until secondary legislation (in the form of statutory instruments) is issued by the appropriate minister, and it is possible for groups to enter into detailed negotiations on points of concern to their members or even to delay for a considerable period.

Pre-legislative deliberations are conducted with a variety of actors and some are pressure groups - for example on Lok Pal Bill with Team Anna.

Members of Parliament

This is one of the biggest and most rapidly growing areas of pressure group activity. In recent years there has been a significant increase in the number of professional lobbyists, who will work on behalf of pressure groups or commercial organisations in influencing the views of MPs. And pressure groups have traditionally aimed much of their effort at MPs and members of the House of Lords to seek a voice for their points of view.

The methods used to influence MPs include the following:

- Detailed briefings on issues relevant to the group, provision of information, even ready-made speeches
- "Expense account" perks - meals, trips, etc
- Provision of research assistants for MPs
- Promotion of Private Member's Bills - some important pieces of legislation have come from Private Member's Bills
- Select Committees, Standing Committees - pressure groups can give evidence to these committees and have an influence on the final report which is delivered to Parliament

Public opinion

Many pressure groups, especially cause groups which do not have insider status, have to resort to other methods of influencing the decision making process. This can be by influencing public opinion with the intention that, in time, this will in turn influence opinion formers and decision makers.

The methods of influencing public opinion include

- Letters to the Press
- Press releases
- Public meetings
- Petitions
- Marches, demonstrations, etc.

Direct action

Direct action may be taken, both as a means to make something happen or (more usually) not happen and to draw the issue to the attention of the public. For example:

- Greenpeace has conducted many actions against whaling ships, nuclear installations, oil rigs, etc

- India Against Action organised so many demonstrations and hunger strikes
- environmental protesters have attempted to stop the building of new projects : People's Movement Against Nuclear Energy stopped Koodankulam nuclear power plant from switching on till recently

In general, these actions are less effective in achieving their immediate aim than in putting the issue on the political agenda.

The courts

Increasingly, pressure groups have sought to use the courts as a means of challenging the decisions of the executive. For example:

- Prashant Bhushan's PIL efforts
- ADR – Association for Democratic Rights appeals to courts and the SC/ CIC for reforms in the political/electoral system

How far have the pressure groups been successful?

It is often difficult to measure the success or otherwise of pressure groups. For some cause groups, the problem of measurement is straightforward – either nuclear power is produced or not – but for most groups, especially sectional groups, the situation is not so clear-cut.

Nature of the pressure group

Pressure groups vary enormously in size, composition, knowledge and status:

- Size - in general, the bigger and more representative the group, the more influence it is likely to have.
- Social composition - those groups with membership drawn from those with public school and Oxbridge backgrounds are likely to have very good contacts within the decision making elite.
- Knowledge - those groups with a great deal of information who can advise and inform decision makers are more likely to attain insider status.
- Status - the more important a group is in society - for example, those with high professional standing - the more likely the government is to take notice of its opinions.

Relationship to political parties

A pressure group with a close relationship to a political party may use it to its advantage. But this is a two-edged weapon - if the opposing party is in power, the group's influence is likely to decline sharply. The trade unions found this between 1979 and 1997. A better tactic might be to play one party off against another.

Resources

A group's resources include:

- Its financial resources - clearly the greater they are, the more a group is able to pay staff, produce material, advertise, lobby etc.

- Its ability to employ full time staff - a group cannot be successful (except perhaps briefly) without staff who can research their case, negotiate with civil servants and others, and present an argument to the media, the public and decision makers.
- The commitment and skill of its members - this can, to some extent, compensate for lack of other resources; for example, the efforts of their members have been largely responsible for ensuring the high profile of groups such as Amnesty International, Greenpeace, etc.
- Its representativeness - it is especially important for a sectional group which claims to speak for a particular section of the population that a high proportion of the eligible membership actually belong to it and/or support its stand. Similarly, the bigger the membership of a cause group, the more it is able to claim it is speaking for a substantial part of public opinion.

Growth of pressure groups

Pressure groups are generally regarded as a modern phenomenon, the main growth of pressure groups has been in the second half of the 20th century.

There are a number of reasons for this:

- The growth in the scale and rôle of government, for example, through the welfare state, economic intervention, etc. There are now many more reasons and opportunities to influence decision making
- Governments themselves have found it useful to consult with appropriate bodies when preparing new legislation, etc.
- It has been argued that political parties have become less effective and less representative; they have failed to represent adequately all of the many different interests in society - pressure groups have filled that gap
- The combination of economic, social and educational change has created an articulate middle class who are both willing and able to become involved in political and pressure group activity
- There has been a long term trend of declining party membership matched by a growth in the membership of campaigning organisations, noting that many of the individuals who join campaigning organisations find traditional parties unattractive
- The growth of a 'dominant' party system has meant that, to effect change, it has become more necessary to influence decisions within the governing party, rather than waiting for a change of government to bring about the desired change.

How are pressure groups changing?

There have been a number of important changes in relation to pressure group activity during the current century. There is a great bandwidth of these groups and the number too rose dramatically. Although it is difficult to quantify exactly, there is little doubt that the number of pressure groups has increased significantly in the last two decades and the number of people who are members of pressure groups has also increased. Within the overall increase in the number

and significance of groups generally, there has been a particular increase in cause groups, especially those connected in some way with the environment.

Reasons suggested for this trend have included:

- Increased leisure time, both in terms of the shorter working week and more early retirement, has increased the number of people with time to devote to such activities
- Higher educational standards have increased the numbers of people with the organisational skills to contribute to pressure groups.
- Changes in gender roles have removed many of the barriers to participation by women in pressure group activity.
- Membership of political parties has declined. It has been argued that this reflects the failure of the political parties adequately to reflect the needs of different groups of people in society, and that cause groups offer a more promising route for bringing about political change.
- When most material needs have been met, as they have for many people in the consumer society, then some people become more concerned with wider issues such as the environment.

Pressure groups and democracy

Questions about pressure-group power are closely related to debates about the implications of group politics for democracy. On the one hand, pluralist theorists argue that group politics is the very stuff of democracy, even advancing the idea of pluralist democracy. On the other hand, elitists and others attack pressure groups and claim that they weaken or undermine the democratic process. To examine this debate it is necessary to look at the ways in which pressure groups promote democracy and the ways in which they threaten democracy.

How do pressure groups promote democracy?

Pressure groups promote democracy in a number of ways. They:

- Supplement electoral democracy
- Widen political participation
- Promote education
- Ensure competition and debate

Supplementing electoral democracy

Pluralists often highlight the advantages of group representation over representation through elections and political parties. Pressure groups may either supplement electoral democracy (making up for its defects and limitations) or they may have replaced political parties as the main way in which people express their views and interests:

- Pressure groups keep government in touch with public opinion between elections. One of the weaknesses of elections is that they only take place every few years. By contrast, pressure groups force the government to engage in an ongoing dialogue with the people, in which the interests or views of the various sections of society cannot be ignored.

- Pressure groups give a political voice to minority groups and articulate concerns that are overlooked by political parties. Elections, at best, determine the general direction of government policy, with parties being anxious to develop policies that appeal to the mass of voters. Pressure groups are therefore often more effective in articulating concerns about issues such as the environment, civil liberties, poverty, abortion, violence against women and the plight of the elderly.

Participation

The level of political participation is an important indicator of the health of democracy. Democracy, at heart, means government by the people. People's faith in democratic politics may be eroded this, however, is very effectively combated by the growth in the number and size of pressure groups. As discussed earlier, pressure groups have become increasingly effective agents of political participation. Not only has single-issue politics proved to be popular but the grass roots activism and decentralized organization of many campaigning groups have proved to be attractive to many young people and those who may be disillusioned with conventional politics.

Education

Pressure groups promote political debate, discussion and argument. In so doing, they create a better-informed and more educated electorate. Recently, sugar deregulation, FDI-MBR, Lok Pal have been subjected to extensive debate in India. This, in turn, helps to improve the quality of public policy. Without pressure groups, the public and the media would have to rely on a relatively narrow range of political views, those expressed by the government of the day and a small number of major parties. Pressure groups challenge established views and conventional wisdom. They offer alternative viewpoints and widen the information available to the public, especially through their access to the mass media and the use of 'new' communications technology such as the Internet.. In many cases, pressure groups raise the quality of political debate by introducing specialist knowledge and greater expertise

Benefits of competition

Pressure groups help to promote democracy by widening the distribution of political power. They do this, in part, because groups compete against one another. This ensures that no group or interest can remain dominant permanently. There is no such thing as a 'power elite'. Instead, as one group becomes influential, other groups come into existence to combat them and offer rival viewpoints. This is what pluralists call the theory of 'countervailing power'. Trade unions developed in response to the growth of business power. In this way, public policy is developed through an ongoing debate between rival groups that ensures that political influence is widely and evenly dispersed. Group politics is therefore characterized by a rough balance of power. This is the essence of pluralist democracy.

How do pressure groups threaten democracy?

Pressure groups threaten democracy in a number of ways. They:

- Increase political inequality
- Exercise non-legitimate power
- Exert 'behind the scenes' influence
- Lead to the tyranny of the minority

Political inequality

A central argument against the pluralist image of group politics is that, far from dispersing power more widely and empowering ordinary citizens, pressure groups tend to empower the already powerful. They therefore increase, rather than reduce, political inequality. Pluralists argue that political inequality is broadly democratic, in that the most successful groups tend to be ones with large membership, and which enjoy wide and possibly intense public support. This is very difficult to sustain. In practice, the most powerful pressure groups tend to be the ones that possess money, expertise, institutional leverage and privileged links to government. What is more, some pressure groups are much more powerful than others. For instance, the influence of major corporations cannot, in most cases, be compared with the influence exerted by, say, a trade union, a charity or an environmental group. Pressure groups therefore strengthen the voice of the wealthy and privileged, giving those who have access to financial, educational, organizational and other resources special influence over the government. By the same token, there are significant, and sometimes large, sections of society that are effectively excluded from the pressure-group universe. This is usually because they are difficult or impossible to organize and so must, at best, rely on others to protect them. Land lords have lobby and so could prevent implementation of land reforms. Landlosers are not similarly strong and so lost.

Non-legitimate power

On what basis do pressure groups exert influence? Critics have questioned whether pressure groups exercise rightful or legitimate power in any circumstances. This is because, unlike conventional politicians, pressure-group leaders have not been elected. Pressure groups are therefore not publicly accountable, meaning that the influence they exert is not democratically legitimate. This problem is compounded by the fact that very few pressure groups operate on the basis of internal democracy. Leaders are very rarely elected by their members, and when they are (as in the case of trade unions) this is often on the basis of very low turnouts. Indeed, there has been a growing trend for pressure groups to be dominated by a small number of senior professionals. Some pressure-group leaders may, in fact, be little more than self-appointed political spokespeople.

'Behind the scenes' influence

Regardless of which groups are most powerful, pressure-group influence is exerted in a way that is not subject to scrutiny and public accountability. Pressure groups usually exert influence 'behind closed doors'. This particularly applies in the case of insider groups, whose

representatives stalk the 'corridors of power' unseen by the public and away from media scrutiny. No one knows (apart from occasional leaks) who said what to whom, or who influenced whom, and how. This is unaccountable power. Not only does this contrast sharply with the workings of representative bodies such as Parliament, but it also diminishes Parliament and undermines parliamentary democracy. Insider links between groups and the executive bypass Parliament, rendering elected MPs impotent as policy is increasingly made through deals between government and influential groups that the

Tyranny of the minority

Pressure groups, by their very nature, represent minorities rather than majorities. Pressure groups help to prevent a 'tyranny of the majority' that is, perhaps, one of the inevitable features of electoral democracy. However, pressure groups may create the opposite problem. Minority views or 'special' interests may prevail at the expense of the interests of the majority or the larger public. Therefore, as pressure groups become more powerful, elected governments may find it more difficult to serve the public interest and to do what is best for society as a whole. This problem of the 'tyranny of the minority' is most extreme when pressure groups use direct action to achieve their objectives. Through the use of strikes, blockades and even intimidation and violence pressure groups, in effect, 'hold the country to ransom'. Once pressure groups start to operate outside the established legal and constitutional framework they are also operating outside – and arguably against – the democratic process.

Some political scientists and politicians have taken the view that pressure groups are non-democratic, or even anti-democratic, in the sense that they intervene in the political process based on electoral accountability. Others take the view that pressure groups actually enhance the democratic process, keeping decision makers and legislators in touch with changing trends in public opinion between elections.

Problems of pressure group activity

- Political representation is based on elections in which every person's vote is of equal value. Pressure groups exist to give greater weight to the views of a particular group – hence undermining the validity of the citizen's vote.
- Democracy is based on the idea that the will of the majority should prevail; if a pressure group is successful, it can be seen as frustrating the wishes of the majority.
- Pressure groups vary enormously in wealth and influence: some are rich and powerful (business organisations, trade unions), others operate on very few resources. And some interests in society are not represented by any pressure groups whatsoever (for example, the unemployed or the homeless).
- It can be argued that some pressure groups are not representative of their members anyway - for example, many have questioned the right of Anna Hazare and his team to represent the civil society

Benefits of pressure groups

- The many different interests in society cannot all be encompassed within the party system. Pressure groups enable sections of society outside of the political parties to have their say.
- Pressure groups can compensate for the inadequacies of the electoral system: geographical representation is supplemented by functional representation.
- Pressure groups enable individuals to participate in the political process at any time, not just every four or five years at elections.
- Pressure groups enable specific interests to be identified and articulated which the political parties may be unwilling or unable to promote.

Globalisation and pressure groups

Globalization has strengthened pressure groups in a number of ways. In particular, there is general agreement that business groups have become more powerful in a global age. This is because they are able more easily to relocate production and investment, so exerting greater leverage on national governments. Such trends have strengthened pressures on governments in India and elsewhere. For instance, governments are pressured to cut business taxes and reduce corporate regulation.

Another feature of globalization has been the emergence of NGOs, such as the WEF, Greenpeace, and the World Social Forum, as major actors on the global stage. Thousands of NGOs are participating in international events like Rio Summit, Climate talks etc.

The rise of pressure-group power

Those who argue that pressure groups have become more powerful usually draw attention to one of three developments:

The growth of cause groups. Looked at simply in terms of political participation, groups certainly appear to be becoming more important. Linked to this has been the appeal of the 'new politics', characterized by greater political activism and the spread of grass roots participation. 'New' types of political participation include political protest by 'flash mobs' as seen in Arab Spring; Anna Hazare agitation, Brazil, Shabag in Bangladesh and Turkey in mid-2013 and what has been called cyberactivism. Examples of the politics of protest include the activities of many NGOs like India Against Corruption etc.

Rise of education and urbanisation, RTI, deepening of democracy, international support, influence of media etc explain this trend.

Cyberactivism: Political action based on the use of 'new' technology – the Internet, mobile phones, e-petitions, electronic voting, and so on.

New trend in India

BPAC ~

An unique experiment in politics and one which was aimed to build a better Bangalore and enhance the quality of life has met with decent success in the Karnataka elections.

BPAC (Bangalore Political Action Committee) with representation from diverse walks of life including several eminent personalities from the fields of politics, business, sports, the arts and entertainment such as Kiran Mazumdar Shaw and Mohandas Pai, had supported 14 candidates across party lines contesting from various constituencies in Bangalore.

Of the 14 candidates, 9 of them lost the elections, while the remaining five has won.

The candidates were selected on the basis of their work done to develop their respective constituencies and were also supported with a grant of Rs 5 lakh each for the elections.

Aam Aadmi Party

It is a political party which was formally launched in November 2012. It came into existence after existing as a popular movement that had been demanding a Jan Lokpal Bill since 2011. Leaders of the movement had differences. Hazare preferred that the movement should remain politically "unaligned" while Kejriwal considered that the failure to achieve its ends through indirect influence on the political process necessitated a direct political involvement.

Lok Satta

It is a political party in India, founded by Jayaprakash Narayan, a former I. A. S. officer and renowned activist from Andhra Pradesh. Since 1996, the Lok Satta Movement functioned as a non-governmental organization, but on 2 October 2006, the movement was reorganized into a formal political party. The party intends to further the causes of the Lok Satta Movement, including promotion of the Right to Information Act, and disclosure of criminal records and assets by political candidates. Beginning with the 2009 elections the party has adopted a whistle as their official symbol.

Public interest groups in India

"Public interest group (PIG), is a group of individuals who come together, in order to benefit people beyond their membership in the group. Whereas economic interests and most cause groups benefit a narrow constituency, public interest groups promote issues of general public concern (e.g., environmental protection, human rights; and consumer rights). Examples of public interest group

1. Narmada Bachao Andolan
2. Chipko movement

Poverty estimates: History and methodology

Planning commission initially gave poverty numbers and related data ratios since 1979 based on the Alagh Committee Report of that year. This procedure was subsequently modified by the Lakdawala Committee (1993). The commission appointed an expert group led by Suresh Tendulkar to suggest a new poverty line. It submitted its report in 2009. It used the latest data to construct a new poverty line basket to replace the outdated 1973-74 consumption basket. It moved away from the calorie intake as anchor for poverty estimation and included price indices for health and education. The all-India rural poverty line adopted by the Tendulkar Committee was 446.68 for 2004-05. For urban poverty, the ratio of "25.7% at the all-India level was accepted as it was not controversial like its rural counterpart. In other words, the rural poverty level was criticized as being too low at 28.3% and so had to be changed.

68th round of NSSO findings showed that poverty declined by 15 percentage points per annum between 2004-05 to 2011-12. It is the fastest decline of poverty compared to earlier periods. Both growth and redistribution have contributed. The poverty line is drawn at Rs.27.20 in rural and Rs.37.30 in urban areas at the prices prevailing in 2013 July. There are questions on whether one can live with this money. 275 million lived below even this minimalist poverty line in 2011-12 in India. This is a matter of concern and the need for increase in incomes for these people is obvious. (Discussed in detail elsewhere)

The government has taken a decision to appoint a technical group to revise/revisit 'the methodology for estimating poverty in a manner that is consistent with current realities'. The government is also expecting the socio-economic and caste census by October 2013. It may be noted that the Planning Commission poverty estimates relate to income poverty estimates based on private consumer expenditure (PCE). The Saxena and Hashim Committee recommendations on deprivation may relate more to non-income indicators. (See ahead).

Arjun Sengupta Commission on unorganised enterprises estimated 77% of the population can be categorised poor and vulnerable.

Rangarajan Committee

The government in mid-2012 announced the formation of a new expert committee under C Rangarajan, to revisit the methodology for estimation of poverty and identification of the poor, months after a poverty line cut-off, based on the method proposed by Suresh Tendulkar, had created a flutter. It will give the report in one year and has 4 members. The panel would also look into the issue of linking poverty estimates with providing benefits under the Centre's social welfare schemes. The panel would also assess whether poverty can be determined on any criteria other than the consumption basket. The panel will also assess if the two (consumption basket and other methods) can be effectively juxtaposed for estimating poverty in rural and urban areas.

The panel would examine the divergence between consumption estimates based on the National Sample Survey Organisation (NSSO)'s methodology and those emerging from the National Account aggregates. It would also suggest a method to update the consumption poverty line, using the national, urban and rural consumer price index data being released since 2011.

The committee would study the various poverty estimation models used across the world and suggest the best alternative for India.

Tendulkar committee's approach is based on updating rural consumption data to prevailing prices, while not revising the urban consumption data simultaneously. Rangarajan committee has to see if this is the right way to do it.

Poverty can be estimated in different ways. First, the absolute method, in which one considers how the economy has changed over time and the number of people living below a certain income level. The other is the relative method, in which you consider the current level of average income and the income distribution in the country. This has been widely used in India. So far, we have only looked at consumption expenditure. Now, we will also look at alternative ways how to combine the current method with poverty estimation techniques used in other countries.

NC Saxena Committee

The rural development ministry in 2008 appointed a committee headed by NC Saxena to look at revising the parameters laid out by the earlier Sanjeeva Reddy committee to calculate the rural BPL figures in the states.

Officially, there are two sets of BPL estimates in India, one made by the Planning Commission using NSSO data on household consumption expenditure and the other by the rural development ministry through a state-level BPL house-to-house census.

The mismatch between the two, with Planning Commission progressively lowering poverty estimates while the states push higher numbers, has been a source of controversy.

The Centre allocates resources for BPL schemes based on the figures of the Planning Commission. Stats need more as they estimate poverty higher.

The committee chaired by NC Saxena recommended that 50% of India's population be given below-poverty-line cards. Thus, it suggests expansion of the social security net which means fiscal and administrative challenges.

While advocating exclusion of large number of families from the BPL lists, the committee has recommended that those families having double the land of the district average of the agricultural land or two wheeler or one running bore well or income tax payers would be deleted from the BPL lists.

While pointing out that the present poverty line which allows only 6.52 crore BPL cards is flawed, the committee has recommended a poverty line that should allow 50% of the country's

population to get BPL cards as compared to the 28% at present. The panel has recommended that some disadvantaged communities be given BPL cards automatically. These include chronically vulnerable groups, such as households with members having tuberculosis, leprosy, disability, mental illnesses or HIV/AIDS and others, designated 'primitive tribe', designated dalit groups, homeless household etc.

- The Centre has notified 13 new parameters for defining Below Poverty Line (BPL) category of people in the country. It has done away with the earlier definition based on food calories or annual earnings.

The revised definition is based on landholding, type of dwelling, clothing, food security, hygiene, capacity for buying commodities, literacy, minimum wages earned by the household, means of livelihood, education of children, debt, migration and priority for assistance. The matter had been stayed by the Supreme Court and has only now been vacated.

Urban poverty

The Planning Commission had constituted an expert group under S.R. Hashim in 2010 to recommend detailed methodology for identification of BPL families in urban areas in the context of the 12th Five Year Plan. The expert group submitted an interim report recommending that poverty in urban areas be identified through identification of specific vulnerabilities in residential, occupational and social categories.

It said that those who are houseless, live in temporary houses where usage of dwelling space is susceptible to insecurity of tenure and is affected by lack of access to basic services should be considered residentially vulnerable.

Houses with people unemployed for a significant proportion of time or with irregular employment or whose work is subject to unsanitary or hazardous conditions or have no stability of payment for services should be regarded occupationally vulnerable. Households headed by women or minors or where the elderly are dependent on the head of household or where the level of literacy is low or members are disabled or chronically ill should be considered socially vulnerable, it said. The expert group is yet to finalise the detailed methodology for an ordinal ranking of the poor on the basis of vulnerability. BPL survey will be done by staff of municipalities or urban departments in 45 major cities. In smaller towns, district magistrate will be the nodal officer.

Questionnaire prepared for urban BPL survey will obtain information on several parameters including income, number of members, type of house and availability of amenities. The survey will also give us information about housing shortage and deficiency in services in urban areas. An estimated 90 million of the 300 million living in India's roughly 45 cities and over 5,000 towns are poor.



NGOs

Non-governmental organizations (NGOs) is a term that originated from the United Nations, and normally refers to organizations that are not a part of a government and are not conventional for-profit businesses. In the cases in which NGOs are funded totally or partially by governments, the NGO maintains its non-governmental status by excluding government representatives from membership in the organization. The term is usually applied only to organizations that pursue wider social aims. India is estimated to have had around 3.3 million NGOs.

NGO types can be understood by their orientation and level of cooperation.

NGO type by level of orientation:

- Charitable Orientation It includes NGOs with activities directed toward meeting the needs of the poor.
- Service Orientation includes NGOs with activities such as the provision of health, family planning or education services in which the programme is designed by the NGO and people are expected to participate in its implementation and in receiving the service.
- Participatory Orientation is characterized by self-help projects where local people are involved particularly in the implementation of a project by contributing cash, tools, land, materials, labour etc. In the classical community development project, participation begins with the need definition and continues into the planning and implementation stages.
- Empowering Orientation aims to help poor people develop a clearer understanding of the social, political and economic factors affecting their lives, and to strengthen their awareness of their own potential power to control their lives.

NGO type by level of operation:

- National NGOs include national organizations such as, YMCA/YWCAs
- International NGOs such as Save the Children organizations, OXFAM, CARE, Ford Foundation, and Rockefeller Foundation. They can be responsible for funding local NGOs, institutions and projects and implementing projects.

Apart from "NGO", there are many alternative or overlapping terms in use, including: third sector organization (TSO), non-profit organization (NPO), voluntary organization (VO), civil society organization (CSO), grassroots organization (GO), social movement organization (SMO), self-help organization (SHO) and non-state actors (NSAs).

Non-governmental organizations are a heterogeneous group. As a result, a long list of additional acronyms has developed, including:

- BINGO: 'Business-friendly International NGO' or 'Big International NGO'
- TANGO: 'Technical Assistance NGO'
- TSO: 'Third Sector Organization'
- GONGO: 'Government-Operated NGOs' (set up by governments to look like NGOs in order to qualify for outside aid or promote the interests of government)

- **DONGO:** 'Donor Organized NGO'
- **INGO:** 'International NGO'
- **National NGO:** A non-governmental organization that exists only in one country. This term is rare due to the globalization of non-governmental organizations, which causes an NGO to exist in more than one country.
- **CSO:** 'Civil Society Organization'
- **ENGO:** 'Environmental NGO,' such as Greenpeace and WWF
- **PANGO:** 'Party NGO,' set up by parties and disguised as NGOs to serve their political matters.

NGOs exist for a variety of reasons, usually to further the political or social goals of their members or founders. Examples include improving the state of the natural environment, encouraging the observance of human rights, improving the welfare of the disadvantaged, or representing a corporate agenda.

Staffing

Some NGOs are highly professionalized and rely mainly on paid staff. Others are based around voluntary labour and are less formalized. Not all people working for non-governmental organizations are volunteers.

Many NGOs are associated with the use of international staff working in 'developing' countries, but there are many NGOs in both North and South who rely on local employees or volunteers.

Funding

Whether the NGOs are small or large, various NGOs need budgets to operate. The amount of budget that they need would differ from NGOs to NGOs. Unlike small NGOs, large NGOs may have annual budgets in the hundreds of millions of dollars. Funding such large budgets demands significant fundraising efforts on the part of most NGOs. Major sources of NGO funding are membership dues, the sale of goods and services, grants from international institutions or national governments, and private donations. Even though the term "non-governmental organization" implies independence from governments, many NGOs depend heavily on governments for their funding. Some NGOs, such as Greenpeace do not accept funding from governments or intergovernmental organizations.

Non government organizations (NGOs) play a vital role in the development of Indian society.

- The NGO sector's extensive grassroots connection and involvement in various social service provision make it a potentially for the government in reforming out dated public policies
- In India , according to some observers, the public policy making process essentially excludes the public and is carried out by politicians in power with the assistance of elite bureaucrats
- The NGO sector, representing various classes of people and interests, plays a surrogate role by engaging in public policy making.

A great majority of the NGOs are small and about 3/4th of all the NGOs are run entirely by volunteers or a few part time employees. About 13% of the NGOs have between 2-5

employees; about 5% have between 6-10 employees and only 8.5 % (one in every 12) NGOs employ more than 10 people. In spite of the limitation in their size and resources, NGOs in the area of environment, health, education, peace, human rights, consumer rights and women rights provide convincing examples of the power of the sector's action in social change. NGOs are registered as trusts, societies, or as private limited nonprofit companies under sec-25 of the Indian companies' act 1956. Section 2(15) of the income tax act gives tax exemption. Foreign contributions to non profits are governed by foreign contribution regulation act (FCRA, 1976) regulations and the home ministry (Read ahead)

Two theoretical explanations for the growth of the NGO sector:

1. The market failure theory:

NGOs emerged to provide services that the public sector cannot or will not provide, and services for which the businesses cannot get sufficient return on their investment

2. The contract Failure theory:

NGOs were created to provide services where the parties who want them offered were not in a position to provide these services themselves. These parties were donors or well wishers of the client's receiving the services

NGO Sector - Government Relations

- In the initial years after independence, there was some attention given toward the NGO sector by the central government mainly because most of the NGOs were Gandhian in nature.
- It was not until 1980(sixth five year plan 1980-1985), the government identified new areas in which NGOs as new actors could participate in social development.
- During the next six FYPs, the government has increasingly recognized the NGO sector vital role and has provided increasing levels of funding. In the past two decades, all levels of the government have increased their engagements with the sector.

Role of NGOs in the Public Policy Making

Since the late 1970s, the NGO sector has been playing a steadily increasing and active role in influencing government policies that affect the society.

Poverty Alleviation

- There are about 275 million poor people in the country(NSSO 2013)
- Many NGOs are involved in implementing poverty alleviation schemes- IRDP(in the 1980's and 1990's) and Ajeevika presently(2013)

Women's Movement

- Since 1970s women's movement began to take shape , gradually shifting emphasis from the critique of gender inequality to issue like gender discrimination at the work place, unequal wages and the domestic labor. NGOs such as SEWA have played dominant roles in women's economic independence.

- Among the most significant policy development that these NGOs were able to achieve was the introduction of 33% reservation for women in local, village-level elections.

Environmental conservation

- The major and most visible effort, till date, of the NGO sector in influencing environmental policy in the country has been "Narmada Bachao Andolan"
- Spearheaded by a few NGOs, this became a genuine people's movement and gained support from environmental NGOs from around the world.
- The success of the movement resulted in the creation of the new policies on environmental conservation, big dams, resettlement and rehabilitation.

AIDS prevention

Numerous dedicated NGOs have emerged to provide services in HIV/AIDS awareness education, prevention and research.

Realizing the critical need for these NGOs and their services, the government invited them to participate in developing health policies related to HIV/AIDS. Currently these NGOs play an active role by providing policy guidelines as well as delivering government funded services to HIV/AIDS patients. Uday Foundation is one of "India's largest volunteers based non-governmental organization, with programs based on children healthcare, health rights advocacy and carrying out activities for children in hospitals" It is taking active part in Uttarakhand relief.

Disaster management

- The NGO sector has always been in the forefront in providing recovery, relief and rehabilitation after natural calamities and disasters such as floods, droughts, earthquakes and epidemics.
- The government considered this role of NGOs as supplementary to the public sector's disaster management policies and procedures.
- The sector's enormous response in the aftermath of the 2004 Indian Ocean tsunami convinced the government to seek assistance from NGO groups in developing, coordinating and implementing new disaster management policies. Goonj, an NGO that has been working for the past 14 years on providing rehabilitation and relief in the face of several natural disasters, is now working in Uttarakhand and the larger Himachal Pradesh area to help the victims of 2013 June disaster.

Track II Diplomacy

Track II dialogue, or Track II diplomacy, is a bilateral or multilateral coordination that involves non-official members of the government including NGOs. Unlike the Track I diplomacy where government officials, diplomats and elected leaders gather to talk about certain issues, Track II diplomacy consists of experts, scientists, professors and other figures that are not involved in government affairs. The members of Track II diplomacy usually have more freedom to exchange ideas and come up with compromise on their own.

— NGO Sector Strengths

Indian NGO Sector's major strengths include

- Strong grassroots links;
- Field-based development expertise;
- The ability to innovate and adapt;
- Process-oriented approach to development;
- Participatory methodologies and tools;
- Long-term commitment and emphasis on sustainability;
- Cost-effectiveness.

NGO Sector Weakness

Indian NGO Sector's major weaknesses include

- Limited financial and management expertise;
- Limited institutional capacity;
- Low levels of self-sustainability;
- Isolation/lack of inter-organizational communication and/or coordination;
- Small scale interventions;
- Lack of understanding of the broader social or economic context.

Reforms: Thus, there is a need to shift:

- ✓ From protest to pro-action
- ✓ Building citizen democracy
- ✓ Forming alliances across social movements
- ✓ Distinguishing between activist and services provider NGO's

Government and NGO Collaboration.

Social Development has emerged as fast growing sector in 21st century. Voluntary social work, voluntarism, individual donors, philanthropy, corporate social development organizations have tremendously grown in the 21st century.

Similarly International Development Organization viz World Bank, United Nations Development Programme (UNDP), United Nations International Children Education Fund (UNICEF), United Nations Environment Programme (UNEP), United Nations Industrial Development Organization (UNIDO), World Trade Organization (WTO), Food and Agricultural Organization (FAO), Asian Development Bank (ADB), Asian Development Bank (ADB), Japan International Cooperation Agency (JAICA), Department Fund International Development (DFID), Canadian International Development Agency (CIDA), Swedish International Development Agency (SIDA), United Nations Economic Social Commission for Asia and Pacific (UNESCAP) and many other organizations are relentlessly campaigning for the cause of social development.

Under United Nations Systems several International Conventions are being held, several laws are being promoted, several policies are being evolved and several projects are being implemented in

various areas viz, Human Rights, Education, Health, Natural Resources Development and Environment.

Govt. of India enacted several laws, established various Govt. Departments, evolved policies, and created schemes for the cause of social development.

Though Social development has emerged as a very important sector in 21st century there are no institutionalized mechanisms of collaboration of the Govt. and NGOs. The need of the Hour is to evolve long term, sustainable and institutionalized collaboration between the Govt. & NGOs.

In 2004, NAC was set up with NGO participation.

Planning Commission has many task forces and groups where the NGOs are consulted and also serve as members. Dr. Mihir Shah is Co-Founder, Samaj Pragati Sahayog (SPS), one of India's largest grass-roots initiatives for water and livelihood security, working with its 122 partners on a million acres of land across 72 districts in 12 states.

Govt. of India has prepared and released a draft National Policy on NGOs, incorporating the areas of collaboration between the Govt. and the NGOs. The Planning Commission of India and various Ministries of the Govt. of India are working on the modalities of collaboration between Govt. and the NGOs.

Similarly Govt. of Andhra Pradesh formed a state level coordination Committee of the Govt. officials and NGOs headed by the Chief Minister for promoting the coordination between the Govt. and the NGOs. On the same lines district level coordination cells have been formed headed by the district incharge Ministers with Collectors, Officials and NGOs as members.

Govt. of India is promoting the work, projects and involvement of NGOs in a big way. Govt. of India under Ministry of Rural Development has established Council for Advancement of Peoples Action and Rural Technology (CAPART) and promoting the NGO sector in a big way.

Rural Development Department in many schemes related to sanitation (Nirmal Bharat Abhiyan), Ajeevika and so on. Watershed Development and in many other schemes has elaborately issued guidelines, with specific reference to involvement of the NGOs in implementation of the various schemes.

Similarly, several Ministries viz Ministry of Human Resources Development, Ministry of Environment and Forest, Ministry of Social Justice and Empowerment, Ministry of Women and Child Welfare, Ministry of Tourism, Ministry of Labour, Ministry of Agriculture etc. have issued guidelines for implementation of the schemes, with focus on peoples participation of NGOs in implementation of thousands of schemes of the Govt. of India..

On the same lines, various state Govts. Have issued Govt. orders and guidelines and guidelines for people's participation and participation of NGOs in implementation of various schemes.

Govt. of India through various Ministries has been funding the NGOs to a tune of thousands of crores per annum for implementation of various schemes. CAPART and various Ministries have evolved schemes to be funded to the NGOs for implementation in various areas concerning

Human and Social Development of people. For example, Akshay Patra is involved in the mid-day meal scheme. Pratham is involved in SSA.

NGOs and the Legitimacy challenge

The issue of the legitimacy of NGOs raises a series of important questions. NGOs are known as an "independent voice".

In recent decades NGOs have increased their numbers and range of activities to a level where they have become increasingly dependent on a limited number of donors. Consequently competition has increased for funding, as have the expectations of the donors themselves. This runs the risk of donors adding conditions which can threaten the independence of NGOs, an over-dependence on official aid has the potential to dilute "the willingness of NGOs to speak out on issues critically".

NGOs have also been challenged on the grounds that they do not necessarily represent the needs of the developing world, through diminishing the so-called "Southern Voice". Some postulate that the North-South division exists in the arena of NGOs.

Another criticism of NGOs is that they are being designed and used as extensions of the normal foreign-policy instruments of certain Western countries and groups of countries.

NGO accountability

India is estimated to have 3.3 million registered NGOs. While the sector is regulated by multiple laws and authorities, its credibility is often questioned by most stakeholder groups due to lack of information (about existence, performance, finances, output and outcome), absence of performance benchmarks, government licenses and permissions not being sufficient indicators of performance or credibility, and the general lack of awareness of the common man about the voluntary sector.

Government is the largest source of funds for the voluntary sector in India. Government envisages a greater role for NGOs in implementing many of the public welfare programmes.

The voluntary sector in India is going through a period of transformation. In the backdrop of:

- a robust economy that opens new streams of private giving
- a telecom revolution penetrating deeply and widely allowing better connect between the donor and recipient
- the voluntary sector beginning to embrace technology and attract professional management,
- the birth of support organisations for social entrepreneurs and
- the emergence of web-based platforms

There is a strong impetus for NGOs to become more transparent and accountable.

India has multiple Acts (The Societies Registration Act, 1860, The Indian Trust Act, 1882, The Bombay Public Charitable Trust Act, 1950, section 25 of The Companies Act, 1961) under which organisations are registered as not for profits or NGOs in India. Gujarat and Maharashtra are two states where NGOs registered as Societies also need to be registered as Trusts. The accountability requirements of all these Acts differ, with some of them not requiring any form of annual filings. NGOs are required to register with the Income Tax Department under section 12 A. However, the annual returns of Income Tax filed by NGOs are not subject to public disclosure. NGOs need permission from the Ministry of Home Affairs under the Foreign

- Contribution regulation Act (FCRA) to receive any form of foreign contribution.
- The scenario described above indicates that the statutory framework does not require NGOs to be accountable directly to the public.

FCRA

The Foreign Contribution (Regulation) Act, 2010 has come into force. Consequently, the earlier Act, viz., the Foreign Contribution (Regulation) Act, 1976 has been repealed.

FCRA, 2010 is an improvement over the repealed Act as more stringent provisions have been made in order to prevent misutilisation of the foreign contribution received by the associations. The prime objective of the Act is to regulate the acceptance and utilization of foreign contribution and foreign hospitality by persons and associations working in the important areas of national life. The focus of the Act is to ensure that the foreign contribution and foreign hospitality is not utilized to affect or influence electoral politics, public servants, judges and other people working the important areas of national life like journalists, printers and publishers of newspapers, etc. The Act also seeks to regulate flow of foreign funds to voluntary organizations with the objective of preventing any possible diversion of such funds towards activities detrimental to the national interest and to ensure that individuals and organizations may function in a manner consistent with the values of the sovereign democratic republic.

FCRA 2010

- The 1976 Act lists a number of organisations and individuals that are prohibited from accepting foreign contribution. The Act adds organisations of a "political nature" and electronic media organisations to the list.
- The Act requires all persons with a "definite cultural, economic, educational, religious or social programme" to register under FCRA to accept foreign contribution. The central government may deny, suspend or cancel certification under certain conditions.
- Organisations must renew FCRA certification every five years. Both the application and the renewal carry a fee.
- The Act allows the central government to conduct separate audits for FCRA certified organisations and grants it the power of search and seizure.

The new FCRA, 2010 has a much broader applicability; it is applicable to individuals, Hindu Undivided Family (HUF) etc.

The FCRA is amended to remove some inadequacies and practical difficulties in administration of the Act.

For instance Section 17 of FCRA 2010 provides that multiple bank accounts can be opened for the purposes of utilization provided only one bank account is maintained for receiving foreign contribution. This amendment provides a great relief to all the NGOs which were struggling under the arbitrary disallowance of multiple bank accounts under FCRA, 1976.

Another relief is the time limit for processing an application for registration. In the old FCRA there was no time limit but section 12 of the FCRA 2010, provides the time limit and applications for registration have to be processed within 90 days. The FCRA department shall also provide reasons for rejections.

Over 40,000 organisations in the country receive foreign contributions and of them, only 18,000, report the funds transfer and submit accounts. The rest are dormant...the Act will ensure that every five years the organisations renew their registration so that the dormant ones can be weeded out.

There was a provision in the Act where if any organisation received funds over Rs.10 lakh in an instance, the bank concerned would immediately inform the government so that government agencies would track the source of such funds.

This law would prohibit certain individuals and organisations to accept overseas funds and they include cooperative societies, candidates during elections, correspondents, editors and publishers of newspapers, judges and government servants, members of legislature and political parties.

However, remittances received from relatives abroad and salaries or wages due from foreign sources and payment for international trade are exempted. If those receiving foreign contribution do not file accounts the government will have the power to cancel their registration.

Those organisations engaged in production or broadcast of audio news, audio-visual news or current affairs through any electronic mode will be brought under the purview of the legislation. Similarly, use of foreign contribution for any speculative business is prohibited.

A total 22,735 NGOs received foreign funds to the tune of Rs 10, 335 crore in 2010-11. Over 17,700 NGOs receiving foreign funds have not filed their annual returns for 2011-12 with the Ministry of Home Affairs under the Foreign Contribution Regulations Act (FCRA). According to the FCRA, if an NGO does not file returns properly, its registration can be cancelled after serving a show cause notice. The US is the top donor nation to Indian NGOs, followed by Britain and Germany.

Since NGOs work independently and not accountable to the government, the MHA has been encouraging transparent and accountable system of governance and management in the welfare associations. The ministry had earlier observed that NGO sector in India is vulnerable to the risks of money laundering and terrorist financing and details of account with return is important to ensure that foreign funding is not misused or diverted for any anti-national activity.

National Policy on Voluntary Sector 2007

The main objectives of the policy include:

- (i) Creating an enabling environment for Voluntary Organisations (VOs) that not only stimulates their effectiveness but also protects their identity and safeguards their autonomy.
- (ii) Enabling VOs to legitimately mobilize the necessary financial resources from India and abroad.
- (iii) Identifying systems by which the Government may work together with the Voluntary Sector.
- (iv) Encouraging VOs to adopt transparent and accountable systems of governance and management.

GOI will examine the feasibility of enacting a simple and liberal central law to register societies, trusts and non-profit companies.

There is a commitment to encourage independent philanthropic institutions to provide financial assistance to deserving VOs.

The National Policy on the voluntary sector aims to provide an enabling environment for the voluntary sector and also make it accountable, so that VOs can play their constructive role in development activities effectively.

Voluntary Organisations (VOs) taking public donations and enjoying tax benefits would be encouraged to do so even as the Government is keen to consider tightening administrative and penal procedures to ensure that these incentives are not misused by paper charities for private financial gain.

'National Policy on Voluntary Sector' was prepared by the Planning Commission for the first time to set guidelines for the transparent functioning of VOs in various developmental activities across the country and abroad.

As a large number of government agencies operate schemes for financial assistance to VOs, concerned government agencies would be encouraged to ensure proper accountability and monitoring of public funds distributed to VOs so that arbitrary procedures, selection of unsuitable VOs, poor quality of implementation and misuse of funds would be stemmed.

Some Indian NGOs

Pratham

Pratham is the largest non-governmental organisation in India. It works towards the provision of quality education to the underprivileged children in India. Established in Mumbai in 1994 to provide pre-school education to children in slums, it now has activities in 21 states of India. Pratham's founder and current CEO, Madhav Chavan, Pratham's mission is "Every Child in School and Learning well". By increasing the literacy levels of India's poor, Pratham aims to improve India's economic and social equality. This is carried out through the introduction of low cost education models that are sustainable and reproducible.

What it does?

Annual Status of Education Report (ASER), India's largest NGO-run annual survey, has been conducted by Pratham since 2005 to evaluate the relevance and impact of its programs. Findings are disseminated at national, state, district and village levels, and influence education policies at both state and central levels.

Read India - Despite India's educational reforms in recent years, quality education is still a concern, especially among low-income communities. Findings of ASER since 2005 revealed that 50% of children in government schools could not read, write or do basic arithmetic despite being in school for 4–5 years. Hence Read India was launched in 2007 to improve reading, writing and basic arithmetic skills of 6–14 year old children and is carried out by school teachers, anganwadi workers and volunteers, whom Pratham trains. Read India has reached approximately 34 million children to date, resulting in large-scale improvements in literacy levels across several states in India.

Pratham Books, a non-profit organization which publishes affordable, quality books for children, was set up in 2004 to complement Read India. It has published over 200 original titles in 10 Indian languages and reached over 14 million children.

Direct programmes – Pratham's direct programmes seek to supplement governmental efforts to improve quality of education through balwadis (pre-school education), learning support programs, libraries and mainstreaming drop-out children. Full-year learning support is provided at centres for children living in the immediate vicinity. These programmes are typically conducted in urban slums or poor villages, where children do not have easy access to quality education.

Other Work - Pratham has also set up other programmes for disadvantaged Indian children and youth, including Pratham Council for Vulnerable Children (PCVC), Early Childhood Care and Education Centre (ECCE), Vocational Skills Programme, and Computer-aided Literacy.

HelpAge India

It is a non-profit and a non-governmental organisation in India registered under the Societies' Registration Act of 1860. Set up in 1978, HelpAge India is a registered national level voluntary organisation. Since its foundation, its mission is to work for the cause and care of disadvantaged older persons, in order to improve the quality of their lives. HelpAge India is one of the founding members of HelpAge International.

Bachpan Bachao Andolan

BBA is a movement campaigning for the rights of children and for an end to human trafficking. Its focus since formation in 1980 has centred on ending bonded labour, child labour and trafficking, as well as demanding the right to education for all children.

Akshaya Patra Foundation

It runs school lunch programs across India. The organization distributes freshly cooked, healthy meals daily to 1.3 million underprivileged children in 9,000 government schools through 20 locations in 9 states across India. Built on a public-private partnership, Akshaya Patra has supporting chapters in the United States, and UK.

It costs just Rs. 750 to feed a child daily for the entire school year due to government subsidy and provision of grains and technology. For many of the children, this is their only complete meal for the day. It gives them an incentive to come to school and stay in school and provides them with the necessary nutrients becoming the food for education. The mission of the organization is to reach out to 5 million children by 2020, and holds to the belief that "no child in India shall be deprived of education because of hunger."

Akshaya Patra partnered with the Karnataka government in 2003 under the mid-day meal scheme to act as one of the implementing arms of the government in many regions. It now works with central and state governments in 9 states (Karnataka, Andhra Pradesh, Assam, Chattisgarh, Gujarat, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh) and has set up kitchens in 20 locations.

Assets such as state-of-the-art centralized kitchens are constructed and maintained across regions to ensure timely mass production of over 100,000-meals in most hygienic condition every day. Continuous R&D is taken up leading to innovations in the construction process. Akshaya Patra Blue Bus delivers food to the schools once the hot nutritious meals are ready.

Sammaan Foundation

It works towards organizing the rickshaw-pulling class of people by providing them with opportunities to earn their livelihood. Irfan Alam popularly known as the "rickshaw man of Bihar" is its founder.

Udaan Welfare Foundation

The Udaan Welfare foundation was formed with a mission to empower lives of the downtrodden. Their main areas of focus are children, destitute women, senior citizens and environment protection. Till date, they have launched various health and education initiatives involving children and destitute women. They even have a cancer chemotherapy centre as one of their main projects.

LEPRA Society

LEPRA society actively promotes quality health care through various initiatives. It aims to support various health programmes in the prevention and control of diseases like AIDS, Leprosy, and Tuberculosis etc. Their programmes are mainly focussed to communities which are poor comprising women and children.

Deepalaya

Deepalaya is a development-based NGO which works on issues pertaining to the poor and the downtrodden, especially children. It works in slums of Delhi and initiated rural development in Haryana and Uttarakhand. It works in collaboration with both governmental and non-governmental agencies. Their areas of focus include education, healthcare, gender equality, vocational training, empowering other NGOs which have the same vision and upliftment of the differently-abled.

Uday Foundation

Uday foundation provides support to the families of children suffering from critical disorders, congenital defects and other diseases and syndromes which affects their health, growth and education. It has launched various health related projects for the common man in general. Their special focus is child rights i.e. providing a right to live with dignity. It is more of a parents support group who tackle the problem of saving the lives of the future of our country. They also support research to develop new healthcare technologies.

Work Culture

Work culture may be defined as the rules/regulations, policies, Practices, traditions/rituals and values/beliefs of the organisation. In general terms, culture is the man-made part of the environment which provides a comprehensive framework for understanding the way of life of a person; his beliefs, values, norms, behaviour, etc. However if specifically, culture is conceptualised with respect to the nature of the workplace, then it provides understanding of the various facets of work behaviour.

Work culture means work related activities and the meanings attached to such activities in the light of the norms and values pertaining to work in an organisation. These are established because of various interactive activities that takes place between an organisation and its employees' regarding the nature and concept of the work.

A company's culture is its personality and tell's the employees how to do their work. It takes its signals from leaders and underlies motivation, morale, creativity, and marketplace success.

Work culture is the distinctive personality of the organization that determines how members act, how energetically they contribute to teamwork, problem solving, innovation, customer service, productivity, and quality.

Work culture may be examined at four levels within an organisation:-

- Organisational goals and objectives and the way they are perceived and reacted to by the employees.
- Technology of an organisation, its structure, work forms, financial position, etc.
- Social groups, norms, values, power structure, role relations, etc.
- Work behaviour and other work related activities.

The business culture of India is a reflection of the various norms and standards followed by its people. In the United States, the work environment is professional and causal. Today's companies have a world of opportunities. The challenge lies in accessing them. Technology has made it possible for companies to expand into international markets. The advent of globalization made business enterprises and employees to work across the borders of various countries, thus providing exposure to cross cultural working environment to both the organizations and employees. This eliminated the huge gap between the work culture of India and other countries to some extent work culture is a consequence in an organization formed by a set of values and beliefs; carried forward from long time and has substantial impact in he behaviour, quality, and quantity of work done by the employee in an organization. A decade ago, the work culture in India had a vast difference as compared to rest of the world, specially western countries. But, now there is a paradigm shift due to enormous growth of MNC's in IT sector India, BPO's etc. The advent of globalization made business enterprises and employees to work across the borders Of various countries, thus providing exposure to cross cultural working environment to both the organizations and employees. This eliminated the huge gap between the work culture of India and other countries to some extent. However, in fields other than IT and Government sectors of India the work culture differs a lot from that of other countries.

Indian work culture compared

Work culture in India is distinctive and differs from the culture abroad in many ways, some differences being major and some very minor.

The gender divide is still strong in India. Gender issues differ from environment to environment. Even though there is a trend towards open-mindedness and equality, the working environment in India has been witness to discrimination against women. This discrimination if not physical and obvious, is often mental and subtle. Due to the male dominated system, it is still difficult for men to accept orders from women and this can be cause for stress at the workplace.

Although discrimination exists abroad also, the redressal measures are much more effective and quicker. The office structures are now showing changes in terms of making provisions.

Another aspect that the work culture in India is gradually incorporating is the informal attitude in the workplace. Earlier the workplace was a separate compartment, with its own set of codes and rules. This compartmentalisation made it a bit rigid. Now the culture is opening up, with the concept of flexible working hours and self-formulated working strategies and goals taking precedence as compared to a culture where senior level employees were involved in goal formation and the relatively junior employees in implementation. This has been seen as a positive change brought about by the emergence of global companies, which have brought in with them a more relaxed style of working. This culture is relatively new in India and involves much more freedom as compared to the past. Abroad, the office atmosphere has mostly been more less structured. Dress codes and behavioral codes were not very important and employees had more freedom. Out-of-the box thinking though not synonymous with attitudes is also more associated with a culture that is more tolerant.

A broad, people mostly tend to take the complete weekend off from work and enjoy and relax. The same rule goes for long vacations, where workplace related issues are not generally kept in mind. In India, there is more of a tendency to carry work home, to carry it along on vacations. Even though the young Indian is definitely taking time off and enjoying, people tend to be constantly on call. People tend to put their life on hold for work and with gadgets such as cell phones and laptops, which ensure 24/7 connectivity anywhere anytime, this, has become a very common syndrome.

India by nature is a relaxed country and so are the people. Decision making here is generally a slow process abroad, since a lot of companies have pro-active policies and susceptible to market forces, decision-making and quick decision-making at that is considered to be very important for sustained success.

Entrepreneurs are a relatively new phenomenon in India and the same can be said of venture capital funds. The tendency to take risks is limited in India, and most people prefer to play it safe. This reflects in the overall work culture and it is not easy to incorporate innovations. People have an in-built resistance to innovations at times. Till now, entrepreneurs and businessmen were also not encouraged by the system.

Abroad the work culture is relatively more encouraging of innovations and risks. People try and convert their ideas into successful business ventures. To sum up, one might say work culture is a very distinctive feature and differs from place to place. It is a sum of different factors including the employee attitudes, local customs and company policy. Other differences may also arise in terms of communication, innovation, leadership etc and quite often are specific to the place of work and the company.

India as now a global hub and is providing growing work opportunities. It is a country with a rich cultural heritage and increasingly globally competitive standards. The challenge now is to develop a work culture, which would meet global challenges and incorporate competitive standards while retaining its traditions and customs.

Some more observations

Employees are constantly on the lookout for another job and are sometimes actively poached by competitors. I'm told this is because there are substantially fewer "qualified" people than there are jobs. And with more and more MNCs growing their operations in India, this problem is expected to get worse.

Work hours in India are long and employees frequently work nights and weekends.

Monetary compensation is the only incentive offered to attract and retain good people. Compared to the U.S., employers spend little time or money in building a relationship with their employees. Office socials and events are rare and there is no sense of belonging to a community. Additionally, the Indian culture and company cultures are hierarchical – socializing and networking tends to happen within your peer-level only. As a result, it feels harder to find mentors who take juniors under their wing and honest advice that helps one grow. That is there is no mentoring.

There are no systems in place that allow employees to submit regular feedback anonymously on what's working and what's not.

Making oneself adapt to the various aspects of workplace culture such as communication patterns, hierarchy, dress code if any, workspace and most importantly working and behavioural patterns of the boss as well as the co-workers is very important.

The adjustment to the workplace culture in a company can be intensely stressful. A sound management practice should also take into consideration the factor of emotional intelligence of employees. This will help in creating an organisational culture which will not only contribute to the professional well-being and motivation of employees and enable them to self-actualise, but also help to counter stress at work and thus increase the capability of an organisation to attract, retain and motivate talented employees.

Maladjustment to workplace cultures may lead to subtle conflicts with colleagues or even with superiors. Thus, human resource management policies of a company should be such framed that they are able to foster the growth of the employees as well as the organisation.

Rest in the class room.

Self Help Groups

Self-Help Group or in-short SHG is now a well-known concept. It is now almost two-decade old. SHGs have a role in hastening country's economic development- inclusive growth. SHGs have now evolved as a movement.

Generally a Self-Help Group consists of 10 to 20 women. The women save some amount that they can afford. It is small amount ranging from Rs. 10 to 200 per month. A monthly meeting is organised, where apart from disbursal & repayment of loan, formal and informal discussions are held, on many social issues also. Women share their experiences in these groups. The minutes of these meetings are documented and the accounts are written. The President, Secretary and Treasurer are three official posts in any SHG. If the SHGs are connected with some NGOs, they take part in other social activities of those NGOs.

Of late, the organisational structure of various micro-financial groups is undergoing significant changes. There are Thrift groups; Credit management groups, Income generating groups, Self-help groups and Mutual help groups.

Sometimes the NGO/bank that promotes the SHG, itself provides loan facilities. It is called as Micro-finance Institution.

Objectives of SHGs:

- Basically the SHGs are economic groups. Small funds are raised for day-to-day needs. The saving groups when transformed to earning groups not only increase the productivity of women but the credibility also.
- Economic empowerment thus leads to women being able to understand and gain knowledge about Banking, Gram Panchayats, Zilla Parishad, Law and Judiciary etc.
- As economical solutions are available, the family incomes improve
- A common platform is available for a dialogue and sharing of views.

We can trace the origin of the concept of SHGs in Bangladesh.

Bangladesh has been acknowledged as a pioneer in the field of micro-finance. Dr. Mehmud Yunus, Professor of Economics in Chittagong University of Bangladesh, was an initiator of an action research project 'Grameen Bank'.

The project started in 1976. The Grameen Bank provides loans to the landless poor, particularly women, to promote self-employment. SHG concept in India is now almost two-decade old. SHGs have now evolved as a movement.

The micro-finance practices revolve around five basic features. Firstly, these institutions primarily have women as their target group. Secondly, they adopt group approach for achieving their targets. The group approach focuses on organising the people into small groups and then introducing them to the facility of micro-financing. The MFIs of Bangladesh place a great deal of importance to group solidarity and cohesiveness. Thirdly, savings are an essential precondition in all these MFIs for availing credit from them. Fourthly, the officials of the Bangladesh MFIs remain present in the weekly meetings of the groups and collect the savings, update the pass books and even disburse the loans, and lastly, the systems and procedures of the MFIs are quite simple and in tune with the requirements and capabilities of their clients.

India has adopted the Bangladesh's model in a modified form. To alleviate the poverty and to empower the women, the micro-finance has emerged as a powerful instrument in the new economy. With availability of micro-finance, self-help groups (SHGs) and credit management groups have also started in India. And thus the movement of SHG has spread out in India.

In India, banks are the predominant agency for delivery of micro-credit. In 1970, Ilaben Bhat, founder member of 'SEWA' (Self Employed Women's Association) in Ahmedabad, had developed a concept of 'women and micro-finance'. The Annapurna Mahila Mandal in Maharashtra and 'Working Women's Forum' in Tamilnadu and many National Bank for Agriculture and Rural Development (NABARD)-sponsored groups have followed the path laid down by 'SEWA'. 'SEWA' is a trade union of poor, self-employed women workers.

Since 1987 'Mysore Resettlement and Development Agency' (MYRADA) has promoted Credit Management Groups (CMGs). CMGs are similar to self-help groups. The basic features of this concept promoted by MYRADA are: 1] Affinity, 2] Voluntarism, 3] Homogeneity and 4] Membership should be limited to 15-20 persons. Aim of the CMG is to bestow social empowerment to women.

(In the class)

The movement of SHG spread in the states of Gujarat, Maharashtra, Andhra Pradesh, Rajasthan, Tamilnadu and Kerala.

Now nearly 560 banks, the Government institutions like Maharashtra Arthik Vikas Mahamandal (MAVIM), District Rural Development Agency (DRDA), Municipal corporations and more than 3,024 NGOs are collectively and actively involved in the promotion of SHG movement.

In India three different models of linkage of SHGs to the financial institutions have emerged. They are:

- Banks, themselves, form and finance the SHGs.
- SHGs are formed by NGOs and other agencies but financed by banks.
- Banks finance SHGs with NGOs and other agencies as financial intermediaries. The second model is the most popular model. Almost three-fourths of all the SHGs come under this model. Only 20% of the SHGs are covered under the first and 8% under the third model respectively.

SHG are popular in many states. Beginning with a tiny amount of only 25 paise, the women of Maharashtra from Amaravati District had established one SHG long back in 1947.

Further in 1988, 'Chaitanya' Gramin Mahila Bal Yuval Sanstha started promoting SHGs in Pune District, informally.

In Southern part of India, 'SADHAN', 'DHAN' foundation and 'ASA' worked to promote SHGs. But their thrust was on economic aspects only. Whereas in Maharashtra, the NGOs not only have catered to the economic needs of the participants, but also involved in the process of social development. Aim of 'Chaitanya' is also the same to empower the women in both ways, economically and socially. Presently, numerous NGOs and governmental institutions promote SHGs on a large scale.

90 percent SHGs are comprised only of women members.

Enabling Joint Liability Groups (JLGs) within SHGs

A few members of an SHG may graduate faster to start or expand economic activities requiring much higher levels of loans than required by other SHG members. In such cases, the other members may not like to stand mutual guarantee for a few large sized loans. In such cases, a smaller "Joint Liability Group (JLG)" from members of an SHG may be created. The members of JLG will continue to remain members of the SHGs and continue to participate in the activities of SHGs as earlier.

Banks may encourage creation of such enterprise / livelihood based JLGs as a separate entity. Banks may use financial and other support extended by NABARD for this purpose. These JLGs may be created and financed by the bank on the lines of NABARD guidelines and such financing would be in addition to the loan / credit limit to the SHG.

Impact of SHG in the process of empowerment of women

The year 1975 was declared as a 'year for women'. Also, the decade from 1975 to 1985 was declared as a 'decade for women'. During this period, the movement for empowerment of women received a fillip. The importance of rôle of women, which consists 50% of the society, was highlighted in this span of period. It was emphasised that woman should get the same opportunities as that to men.

The year 2001 was declared as a 'year of women empowerment'. Efforts were being made in the direction that women should have a role in all walks of life; and special provisions should be made in the budget for activities related to the development of women. Many schemes were planned and started to be executed, at government level, in respect of women education, laws regarding prevention of atrocities on women, their participation in economic and political spheres etc. At this juncture, SHG movement also started and in a way journey towards women empowerment began.

Empowerment is a process of change by which individuals or groups gain power and ability to take control over their lives. It involves access to resources, resulting into increased participation in decision-making and bargaining power and increased control over benefits, resources and own life, increased self-confidence, self-esteem and self-respect, increased well-being.

It means 'empowerment' is a multi-fold concept that includes economic, social & political empowerment.

For economic empowerment it is necessary for women to have access to and control over productive resources and to ensure some degree of financial autonomy.

According to the report by National Commission for Women (NCW) - (Status of women), in India, women work for longer hours than men do. The proportion of unpaid activities to the total activities is 51% for females as compared to only 33% for males. Over and above this unpaid work, they have the responsibilities of caring for household which involves cooking, cleaning, fetching water and fuel; collecting fodder for the cattle, protecting the environment and providing voluntary assistance to vulnerable and disadvantaged individuals in the family.

This shows that though there is still a long journey ahead towards women empowerment.

In rural region, where winds of change of development have yet to reach and basic economic needs are yet to be fulfilled. The main source of employment for women is farm labour. But this does not fulfil all their needs. Indebtedness has become the hallmark of the rural life.

Participation in self-help groups helps in saving some money out of their daily household expenses. Also, they can avail loan with lower interest rates. This has led a sort of change in the society's view towards woman, in general.

Social empowerment

Constitutionally and legally, man and woman are equal. In real practice, however, woman still finds a secondary place. Examples of inequalities in respect of women- men birth rate, education, and participation in matters financial and political. Atrocities are perpetrated on woman. She is viewed as sub-human.

Efforts are being made to change this situation and bring about a stage where man and woman would be viewed equally. Many Schemes are being implemented for equal education and equal opportunities of employment, so that, women would have equal rights. Consequently, there is seen some progress in this respect. As the woman has now increased presence in banks, Gram Panchayats, various Government committees etc., her social status is seen somewhat elevated. However, this process is slow. To get a boost to this process, mindset of the society as a whole should change.

The social empowerment means that the woman should get an important place in her family and society, and should have a right to enable her to make use of available resources.

The members of SHGs are mostly women. They save money and invest in SHG. They can use it at the time of their needs. As they can have money in their hand, they get some status in their family. It has resulted in developing self-confidence, self esteem and self respect also. SHGs discuss women' centered issues and thus gain self-confidence and social security, to an extent.

Political empowerment

The political element entails that women are given power to represent the society; make public policy and implement the same. It aims at developing the capability to analyse, organise and mobilise the surrounding situation for social transformation; develop leadership qualities as they participate in the social activities, like trying to solve the problems of their 'basti'/ locality, village.

In 1992, PRI and Nagarapalika amendments were made for provision for 33 percent reserved seats. In the beginning, the process of participation of women was slow, but now the situation is fast changing. Due to advent of SHGs, were able to see the outside world. They understood the processes involved in solving the local problems through political participation. By and by, their participation in political process started increasing. In SHGs, they found an opportunity to become a leader of SHG. In some places, local SHGs acted as pressure groups for or against a particular political candidate in Panchayat elections. The SHGs played an important role to hone the leadership skills in women in the rural region.

Thus, Self-help Group has proved an important means in taking the process of women empowerment to rural region.

Thus the SHG programme has been successful in strengthening collective self-help capacities of the poor at the local level, meeting their peculiar needs leading to their empowerment. The rural poor, with the intermediation of voluntary organisations also join together for self-help to secure better economic growth. This has resulted in the formation of large number of SHGs in the country; and the SHGs have mobilised savings and recycled the resources generated among the members.

SHGs and social justice

- SHGs seem uniquely placed to support their members on issues of social justice affecting women.
- SHGs are seen to have taken up issues such as domestic and sexual violence, bigamy, and a few cases of dowry death, prevention of child marriage, support for separated women to remarry.

Some evidence-based appreciation of SHGs

The Government of India and state authorities alike have increasingly realized the importance of devoting attention to the economic betterment and development of rural women in India. The Indian Constitution guarantees that there shall be no discrimination on the grounds of gender. In reality, however, rural women have harder lives and are often discriminated against with regard to land and property rights, and in access to medical facilities and rural finance. Women undertake the more onerous tasks involved in the day-to-day running of households, including the collection of fuelwood for cooking and the fetching of drinking water, and their nutritional status and literacy rates are lower than those of men. They also command lower wages as labour: as rural non-agricultural labourers, women earn 44 rupees per day compared to 67 rupees for men. Women's voice in key institutions concerned with decision making is also limited. In 2013, only about 10 per cent of all seats in the national parliament were occupied by women.

Key instruments for supporting women's empowerment are self-help groups, whereby 10-20 rural women from the same village, mostly poor women, come together to contribute two-weekly or monthly dues as savings and provide group loans to their members. Through promoting self-help group, Government-funded projects have contributed to improving the overall status of women in terms of income, empowerment, welfare, etc. Ajeevika is expected to result in similar benefits on a more massive scale.

In the Rural Women's Development and Empowerment Project, for example, 90 per cent of the beneficiaries reported increased access to and control over resources such as land, dwellings and livestock. Under the Livelihoods Improvement Project in Himalayas, women self-help group members in Uttarakhand were even elected as *gram pradhans* (heads of the local governments at the village or small town level) in 170 out of 669 *panchayats* in villages. In the Tamil Nadu Women's Development Project, 50 per cent of women self-help group members reported that, for the first time in their lives, they had visited new places and travelled longer distances; while 90 per cent had interacted with institutions such as banks, NGOs and project agencies. The impact study on the Jharkhand and Chhattisgarh Projects reveals that access to finance through group savings and lending to members had allowed women to become increasingly involved in economic activities such as the collection and sale on local markets of non-timber forest products. However, the study also noted that greater effectiveness would have been achieved if the project had stressed value-addition and promoted market linkages.

Another important feature of self-help groups has been the establishment of links between self-help groups and the formal microfinance institutions and commercial banks. To give one example, the Firsipur branch of the Bank of Maharashtra is financing more than 400 self-help groups in the district, lending on average about US\$1,600 per group. The bank has set up its own in-house NGO to support these efforts. Loans are provided only to the groups, not individuals (although the groups normally on-lend to individual members). Recovery rates on the loans stand

at 99 per cent. In addition to lending to self-help group, which is profitable for the bank, ancillary business has been brought in through self-help group members opening deposit accounts and taking loans as individuals. The impact of the commercial banks' links to self-help groups is attested to by members. In Urali Devachi village, members' loans have provided the wherewithal to purchase a flour mill, and the working capital for a market stall selling refreshments and a shop selling saris. Members have used the loans to pay off moneylenders, and for education and health needs.

2013 Changes

In order to financially strengthen Women Self Help Groups (SHGs) across India, the Union Cabinet has approved key changes to the National Rural Livelihoods Mission (NRLM), aiming to eradicate poverty in villages by empowering women. Over 25 lakh Women SHGs will now be provided bank loans at an interest rate of seven per cent.

In accordance with the announcement made in the 2012-13 Budget, the Union Cabinet approved the provision of interest subvention for Women SHGs operating under the NRLM, ensuring that they shall avail loans up to Rs. three lakh at an interest rate of seven per cent per annum.

Initially, the scheme will be started as a pilot project in 150 districts, including the 82 Integrated Action Plan districts affected by naxal violence.

Additionally, Women SHGs that repay loans in time will enjoy an additional three per cent subvention, thereby reducing the effective rate to four per cent. In the 150 districts, the Central government will bear the entire cost of the interest subvention from the market rate to seven per cent.

The total cost of the project is around Rs. 1,650 crore for 2013-14, out of which, Rs. 1,400 crore shall be borne by the Central government and Rs. 250 crore by the States.

Progressively, over the next five years, we will move to a situation where the entire cost will be borne by the Centre.

In order to improve targeting, the Cabinet has decided to do away with the BPL (below poverty line) category in the NRLM, and instead identify target groups through the Participatory Identification of Poor (PIP) process, at the community-level.

Currently, there are nearly 25 lakh Women SHGs in the country, with nearly three crore members and over the next five years, the number is expected to increase to seven crore.

Mr. Jairam Ramesh has proposed a separate Nabard-like institution in order to promote Women SHGs to the Finance Minister.

The NRLM was launched in 2011 — a poverty reduction programme based on employment generation by adoption of a multi-pronged strategy. The program aims at creating efficient and effective institutional platforms of the rural poor, thereby enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services.

CRPs

A group of sixty community resource persons (CRP), mostly women, from Bihar rural livelihood promotions society (BRLPS) will work in three districts - Ajmer, Chittorgarh and Jodhpur for three years to replicate the successful Bihar model of women self help groups (SHGs). Under the National Rural Livelihood Mission (NRLM), the CRPs will help mobilize self help groups at the block level in these three districts. Rajasthan is the first state to involve CRPs from Bihar to rev up the self help groups in the districts.

Community resource persons strategy is a practical concept for eradication of poverty with the help of locals, who have fought poverty by embracing the SHG concept.

The model is being adopted in Rajasthan after its astounding success in Andhra Pradesh and Bihar. Under the initiative, each CRP team will consist of five members--three women SHG members and two book-keepers. They will work in a phased manner for the next three years at three blocks, Kekari, Begu, and Balesar in Ajmer, Chittorgarh and Jodhpur districts respectively.

CRPs are not highly educated but as SHG members they have ensured effective mobilization of community and institutional building for the poor in the state. They have a rich experience of working at the grassroots and will extend the benefit of their knowledge to alleviate poverty in the blocks where they work.

Among the collective responsibilities of the CRP teams are to form the SHGs, imbibe strong group dynamics that will ultimately lead to women's empowerment and poverty alleviation.

The CRP teams will be facilitating SHG formation, identification of community mobilizers and book keepers, strengthening of the existing SHGs through training and capacity building, bank linkages, preparation of livelihood plans and credit linkages.

Social Capital

ARC's Ninth Report is on Social Capital and begins as follows:
"A government builds its prestige upon the apparently voluntary association of the governed." – Mahatma Gandhi

"Government control gives rise to fraud, suppression of truth, intensification of the black market and artificial scarcity. Above all, it unmans the people and deprives them of initiative; it undoes the teaching of self-help." – Mahatma Gandhi

Robert Putnam, one of the pioneers in the use of the term "social capital", has defined it thus: "Whereas physical capital refers to physical objects and human capital refers to the properties of individuals, social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them. In that sense social capital is closely related to what some have called "civic virtue". The difference is that "social capital" calls attention to the fact that civic virtue is most powerful when embedded in a sense network of reciprocal social relations. A society of many virtuous but isolated individuals is not necessarily rich in social capital." – Putnam 2000

"Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together." – (The World Bank 1999)

India has a rich history and tradition of both voluntary action and philanthropy as well as of Professional Bodies and cooperatives formed to promote the social and economic welfare of its members. While many of these traditional institutions declined under colonial rule, the Independence struggle saw a revival of interest in these Bodies under the strong influence of Gandhiji who was a lifelong advocate of voluntary action, much before this became a paradigm espoused by leading economists in the West.

In the Indian context, the key institutions that can be said to contribute to the development of social capital range from grass roots level community based initiatives like Residents Welfare Associations and Self-Help Groups, and Cooperatives of various types, to Voluntary Organisations, Charitable Societies and Trusts. As far as the corporate sector is concerned, the alignment of business operations with social values, which is the essence of Corporate Social Responsibility (CSR), is at the heart of its ability to contribute to social development alongside economic development. It takes into account the interest of stakeholders in the company's business policies and actions. Corporate contribution to society, environment and business when guided by enlightened self-interest improves quality of life for all. CSR focuses on the social, environmental and financial success of a company – the triple bottom line – with the aim to achieve social development while achieving business success.

Given the millions of Indians living below the poverty line – the 'bottom of the pyramid' – social capital can be leveraged as a complementary strategy.

In the corporate sector the concept of a shared destiny is increasingly used with the objective of bringing together all stakeholders and to move beyond the traditional management philosophy of

strategy-structure-systems to planet -process-people. In fact, the concept of a 'a shared destiny' must be infused in the society as a whole to generate a wave of social capital which can transform India not only into an economic powerhouse but also into an integrated, peaceful, caring and giving society.

There is also some evidence in academic research which indicates that—within India, a State's endowment of social capital does affect the ability of that State to reduce poverty and successfully implement development programmes.

• Social capital and poverty reduction: In its simplest form, an individual acquires social capital through participating in informal networks, registered organizations, associations of different kinds and social movements, and it represents the sum of these experiences. It is believed that through membership in different organizations and networks individuals will develop joint interests and shared norms, which in turn will lead to trust and better understanding of differences in culture, background and life style. During this process democracy might emerge and individuals might have the opportunity to capture rights and benefits. Social capital created within a social structure, such as reciprocity or mutual aid, increases the opportunities for collective action.

In 1976, economist Mohammad Yunus set up Grameen Bank in response to a terrible famine in Bangladesh. In 2006 he won the Nobel Peace Prize for saving millions of people from poverty by using micro-credit and social capital to relieve poverty.

The social capital approach can contribute both towards poverty eradication and social stability, as well as to economic development.

Studies on SHG experience showed that increases in social capital increased household income by 20 to 30 percent. Social capital is often the only capital the poor have: if they are deprived of basic social services, at least they have each other. For the poor, the only resource they have is often each other. Social capital is, in part, manifest in a commitment to a cause that allows people to work together for a common goal, though this may not maximise their personal self-interest. Social capital exists in relations between and among actors, and is based on mutual trust. Poverty is a symptom, the causes of which are multiple and complex, whether they have their origins in economic or social field and needs social approach to complement the existing economic and political efforts.

'Social Capital' is based on mutual trust and accepted standards of social conduct. These elements work as networks that develop the work culture of the society that pave the way for combined social efforts for economic progress and prosperity. In other words, 'they create a social affinity that helps people work together and thereby increase production'.

Francis Fukuyama underlined the importance of 'Social Capital' in his book 'Trust and the Great depression'. He further emphasised its role in his pamphlet 'Social Capital and Civil society'. According to Fukuyama Social Capital is essential for modern economy to function efficiently.

The concept of Social Capital with its inherent implications is not entirely new for India as the ARC report quoted above shows.. Right from the ancient times people were instructed to work together. It has been the basis of joint family, caste-system, society and religion. Lord Buddha

preached, 'Sangham Sharapam Gachhami'. Today it is said that 'strength lies in unity' ('*Sanghe Shakti Kalyuge*' in modern times).

Much social Capital is generated by NGOs in their advocacy and developmental efforts.

Let us examine the creation of social capital within self help groups that operate in many Indian villages. Self help groups are formed primarily as microfinance and poverty alleviation interventions. While the focus of most studies is on the economic result derived from microfinance interventions, it is necessary to see the wider benefits that result from the growth of social capital. This has social implications for self help group members, their families, and the wider communities in which they live. Social capital has a predominately positive influence on the actions of self help group members as they work for both collective and individual improvements in their community. Thus, there are significant benefits and long term implications which flow into communities from collective actions resulting from the growth of social capital within self help groups.

It is seen that group formation has facilitated significant empowerment of women through access to credit, and through their interaction with each other in this process. While self help groups are formed primarily to provide a mechanism to access credit and provide a regime for savings for the poor, they invariably serve other useful purposes. These purposes include the potential development and expansion of social capital notions of trust, bonding and networks which possibly provide the foundation for positive collective action by the group on a range of other issues of interest to the community. Most of these issues are related to poverty..

Since women-headed households are known to be among the poorest of the poor and in need of access to credit, poverty alleviation interventions that focus on SHGs would seem to be of significant economic and social benefit. The transition to microfinance interventions has had the explicit goal of empowering women. By investing in and developing women's capabilities, they are empowered to make choices. Studies reveal that there are connections between the issue of female infanticide and the implementation of microfinance programs, as access to credit for women, especially those who are below the poverty line, enables them to make choices regarding education, health and other life issues. Self help group membership and the involvement of poor women in discussions that include the prevention of female infanticide is a means of expanding the role of social capital and its impact in communities.

More recent scholarship has reflected upon the popularity of social capital theory by examining the concepts of trust, bonding, linkage and integration under an umbrella of social inclusion. Each of these concepts in turn are defined as group loyalty or honesty, strength of association, extra-community networks, and intra-community ties which provide the basis for advances (development) in well-being within a community. The concept of social capital is central to a social inclusion agenda as it is understood as a way of building empowerment, well-being, and community development toward an improved civil society. Social capital has become the bankable collateral that has enabled increased access to financial services.

Trust creates social cohesion and gives meaning to and sustains a network of people. Social interactions that develop as a result of growing trust and hence growing social capital manifest as a relational dimension in personal relationships such as respect and trustworthiness

Self help groups are formed primarily to foster savings among the poor and provide access to credit for members. SHGs largely depend on non-government organisations (NGOs), banks and MFIs for loans. The funds saved by SHGs provide collateral and hence access to loans from the formal finance sector. These loans are used for individual needs such as health, education, water supply, sanitation blocks, house construction or small business creation. Self help groups have been successful in alleviating poverty by allowing poor people to protect, diversify and increase their sources of income, an essential path out of poverty. Loans, savings and insurance schemes help to smooth out income fluctuations and maintain consumption levels during lean seasonal periods.

Quote: Nobel laureate Kenneth Arrow had written in 1972 that "much of economic backwardness can be explained by the lack of mutual confidence."

Social capital and Internet

It is observed that the use of the Internet can relate to an individual's level of social capital. In one study, uses of the Internet correlated positively with an individual's production of social capital. Another perspective holds that the rapid growth of social networking sites such as Facebook and Twitter suggests that individuals are creating a virtual-network consisting of both bonding and bridging social capital. Unlike face to face interaction, people can instantly connect with others in a targeted fashion by placing specific parameters with internet use. This means that individuals can selectively connect with others based on ascertained interests, and backgrounds. Facebook claims many advantages to its users including serving as a "social lubricant" for individuals who otherwise have difficulties forming and maintaining both strong and weak ties with others.

This argument continues, although the preponderance of evidence shows a positive association between social capital and the internet. Critics of virtual communities believe that the Internet replaces our strong bonds with online "weak-ties" or with socially empty interactions. Others fear that the Internet can create a weaker social world where sociability is reduced to interactions between those that are similar in terms of ideology, race, or gender. A few articles suggest that technologically-based interactions has a negative relationship with social capital by displacing time spent engaging in geographical/ in-person social activities. However, the consensus of research shows that the more people spend online the more in-person contact they have, thus positively enhancing social capital.

CSR

Corporate social responsibility (CSR) is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

CSR programme follows the Triple Bottom Line (TBL) Approach to meet social and environmental standards without compromising their competitiveness. The TBL approach is used as a framework for measuring and reporting corporate performance against economic, social and environmental performance. It is an attempt to align private enterprises to the goal of sustainable global development by providing them with a more comprehensive set of working objectives than just profit alone. The perspective taken is that for an organization to be sustainable, it must be financially secure, minimize (or ideally eliminate) its negative environmental impacts and act in conformity with societal expectations.

Key CSR issues: environmental management, eco-efficiency, responsible sourcing, stakeholder engagement, labour standards and working conditions, employee and community relations, social equity, gender balance, human rights, good governance, and anti-corruption measures.

A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.

The term "corporate social responsibility" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact. Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses.

Development business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. One of its focal areas is CSR.

ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles but with no formal act of legislation. The UN has developed the Principles for Responsible Investment as guidelines for investing entities.

A more common approach to CSR is corporate philanthropy. This includes monetary donations and aid given to local and non-local nonprofit organizations and communities, including donations in areas such as the arts, education, housing, health, social welfare, and the environment, among others, but excluding political contributions and commercial sponsorship of events. Some organizations do not like a philanthropy-based approach as it might not help build on the skills of local populations, whereas community-based development generally leads to more sustainable development.

Another approach to CSR is to incorporate the CSR strategy directly into the business strategy of an organization. For instance, procurement of Fair Trade tea and coffee has been adopted by various businesses including KPMG. Fair trade is an organized social movement that aims to help producers in developing countries. It advocates the payment of a higher price to exporters as well as higher social and environmental standards. It focuses in particular on exports from developing countries to developed countries, most notably handicrafts, coffee, cocoa, sugar, tea, bananas, honey, cotton, wine, fresh fruit, chocolate, flowers, and gold.

Another approach is Creating Shared Value, or CSV. The shared value model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy. CSV acknowledges trade-offs between short-term profitability and social or environmental goals, but focuses more on the opportunities for competitive advantage from building a social value proposition into corporate strategy.

Social accounting

It is the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. Social accounting is commonly used in the context of business, or corporate social responsibility (CSR), although any organisation, including NGOs, charities, and government agencies may engage in social accounting.

Social accounting broadens the notion of corporate accountability. Environmental accounting may specifically refer to the research or practice of accounting for an organisation's impact on the natural environment. Social accounting challenges conventional accounting, in particular financial accounting, for giving a narrow image of the interaction between society and organizations. Social accounting, a largely normative concept, seeks to broaden the scope of accounting in the sense that it should:

- Concern itself with more than only economic events;
- Not be exclusively expressed in financial terms;
- Be accountable to a broader group of stakeholders;
- Broaden its purpose beyond reporting financial success.

It points to the fact that companies influence their external environment (some times positively and many a times negatively) through their actions and should therefore account for these effects as part of their standard accounting practices. Social accounting is in this sense closely related to the economic concept of externality.

"Social license" generally refers to a local community's acceptance or approval of a company's project or ongoing presence in an area. It is increasingly recognized by various stakeholders and communities as a prerequisite to development. The development of social license occurs outside of formal permitting or regulatory processes, and requires sustained investment by proponents to acquire and maintain social capital within the context of trust-based relationships. Often intangible and informal, social license can nevertheless be realized through a robust suite of actions centered on timely and effective communication, meaningful dialogue, and ethical and responsible behavior.

Local conditions, needs, and customs vary considerably and are often opaque, but have a significant impact on the likely success of various approaches to building social capital and trust. These regional and cultural differences demand a flexible and responsive approach and must be understood early in order to enable the development and implementation of an effective strategy to earn and maintain social license. Governments could facilitate the necessary stakeholder mapping in regions for which they are responsible and provide a regulatory framework that sets companies on the right path for engagement with communities and stakeholders.

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones. Evidence shows a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy. Intel employs a 5-year CSR planning cycle.

Triple bottom line

People, planet and profit approach is also known as the triple bottom line. People relates to fair and beneficial business practices toward labour, the community and region where corporation conducts its business. Planet refers to sustainable environmental practices. A triple bottom line company does not produce harmful or destructive products such as weapons, toxic chemicals or batteries containing dangerous heavy metals for example. Profit is the economic value created by the organization after deducting the cost of all inputs.

Critics

Milton Friedman and others have argued that a corporation's purpose is to maximize returns to its shareholders, and that since only people can have social responsibilities, corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to society. Some people perceive CSR as in-congruent with the very nature and purpose of business, and indeed a hindrance to free trade. Those who assert that CSR is contrasting with capitalism and are in favor of the free market argue that improvements in health, longevity and/or infant mortality have been created by economic growth attributed to free enterprise.

Critics of this argument perceive the free market has to be inclusive as a part of its own enlightened self interest.

Many religious and cultural traditions hold that the economy exists to serve human beings, so all economic entities have an obligation to society. CSR proponents point out that CSR can significantly improve long-term corporate profitability because it reduces risks and inefficiencies.

Some critics believe that CSR programs are undertaken by companies such as British American Tobacco (BAT), the petroleum giant BP (well known for its high-profile advertising campaigns on environmental aspects of its operations), and McDonald's to distract the public from ethical questions posed by their core operations. They argue that some corporations start CSR programs for the commercial benefit they enjoy through raising their reputation with the public or with government.

Another concern is that sometimes companies claim to promote CSR and be committed to sustainable development but simultaneously engage in harmful business practices.

Ethical consumerism

The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand. Industrialization, in many developing countries, is booming as a result of both technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are therefore beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is far from consistent or universal.

Globalization and market forces

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes "labor exploitation" are problems that can cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance, while some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subtle level of advertising. Global competition places a particular pressure on multinational corporations to examine not only their own labor practices, but those of their entire supply chain, from a CSR perspective.

Social awareness and education

The role among corporate stakeholders is to work collectively to pressure corporations that are changing. Shareholders and investors themselves, through socially responsible investing (SRI) are exerting pressure on corporations to behave responsibly. The extension of SRI bodies driving corporations to include an element of 'ethical investment' into their corporate agenda's generates socially embedded issues. The main issue correlates to the development and overall idea of 'ethical investing' or SRI. The Non-governmental organizations are taking an increasing role, leveraging the power of the media and the Internet to increase their scrutiny and collective activism around corporate behavior. Through education and dialogue, the development of community awareness in holding businesses responsible for their actions is growing.

Public policies

CSR has inspired national governments to include CSR issues into their national public policy agendas. The increased importance driven by CSR, has prompted governments to promote socially and environmentally responsible corporate practices. Over the past decade governments have considered CSR as a public issue that requires national governmental involvement to address the very issues relevant to CSR. The heightened role of government in CSR has facilitated the development of numerous CSR programs and policies. A key debate in CSR is determining what actors are responsible to ensure that corporations are behaving in a socio-economic and environmentally sustainable manner.

Some Indian examples

Coca-Cola's 'Support My School', Aijpel's 'Save Our Tigers' or Tata Tea's 'Jaago re'. Jaago re campaign showed simple aspects of our daily life, highlighted how we have forgotten our basic duties as citizens of India, and urged the audience to 'wake up'.

To mark its silver jubilee, Tata Tea has unveiled a new television commercial (TVC), Soch Badlo, to salute women for being the agents of change in the society.

The TVC starts on a cynical note, with a husband, who has just finished reading the day's newspaper, telling his wife that he is fed up of reading about scams every day. As he walks over to the kitchen and asks her to make him a cup of tea, she urges him to look at the water boiling in the vessel on the gas oven. She uses the turmoil in the vessel as a metaphor for the kerfuffle that precedes change in society. Just like you get a wonderful cup of tea when you pour tea leaves into boiling water, the mayhem in the country is just an indication that things can only turn for the better, she explains.

The company says "Soch Badlo" is an extension of the highly successful 2007 "Jaago Re" campaign.

Why do companies engage in corporate social responsibility?

At least 120 were killed when a fire broke out in a garment factory outside Dhaka, Bangladesh's capital in November 2012. In mid-2013, the collapse of the Rana Plaza factory in Bangladesh exposed the unsafe working conditions that garment workers endure across the developing world. The tragedy also revealed the inconsistencies of some companies with respect to corporate social responsibility (CSR).

Take the case of Walmart. A month after the disaster, it refused to sign on to the safety measures adopted by more than a dozen European firms. Those companies, including Marks & Spencer, backed a plan in which they agreed to have rigorous, independent inspections of the factories they contract with in Bangladesh and to help pay for improvements in building safety.

Walmart, along with other retailers and the main retail federations, are forging their own plan to promote safety in Bangladesh's apparel industry. This effort will seek to "develop and implement a new program to improve fire and safety regulations in the garment factories of Bangladesh." Despite their high-profile -- and widely criticized -- resistance to the originally proposed safety measures, Walmart and Gap would no doubt be quick to cite their initiatives in other areas: Gap is often considered an industry leader in CSR, and both companies have proclaimed themselves as champions of efforts promoting women!

Two years ago in 2011, Walmart launched its Global Women's Economic Empowerment Initiative, which doubled the money the firm spends on women-owned businesses and provides women around the world with job training and access to education. Gap has instituted PACE (Personal Advancement & Career Enhancement), a program to help female garment workers in developing countries advance beyond entry-level positions.

To some, the companies' rejection of the European plan -- while also touting these kinds of social programs -- appears contradictory, even hypocritical. A cynical view might be that when firms trumpet their efforts to produce organic foods, sell fair-trade T-shirts or just make the world a better place, they are diverting attention away from the more unseemly elements of their business strategies -- such as polluting the air, manufacturing goods in unsafe factories or exploiting workers with low wages. For people who see companies doing one thing with their right hand and doing another thing with the left, the question is: What is your more moral calculus?

There are some serious arguments in favor of compelling firms to abide by the standards of CSR. They are particularly relevant in the context of weak countries where even rudimentary regulatory standards might not exist or be enforced, or where such basic regulation might be subverted by corruption. It is certainly possible that industrial operations in weak or corrupt states can produce what economists call negative externalities—air pollution, water contamination, human-rights abuses—and that the need for CSR is self-evident.

Companies Bill 2013

The provision related to Corporate Social Responsibility under present Clause 135 of Companies Bill 2012 applies to all companies; listed, unlisted, public, private, one – person subject to limitation based on its net worth, turnover and net profit. These threshold limits are:

1. Net worth rupees five hundred crore or more
2. Turnover rupees one thousand crore or more
3. Net Profit rupees five crore or more

There is a requirement of constitution of Corporate Social Responsibility Committee of the Board of Directors consisting of three or more directors. There must be at least one independent director in the board irrespective of nature of constitution of company; public or private. In the report of the Board of Directors under Section 134 (4) shall disclose composition of this CSR Committee.

The mandate of this committee shall be:

1. Formulate and recommend a corporate social responsibility policy
2. Recommend amount to spend
3. Monitor this CSR policy

The Government lists out government directive on this programme under Schedule VII of the Bill. Corporate Social Responsibility activities may include:—

- (i) Eradicating extreme hunger and poverty;
- (ii) Promotion of education;
- (iii) Promoting gender equality and empowering women;
- (iv) Reducing child mortality and improving maternal health;
- (v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) Ensuring environmental sustainability;
- (vii) Employment enhancing vocational skills;

- (viii) Social business projects;
- (ix) Contribution to the prime minister's national relief fund or any other fund set up by the central government or the state governments for socio-economic development and relief and funds for the welfare of the scheduled castes, the scheduled tribes, other backward classes, minorities and women; and
- (x) Such other matters as may be prescribed.

The Board has duty to approve corporate social responsibility policy. This corporate social responsibility policy is public document and required to disclose in (i) Board's Report; (ii) company website in prescribed manner. This is duty of board to make sure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

The Board *shall ensure* that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. Second proviso to relevant sub-section 5 gives some relief, if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134 specify the reasons for not spending the amount.

The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.

CSR directives in the Companies Bill or otherwise are in accordance with Directive Principle of State Policy enumerated by Constitution of India.

Before the Companies Bill was passed, CSR was in the nature of voluntary actions that businesses could take. It was like going the extra mile. But the provisions of the Bill, particularly Section 135, read with Schedule VII, show that the Government has adopted an inclusive growth strategy to implement CSR through corporates.

The intention of the Bill is to eradicate extreme hunger and poverty, promote education, enhance vocational skills and empower women.

The need for CSR has its roots in the fundamental moral thought — "what and how much has been given back over and above what you have taken from society."

Section 135 of the Companies Bill provides that "the functions of the CSR committee shall be to formulate and recommend a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Bill. The CSR committee shall also deliberate on the amount to be incurred on activities mentioned in the CSR Policy. It shall also monitor the CSR Policy from time to time.

The company's board, after receiving the panel's recommendations, will adopt a CSR Policy and ensure that the activities it mandates are undertaken.

The company shall not select a project that earns profit for the company, but rather take on work that benefits society.

The capable state

IN A review of Jean Drèze and Amartya Sen's latest book in the *Financial Times* (July 12, 2013), historian Ramachandra Guha questions whether the Indian state is "up to the job of doing more to tackle poverty". Mainstream debates about the persistence of poverty and pervasive failures in public service delivery in India tend to overdrawn the state's innate ability to deal with it.

Take the recurring instances of midday meal poisoning, the latest being the tragedy in Bihar's Saran district. If the headmaster follows the minimum protocols for management of the kitchen and school inspectors do basic supervision, and all these processes are embedded in an institutionalised system of accountability, such incidents could easily be averted. In its absence, even a mundane task like running a school kitchen, when done in scale, seems fraught with complications.

"State capability" can be broadly defined as the ability of a government bureaucracy to get things done. It is a measure of the state's institutional capacity and organisational capital to effectively implement its programmes and deliver basic public services to its citizens.

An inadequate state capability invariably manifests itself as implementation deficits. In its absence, process innovations and technologies can get you only so far in managing large groups of stakeholders in complex and dynamic environments. They can help a good system become great, but are less likely to be effective in getting a system trapped in a bad equilibrium to shift to a better one.

The standard response to governance failures is to address them through one of four approaches. The commonest refrain, especially among the urban middle class, predominantly employed in the formal private sector, is an increased role for the private sector. This feeling is at least partially fuelled by the representativeness bias arising from contrasting high-profile examples of "successful" private businesses with pervasive government failures and the internalisa-



No magic pill solution or quick fix can make up for basic administrative deficiencies

GULZAR NATARAJAN

And it is reinforced by opinion makers and the mainstream media.

The other common response is to embrace participatory governance, which promotes the empowerment of communities through decentralised decision-making. Women's self-help groups and microloans are the commonest examples of this approach. It is argued that such "bottom-up" strategies alone can ensure accountability and transparency, critical to the achievement of sustainable and inclusive development.

Another strategy places faith in innovative approaches to address governance failures. Accordingly, conditional cash transfers, unlocking

goods, ineffective welfare state, delivery of statutory services and the protection of basic civil and property rights are the responsibilities of governments everywhere, and will continue to be so. The private sector can, at best, be a marginal contributor to alleviating failures in these. The limitation of the community development driven approach, Harvard professor Lant Pritchett provocatively argues, is that it is "all bottoms and no tops" — more effective as a social empowerment than an economic growth strategy.

The attractions of innovations lie in their deceptive "quick-fix" appeal. But complex socio-economic and political problems are usually

We need to realise that even in the most advanced economies, governments are critical to underpinning economic prosperity and social stability. Their administrative systems have the capability to deliver basic governance. Instead of being misled by catch-all phrases like 'maximum governance' and 'minimum government', we need to get working on improving state capability.

the energy of social enterprises, establishment of a strong anti-corruption ombudsman, extensive use of the latest in information technology, process re-engineering within public systems, applying insights from behavioural psychology and so on are paths to improving governance and eliminating poverty.

Finally, influential academics believe that programme design and evaluation, using rigorous field experiments, can be an antidote to governance failures. Accordingly, they advocate an evidence-based, incentive compatible design of policies and their evaluation.

I believe that all the aforementioned approaches take a partial view of the complex development

capability can prove to be an insurmountable obstacle to any of these strategies, just as a capable state can amplify their effectiveness.

The commonest causes for degeneration in state capability include politicisation of bureaucratic processes, administrative indiscipline, erosion of accountability in the discharge of official responsibilities, weakened supervision and monitoring, and ubiquitous corruption.

Given how deeply intertwined state capability and political and civil society dynamics are, there are no easy answers to these problems. But the broad contours of a plan can be sketched. Administrative reforms that minimise politicisation, enhance professionalism and improve accountability are critical to any effort in this direction. Another important imperative is the decentralisation of functions, funds and functionaries, but in a manner that does not over-burden local public systems.

Of more direct and immediate concern is improving the state's capacity to monitor and supervise its functionaries and interventions. The effective use of data — appropriately analysed and rendered in a cognitively resonating manner — can become a powerful decision-support for supervisors in this effort. Over and above, nothing succeeds until administrative resources are strengthened by adequate provision of the required personnel, logistics and finances.

We need to realise that even in the most advanced economies, governments are critical to underpinning economic prosperity and social stability. Their administrative systems have the capability to deliver basic governance. Instead of being misled by catch-all phrases like "maximum governance and minimum government", we need to get working on improving state capability, or risk being saddled with "minimum governance and maximum government".

The writer is an IAS officer, batch of 1999, and a graduate student at the Harvard Kennedy School, US. Views are personal



FARZANA AFRIDI

We, the monitors

Community supervision would correct the flaws in the midday meal scheme

THE recent death of children after eating a midday meal laced with insecticide has brought into sharp focus the issue of the structure of this programme, and its potential costs and benefits. First, we must acknowledge the sea of evidence from several studies in India, which shows that when cooked school meals are provided, at minimum standards of quality, they improve students' attendance, increase daily nutritional intakes and have a positive impact on their long-term health outcomes. These benefits are significantly greater if the programme is delivered, in the form of cooked meals on the school premises, directly to the children, rather than through the distribution of take-home rations. So the chorus of voices that point at the incident in Bihar as evidence of a non-functional and even harmful programme that should be replaced with ready-to-eat or dry rations is like the proverbial blind man feeling for the elephant.

Like all public programmes in India, monitoring is an issue. But what can better monitoring achieve if the programme's infrastructure is virtually non-existent? A majority of the rural (and even some of the urban) public schools that were mandated to provide hot cooked meals by the Supreme Court ruling of 2001 are yet to have a pucca room or kitchen for cooking the meals. Cooking, serving

and eating utensils are often of poor quality or absent. There are no proper storage facilities for foodgrain procured under the programme. The weak programme infrastructure is a direct consequence of its weak financial structure. The state government's financial contribution to running the programme is routed through the general funds allocated to panchayats to meet their basic civic requirements. And the panchayats have no financial incentive to provide quality meals.

If the state government earmarked funds for the midday meal (MDM) programme, it would den-

If the state government earmarked funds for the midday meal programme, it would ensure that the panchayats do not have the incentive to cut back on the quality of meals.

sure that the service providers, that is, the panchayats, do not have the incentive to cut back on the quality of the meals. Further, the current MGNREGA programme funds could be used to build school kitchens and storage area for foodgrain, as was the case with the erstwhile Samoorna Grameen Rozgar Yojana funds in some southern states. MDM cooks almost routinely complain that their salaries have not been paid. Very often, the reason for non-payment is again the disincentives created by the financial structure of the programmes. Since the MGNREGA aims to guarantee rural

employment, particularly to women, these programme funds could be used to ensure regular payment of salaries to cooks hired under the MDM programme.

A study conducted jointly by researchers at the Indian Statistical Institute, Delhi, and the Delhi School of Economics finds that the introduction of semi-automated, centralised kitchens for MCD schools significantly improved the hygiene and quality of school meals. It also ensured that meals were provided on a regular basis. The introduction of such kitchens, wherever possible (mostly in urban and semi-urban

areas), should be actively pursued by policymakers.

The next issue that would need to be addressed is monitoring. A pertinent model is the one adopted by Karnataka in 2001, through its School Development and Monitoring Committees (SDMCs). The SDMCs represent all local stakeholders in the public school system. A majority of the members are parents of the students. The headmaster and representatives of all three tiers of the panchayat are also members. Each SDMC has a fixed term of three years and is entrusted with the all issues related to the functioning of the school. Note

that the funds for the MDM are released directly to the SDMC via the panchayat. So the local stakeholders are directly responsible for implementing the programme. The incentives to ensure that the programme functions well are therefore aligned with the interests of most SDMC members.

Given the sheer scale of the programme in terms of the number of schools it caters to, community monitoring is the only effective and viable option. The public good provided, that is, school meals, meets two of the three basic criteria for effective participatory monitoring: beneficiaries have high stakes in providing the good and they do not require any specific skills to measure its quality. However, the effectiveness of any monitoring system ultimately lies in the power it has to punish those found guilty of malfeasance. So the third criterion for an effective monitoring process is that it must culminate in an enforceable and credible contract that not only allocates responsibilities but defines timelines and ensures that those who have been found guilty of irregularities are punished. There lies the fundamental challenge of ensuring the delivery of quality school meals in India.

*The writer is an assistant professor, economics and planning unit, Indian Statistical Institute, Delhi
express@expressindia.com*

Framework for Citizen Engagement

India is a democratic republic and the philosophy of justice, equality, liberty and fraternity are enshrined in the Constitution. Effectively this means that the Government is elected by the people, it is responsible and accountable to the people. One of the ways of ensuring responsibility and accountability is by actively engaging with the public while making policies that impact them directly! However, since Independence public participation in policy making has been minimal. Governance was procedure centric and generally a top down approach was used for policy making. In addition, given the vast size of the country, federal structure of governance with over 240,000+ local governance institutions and large population coupled with its other complexities viz. multi-cultural, multi-ethnic, multireligious and multi-lingual society, did not make itself amenable to large scale public participation in policy making. Efforts were however made at several levels including by creation of Panchayati Raj institutions, seeking civil society inputs in implementation of large projects, legislation of RTI Act etc. but it was very difficult to consult all stakeholders in any given project.

In the early 1990s, two changes swept across the world – the focus on good governance with increasing private sector participation in delivery of public services and Information Communication Technologies (ICTs) and internet – technologies that potentially could connect any and everyone in real time. The concept of e-Governance or e-Governance was born through the amalgamation of these two. E-Governance marked a paradigm shift in the philosophy of governance – citizen centricity instead of procedure centricity and large scale public participation through ICTs enablement.

Several e-Governance projects across the country are being implemented that focussed on improving public service delivery, bringing greater transparency in government processes and ensuring more effective accountability. The National e-Governance Plan (NeGP), based on the learning from these projects was approved in 2006 and comprises of 27 Mission Mode Projects (MMPs) and 8 Components with a vision to “make all Government services accessible to the common man in his locality, through common service delivery outlets and ensure efficiency, transparency and reliability of such services at affordable costs to realize the basic needs of the common man”. The cornerstones of NeGP are citizen centricity, identification of services & service levels, centralised planning & decentralised implementation and Public Private Partnership (PPP).

As more and more projects are getting implemented, an increasing need has been felt for wider and deeper participation of and engagement with all stakeholders especially public at large to ensure that citizen centricity is maintained in all projects.

Need for Citizen Engagement Framework

There is now a greater consensus that citizen participation and civic engagement are the building blocks for good governance.

As the government is considering enacting the Electronic Service Delivery Law, the possibility of e-Government projects becoming pervasive in all domains of public services is increasingly becoming a reality.

It marks a paradigm shift in delivery of public and essential services – from human to technology based interfaces. Aadhaar based DBT of 2013 is a prime example. The use of a technology interface for delivery of services throws up many challenges especially those related to management of change from human interface to technology interface, adoption of a particular technology, differential access to such services etc.

To make this a success, this essentially means creating awareness in, training of and continuous engagement with both the service provider as well as the service seeker to use new tools for better service and more effective interaction with public.

For undertaking such an engagement, it was therefore felt that a Citizen Engagement Framework was required which would enable project owners/implementers to identify

- Objectives
- Opportunities
- Techniques
- Outcomes

Citizen Engagement

Unlike traditional types of engagement – Communication and Consultation, Citizen Engagement is an interactive two way process that encourages participation, exchange of ideas and flow of conversation. It reflects willingness on part of government to share information and make citizens a partner in decision making.

Ideally, citizen engagement requires governments to

- Permit participation in agenda-setting, and
- Ensure that policy or project proposals that are generated as a result of this engagement are taken into account while making a final decision.

Citizen engagement may be undertaken at all stages of the policy or project development process and continually infuses citizens' priorities in policy making/project implementation.

In the processes of citizen engagement, citizens may be represented themselves as individuals and sometimes through interest groups such as civil society organisations.

Engagement has been understood and explained in a variety of ways. Engagement as

- Contributor
- Organisation builder
- Empowering process
- Combination of all the above

Politically, the meaning is inevitably linked to the relationship between the citizens and the state institutions.

However, mostly, citizens are often considered either as beneficiaries of government welfare programmes or in PPP terminology referred to as customers, neither of which truly reflects the government-citizen relationship.

Active engagement gives the right to hold others accountable; and accountability is the process of engaging in participation. It seeks greater accountability from the service providers through increased dialogue, consultation and by monitoring and assessing performance externally and mutually.

Citizen engagement goes beyond conventional public consultation by enabling citizens to do more than simply voice an opinion – it also allows them to participate in the deliberation process leading to decisions.

Need for Citizen Engagement

As the government is incorporating ICTs into the delivery of G2C services, there are hardly any embedded mechanisms to facilitate the voice and space for citizen participation in e-governance. This is especially true for the weakest and the most marginalised sections of society for whom the e-Governance projects are created to serve the most.

The problem is compounded by

- High Rural Population – making outreach and determination of service access point difficult
- Low Literacy Rates – necessitating Assisted Access model of service delivery
- Low Rural Tele-density – lowering the outreach of services in rural areas
- Multi-Lingual Population – necessitating delivery of services in local languages, however, there is limited support available for Indian languages in ICT domain

One of the reasons cited for the high failure rate of e-Governance projects across the world, is poor understanding of user needs. It is therefore believed that Citizen Engagement would result in

Improved Project Conceptualisation & Decision Making including

- Identification of services
- Definition of service levels
- Identification of preference for Channels of service access
- Appropriate Process re-engineering

Increased Awareness leading to

- Increased uptake of services
- Avoidance of conflicts
- Increased Sustainability
- Increased transparency & Accountability

Community Empowerment leading to

- Better monitoring
- Capacity Building

In addition, Public participation also enhances

- Citizens' recognition of their responsibility to take action to improve their lives and the provision of basic social services

- Citizen ownership of development processes
- Implementation of development programs

By participating in policy making, citizens help ensure that their needs and interests are taken into account in decision-making processes that affect their lives at both the national and local levels. Furthermore, public engagement improves the political position of marginalized or vulnerable groups, such as women, youth, and minorities that are often not taken into consideration.

Ways of Citizen Engagement

A variety of mechanism may be adopted to incorporate and promote citizen engagement.

- a) Information sharing: In order to generate awareness and to prepare the citizens, elected representatives and other stakeholders, wide range of information should disseminated. It includes display of citizen's Charter with Listing services and service levels, roles and responsibilities of officials and escalation mechanism, roles & responsibilities of citizens etc. In addition, regular meetings and interfaces may also used to share information. For many departments and services, mobile based voice or text services and web based presence also serves as an additional channel for information sharing.
- b) Consultation: Consultative meetings with the stakeholders are to be undertaken at different stages of project cycle at regular intervals. Each intervention should be discussed with the citizens, elected representatives, local civil society groups and other stakeholders to get their perspectives included in the designing of the interventions, and thereby increasing the chances of ownership among various stakeholders. Such consultations may be undertaken both online as well as face to face.
- c) Joint assessment: Participatory assessment and monitoring with the stakeholders, particularly the identified service seekers, are used as tools for enhancing citizen engagement. These include use of a variety of techniques such as joint citizen monitoring, meetings with the elected representatives etc.
- d) Shared decision-making and collaboration: A range of participatory planning techniques including participatory urban planning at the ward level, comprehensive zonal planning as well sectoral plans like Solid Waste Management (SWM) at the city level may be used for collaborative or shared decision making. It involves engagement of various stakeholders at every stage of the planning process. The most often quoted example of this technique is from Porto Allegre, Brazil.

Core Values for the Practice of Citizen Engagement

It is important to note that if care is not taken while identifying the groups and mechanisms for interaction, citizen involvement can lead to a sense of disempowerment and participation can be perceived as meaningless, tokenistic or manipulated. Therefore, following must be kept in mind while undertaking citizen engagement:

- Public participation is based on the belief that those who are affected by a decision have a right to be involved in the decision-making process.
- Public participation includes the promise that the public's contribution will influence the decision.

- Public participation promotes sustainable decisions by recognizing and communicating the needs and interests of all participants, including decision makers.
- Public participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.
- Public participation seeks input from participants in designing how they participate.
- Public participation provides participants with the information they need to participate in a meaningful way.
- Public participation communicates to participants how their input affected the decision.

Challenges in Citizen Engagement

- a) **Limited Trust in Government:** The primary challenge to initiating consultation is trust building. It is seen that generally, government actions are often low on public trust due to many reasons such as not fulfilling promises that have been made publicly; perception of high corruption and nepotism; not taking into consideration community ideas on priority areas for development etc. There is also scepticism towards the reason why participation is being encouraged. Often, it is viewed as a way of showcasing of political strength, or as a token form of consultation and not really to obtain input to improve government priorities.
- b) **Political Reluctance:** Public participation is essentially a political process and is often not formalised or conducted in a structured manner. As such, people are often reluctant to participate. Furthermore, it is often difficult to relate engagement to positive change in everyday life.
- c) **Limited capacity to engage:** In order to engage meaningfully in public policy debates, it is essential that the participants have knowledge about issues at hand and policymaking processes. However, given the limited availability of knowledge and sometimes requirement of specialised skill sets viz. Legal, technical etc. most people believe that their capacity to engage in such processes is limited.
- d) **Lack of Commitment:** Engagement in policy making processes is a long drawn process and often requires individuals to make long term commitments about time and other resources. These are usually limited, thereby limiting the type and continuity of participation.
- e) **Exclusion:** Consultative processes may also be seen as a way of legitimising the view of the dominant groups. In addition, the manner of consultation – time, location, mechanism of participation, language etc. may also result in exclusion of most marginalized and vulnerable groups.

outcome. All the expenses including insurance of surrogate medical bill and other reasonable expenses related to pregnancy and childbirth should be borne by intended parents. A surrogacy contract should include life insurance cover for surrogate mother. The surrogate mother may also receive monetary compensation from the couple or individual as the case may be for agreeing to act as such surrogate. It is felt that to save poor surrogate mothers from exploitation, banks should directly deal with surrogate mother, and minimal remuneration to be paid to the surrogate mother should be fixed by law.

The surrogacy arrangement should also provide for financial support for the surrogate child in case the commissioning couple dies before delivery of the child, or divorce between the intended parents and subsequent willingness of none to take delivery of the child so as to avoid injustice to the child. A surrogate mother should not have any parental rights over the child, and the birth certificate of the baby should bear the names of intended parents as parents in order to avoid any legal complications. Guidelines dealing with legitimacy of the child born through ART state that the child shall be presumed to be the legitimate child of the married/unmarried couple/single parent with all the attendant rights of parentage, support, and inheritance.

The ART clinics should not be allowed to advertise for surrogacy for its clients, and couples should directly seek facilities of ART Bank. The intended parents should be legally bound to accept the custody of the child/children irrespective of any abnormality in the child/children. Confidentiality should always be maintained, and the right to privacy of the donor as well as surrogate mother should be protected. If a foreigner or NRI is seeking surrogacy, they should enter an agreement with written guarantee of citizenship for the child from their government, and they should also appoint a local guardian who would be legally responsible for taking care of the surrogate during and after the pregnancy till the child is delivered to the foreigner couple or reaches their country. Sex-selective surrogacy should be prohibited, and abortions should be governed by the Medical Termination of Pregnancy Act 1971.

NSEL

National Spot Exchange Limited or NSEL is the national level, institutionalized, demutualised and transparent Electronic Spot Exchange set up by Financial Technologies India Limited (FTIL) and National Agricultural Co-operative Marketing Federation of India Limited (NAFED) to create a delivery based pan India spot market for commodities. In India, Spot Exchanges refer to electronic trading platforms which facilitate purchase and sale of specified commodities, including agricultural commodities, metals and bullion by providing spot delivery contracts in these commodities. Under the Forward Contracts (Regulation) Act 1952 (FCRA), Spot contracts are also known as Ready delivery Contracts. Under the FCRA, a ready delivery contract is one, which provides for the delivery of goods and the payment of price therefore, either immediately or within such period not exceeding 11 days after the date of the contract, subject to such conditions as may be prescribed by the Central Government. A ready delivery contract is required by law to be fulfilled by giving and taking the physical delivery of goods. In market parlance, the ready delivery contracts are commonly known as "spot" or "cash" contracts. This definition is used by FCRA for defining the forward contracts which Forward Markets Commission has been given regulatory powers. Thus, FCRA defines a commodity derivative / forward contract as "a contract for delivery of goods which is not a ready delivery contract".

This market segment functions like the equity segment in the main stock exchanges. Alternatively, this can be considered as a guaranteed direct marketing by sellers of the commodities. Spot Exchanges leverage on the latest technology available in the stock exchange framework for the trading of goods. This is an innovative Indian experiment in the trading of goods and is distinct from what is commonly known as "commodity exchanges" which trade in futures contracts in commodities.

"Spot Exchange" means a body corporate incorporated under the Companies Act, 1956 and engaged in assisting, regulating or controlling the business of trading in electronic warehouse receipts (WR is receipt used in markets to guarantee the quantity and quality of a particular commodity being stored within an approved facility.)

However present day spot exchange deals with not just warehouse receipts. This is an electronic market where a farmer or a trader can discover the prices of commodities on a national level and can buy or sell goods immediately to anyone across the country. All contracts on the Exchange are compulsory delivery contracts i.e., here all outstanding positions at the end of the day are marked for delivery, which implies that seller has to give delivery and buyer has to take delivery, but on a net basis. (i.e., intra-day squaring off is allowed.)

The facilities provided by the spot exchange, like a normal stock exchange, include clearing and settlement of trades. Trades are settled on guaranteed basis (i.e., in case of default by any person exchange arranges for the payment of money / good) and the exchange collects various margin payments, to ensure this. The exchange also offers various other services such as quality certification, warehousing, warehouse receipt financing, etc.

Advantages of Spot Exchanges

It can lead to efficient price determination as price is determined by a wider cross-section of people from across the country, unlike the present scenario where price discovery for commodities happens only through local participation. This also ensures transparency in price discovery.

Spot Exchanges can also usher in some best Practices in commodity trading like; system of grading for quality, creating network of warehouses with assaying facilities, facilitating trading in relatively smaller quantities, lower transaction cost etc. Bank finance available against the goods in the warehouse on easier terms improves holding capacity and can actually incentivize farm production and hence reduce rural poverty. Since the trades are guaranteed, counter party risk is avoided.

Spot Exchanges in India
As on July 2013, there are four spot exchanges currently operating in the country. These exchanges are:

1. The National Spot Exchange Ltd (NSEL) is a national level commodity spot exchange promoted by Financial Technologies (India) Ltd (FTIL) and National Agricultural Cooperative Marketing Federation of India Limited (NAFED). NSEL commenced "Live" trading on October 15, 2008.
2. NCDEX Spot Exchange Limited. (established in October 2006)
3. Reliance Spot Exchange Limited. (Yet to be operationalized)
4. Indian Bullion Spot Exchange limited (they have described themselves as online over the counter spot exchange).

Regulatory status of Spot Exchanges in India

Even though Spot exchanges are trading in commodities, the spot trades are not covered under the Forward Contracts (Regulation) Act 1952 (in short FCRA). This Act only covers forward contracts / commodity derivative contracts traded in a commodity derivative exchange like MCX or NCDEX.

Spot Exchange is presently recognized by Ministry of Consumer Affairs, Food & Public Distribution, Government of India. Further the spot exchanges have to obtain licenses from various state governments to facilitate online delivery based trading in various agri-commodities (spot transactions in commodities comes under the regulatory purview of provincial / state governments. In that sense the Exchange operations will be regulated in each state by the respective state governments and will be subjected to various laws of the land like the Companies Act, 1956 Stamp Act, Contracts Act, 1876, APMC Act and others which impinge on its working.).

The spot contracts of one day duration are exempted from the provisions of Forward Contract (Regulation) Act, 1952 (FCRA), by Government of India. Though the spot trades are not covered under the FCRA, the activities of the exchange are monitored by the Forward Market Commission (FMC). For this purpose, the spot exchanges submit a monthly report to FMC about the trading and, delivery and settlement data. However, there does not appear to be any legal or statutory backing for the monitoring by the FMC.

Accountability

It is broadly defined as the obligation of those holding power to take responsibility for their behaviour and actions'. Essentially the term includes three main elements; answerability- the need for justification of actions; enforcement- the sanction that could be imposed if the action or justification of actions is found to be unsatisfactory; and responsiveness - the ability of those held accountable to respond to the demands made. Included, implicitly, in these core elements is the notion of transparency, which is defined as 'the degree to which information is available to outsiders that enables them to make informed decisions and/or to assess the information made available by insiders'. Defined such, the links between the two are said to be fashioned along two lines- transparency of information is instrumental for demanding accountability because without information individuals cannot know the operations of the state. Further, transparency of information is also seen as significant for motivating citizens to exercise 'voice' power. Voice power is defined as the capacity of citizens to pressurize the state/frontline officials in ensuring effective delivery of services. The role of transparency in strengthening voice has been given particular emphasis. That is, greater transparency leads to more empowerment, which in the context of more participation amplifies 'voice' and the assertion of voice results in greater Accountability.

However, while transparency is an important ingredient for securing accountability, the link between the two is not automatic. Further the exercise of 'voice' which is seen as a critical element for cementing this relationship is conditioned by various factors. Transparency of information while providing the opportunities and the material basis for the exercise of voice is not sufficient in impelling citizens to pressurize officials in demanding the effective delivery of services. The extent to which measures to promote transparency can contribute towards strengthening voice, is dependent on 1) the manner and type of information displayed, and 2) the design of the transparency mechanism; including the responsiveness of the system and the institutional space available for follow up action and the awareness on the part of the citizenry of these avenues. Similarly while 'voice' is a necessary condition for accountability it alone is inadequate in delivering accountable relationships. Thus while citizens may be motivated to raise their demands it does not imply that power holders will be responsive to them. Factors which influence the translation of voice claims into effective accountability include; 1) the personal capacities of citizens 2) the nature of the political framework.

In the context of the relationship between transparency and voice, the capacity of individuals to make use of information and demand accountability is influenced principally by the manner in which information is provided, whether it is useful. If information is not made available in a relatable manner, average citizens would have to rely upon others for the demystification of information, resulting in the disempowerment of some groups over others. In addition to the criteria of relatability, Pritchett (2006) asserts that for improving service delivery, information displays should also be relevant and regularly updated. Hence for citizens to be able to use information to exert influence and demand accountability, transparency initiatives need to be targeted at providing information which is relevant, regular and disaggregated so as to be relatable at the local levels- where peoples' capacity to verify/ falsify the data are most valuable. Clear transparency by itself does not guarantee the exercise of voice on the part of citizens.

For citizens to protest against inadequacies and for authorities to sanction those responsible, requires the availability of institutional space for lodging complaints and awareness on the part of the citizenry of these avenues.

The translation of voice power into effective accountability is further said to be influenced by the personal capacities of those seeking to exercise power, their awareness of the issues and their levels of empowerment; second the institutional capacities and environment, which influence the extent to which citizens will be able to make claims for accountability. The capacity for individuals to exercise voice is governed by certain preconditions which include, 'a minimum level of awareness of entitlements and rights, the ways in which these are not being met and a degree of social political and financial power'.

Thus the poor whose status is characterized by a limited access to both financial and social political resources are the least likely to enable their voice to be heard.

Evaluating the ongoing effectiveness of public officials or public bodies ensures that they are performing to their full potential, providing value for money in the provision of public services, instilling confidence in the government and being responsive to the community they are meant to be serving.

Horizontal vs. Vertical Accountability

The prevailing view is that institutions of accountability, such as parliament and the judiciary, provide what is commonly termed horizontal accountability which is the capacity of state institutions to check abuses by other public agencies and branches of government, or the requirement for agencies to be accountable sideways. Vertical accountability is the means through which citizens, mass media and civil society seek to enforce standards of good performance on leaders and officials.

While parliament is a key institution in horizontal accountability, it is also important in vertical accountability. Citizens and civil society groups can seek the support of elected representatives to redress grievances and intervene in the case of inappropriate or inadequate action by government. In addition, through the use of committee investigations and public petitioning, parliamentary questions, parliament can provide a vehicle for public voice and a means through which citizens and civic groups can question government and seek parliamentary sanctioning where appropriate.

Political versus Legal Accountability

Parliament and the judiciary act as horizontal constitutional checks on the power of the executive. The role of these two institutions can be further delineated in that parliament holds the executive politically accountable, whilst the judiciary holds the executive legally accountable. These classifications stem from the fact parliament is a political institution, while the judiciary can only adjudicate on legal issues. Together, they provide ongoing oversight in order to keep the government accountable throughout its term in office. They may also be aided by other institutions, such as supreme audit institutions, anti-corruption commissions (CVC), ombudsman (Lokpal and Lokayukta) offices and human rights bodies (NHRC).

Political accountability usually manifests itself in the concept of individual ministerial responsibility, which is the cornerstone of the notion of responsible government (see below).

In instances where there is a classic top-down, principal agent relationship, whereby the principal delegates to the agent, the agent is accountable to their direct superiors in the chain-of-command

and this constitutes a form of vertical accountability. For instance the public official answers to the department/ agency, the department answers to the minister, the minister answers to parliament (in particular in parliamentary systems), and parliament answers to citizens.

Parliament is again a key actor. In terms of holding government officials to account, parliament is the principal and the official the agent: Parliament, as principal, requires the government and its officials, as agents, to implement the laws, policies and programs it has approved – and holds the government and officials to account for their performance in this regard.

Parliament is also an agent, in that the electorate (the principal) elects legislators to enact laws and oversee government actions on their behalf. The electorate then hold legislators to account at election time and, in a few jurisdictions, through recall, where dissatisfied voters can recall their elected representative and vote for an alternative.

Social Accountability

The prevailing view of social accountability is that it is an approach towards building accountability that relies on civic engagement, namely a situation whereby ordinary citizens and/or civil society organizations 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. It is generally accepted that social accountability mechanisms are an example of vertical accountability. However, a minority of commentators argue that, with respect to social accountability, a hierarchical relationship is generally lacking. Giving account to various stakeholders occurs basically on a voluntary basis with no intervention on the part of the principal. Therefore, social accountability would be a form of horizontal accountability. Social accountability initiatives are as varied and different as participatory budgeting, administrative procedures, acts, social audits, and citizen report cards which all involve citizens in the oversight and control of government. This can be contrasted with government initiatives or entities, such as citizen advisory boards, which fulfill public functions. Often overlooked in considerations of social accountability is the role that legislators can play in providing weight to such grass roots accountability mechanisms. For example, a Member of Parliament can represent the concerns of his/her constituents by questioning a Minister during Question Hour in Parliament or by requesting information directly from a government ministry or department.

Parliaments are key actors in what has been termed the 'chain of accountability'. They are, along with the judiciary, the key institution of horizontal accountability, not only in their own right but also as the institution to which many autonomous accountability institutions report.

The central idea of accountability is : when decision-making power is transferred from a principal (e.g. the citizens) to an agent (e.g. government), there must be a mechanism in place for holding the agent to account for their decisions and if necessary for imposing sanctions, ultimately by removing the agent from power.

In the last 10 to 15 years, however, the concept of accountability has become central to democratic administration and public service delivery.

International donor communities are suggesting to focus on 'good governance'.

Social Accountability

Social Accountability implies the engagement of civic organizations to express-demand for public services, and exact accountability from local service providers to improve service quality. Social accountability is being increasingly recognized by state and non-state institutions as a means of enhancing democratic governance and improving service delivery. It refers to a broad range of actions and mechanisms that citizen, communities, independent media and civil society In recent years, the expanded use of participatory data collection and analysis tools, combined With enhanced space and opportunity for citizen and civil society engagement with the state, have led to a new generation of social accountability practices. These methods and tools are being increasingly used across different parts of India, South Asia, and the world. Some of the practices that have been applied are:

- Participatory Planning and Policy Formulation (Kerala);
- Participatory Budget Analysis(Gujarat);
- Participatory Expenditure Tracking System(Delhi, Rajasthan);
- Citizens' Surveys/Citizen Report Cards (Bangalore, Maharashtra);
- Citizen Charters(Andhra Pradesh, Karnataka); and
- Community Scorecards(Maharashtra, Andhra Pradesh)
- Bhagidari(Delhi)
- Social audits(AP, Rajasthan)

(The Government of Delhi has launched a unique scheme named Bhagidari which aims at involving people's participation in governance. The basic idea is to establish a dialogue between the stakeholders i.e. the Government Departments and citizens' groups like Resident Welfare Associations (RWAs) and Market and Traders Associations (MTAs) in order to work out solutions to common civic problems.

This scheme has already achieved success in many areas. With a view to expand the participation of the Resident Welfare Associations, Government had also organized workshops in all the nine Revenue Districts. In the workshop the local officials of Delhi Vidyut Board, Delhi Jal Board, Delhi Police, Delhi Development Authority and the Municipal Corporation of Delhi sit with the representatives of the Resident Welfare Associations and deliberate upon local issues so as to find acceptable solutions to common problems facing the residents. This has facilitated a process of dialogue and discovery of joint solutions between the Resident Welfare Associations, Market Traders Associations, Civic agencies and public utility services.)

In addition to these methods and tools, many more exist such as campaigns for electoral reforms, public interest litigation, independent evaluation and so forth.

It has been well established that social accountability mechanisms can contribute to improved governance, accelerate development, create effectiveness through better service delivery and empowerment. The overall objective of these mechanisms is to promote transparency and accountability in the service delivery processes. The key areas for the use of social accountability methods are in:

- the preparation, implementation, monitoring and evaluation of poverty reduction strategies;
- government service delivery reform and public expenditure management processes;
- community-driven development programs; and

- sectoral interventions (e.g., in health, education, transport, water and sanitation, rural development and urban development programmes)

It is necessary to study the various challenges and vulnerabilities that come in way of institutionalizing social accountability and how possibly these can be tackled. Also an attempt needs to be made to identify the manner in which the existing institutional designs can be made more accountable and accurate. In addition to this, it is equally important to strengthen the citizen voice to empower the community to hold the system accountable and in turn take benefit of the various schemes and programmes.

However, critical to the success of Social Accountability initiatives is civil society and state capacities, and the synergy between the two. Ultimately, the effectiveness and sustainability of social accountability mechanisms is improved when they are "institutionalized". This involves two things: first, the state as a 'partner in progress' in the broader accountability project, needs to render its own "internal" mechanisms in a way that makes it structurally amenable to accountability, and second, the state needs to identify and adopt mechanisms to facilitate and strengthen civic engagement and citizen voice. Accountability which is broadly defined as the obligation of those holding power to take responsibility for their behaviour and actions. This obligation might stem out of a moral-ethical need to account for one's actions, or out of a legal requirement. It is a relational concept as it concerns the relationship between those that perform an action or deliver a service, i.e., the agent, and those on whom the action or service has an effect, i.e., the principal. In this sense, accountability is the leverage that the principal has over the agent.

Public accountability i.e., the need for the state to be accountable to its citizens stems out of the 'social contract' that the citizens share with the state. In a democracy, this contract is operationalized when citizens elect a government and invest the elected representatives with the power to govern them. The representatives in their turn, acting themselves and through bureaucrats and administrators are obliged to perform their duties of governance in a manner that keeps the citizens' interests at heart. There are institutional provisions to ensure that the government respects this contract. On the one hand there are mechanisms for external accountability, or accountability directly to the citizens. In a democracy, elections are the chief instrument through which this is achieved. Citizen consultations, and citizen participation in design, implementation and monitoring of state's services, are also examples of this. Alongside, there are also provisions for internal accountability - institutional checks and balances like constitutional separation of powers into Judiciary, Executive and Legislature, rational delegation of tasks and responsibilities, internal performance monitoring, and official oversight including bodies like Auditor General, Anti Corruption Bureaus and Vigilance Commissions are some examples. Public accountability is ensured when these two aspects of accountability are realized together.

Ensuring accountability in the public sector involves a two-step process or the 'long route' of accountability. First, the state needs to have a clear understanding of what its citizens want. For this to occur, citizens must be able to draw on the political process to hold the state (policy makers and politicians) to account. This relationship is referred to as 'voice'. The state, in turn, acting as the representative of the people, must be able to transmit these demands to the actual

provider of services and ensure that providers perform their functions effectively. This relationship is the 'compact'.

Accountability is ensured when compact creates incentives such that the providers accurately and conscientiously follow the wishes of the policy makers, who, in turn, accurately reflect the voice of their constituents. By extension, this 'long route' of accountability fails when on the one hand, the state does not succeed in taking cognizance of its citizens' needs and demands and citizens have no mechanisms through which to articulate their voice (failure of voice), and on the other, when the state is unable to create incentives such that providers accurately and conscientiously fulfill their duties (failure of compact).

Addressing Accountability Failures:

Traditionally, efforts to improve accountability proceeded along these two axes - internal and external - largely independent of one another. On the external front, there have been electoral reforms, voter-awareness initiatives and so on, and on the internal front there have been efforts like reorganization of audit and account mechanisms. Important as they are, these efforts have had limited success in improving accountability in governance and service delivery. There are a number of reasons why. Elections as an instrument of accountability have some well known limitations; moreover, elections only hold elected officials accountable, whereas the vast majority of public officials are appointed bureaucrats and hence not subject to electoral processes. Reorganizing horizontal accountability channels on their part have limitations. It is impossible to monitor the almost infinite number of government actions (and inactions). Practices like bias and inefficient resource use lend themselves to investigation less easily than more express forms of corruption. Absence of second order accountability (who will watch the watchers?), lack of adequate funding and limited enforcement capacity all serve to further weaken these mechanisms.

In more recent years there has been an acknowledgement in the policy circles around the world, of these limitations in traditional accountability channels. Alongside was the recognition that citizen participation in state's activities could play an important role in strengthening accountability and responsiveness in service delivery. An increasing body of literature from around the world documented how participation of citizens in planning, implementation and monitoring of projects not only increased the effectiveness of public service delivery and made it more appropriate, but also increased accountability and reduced corruption.

Accordingly, societal participation in state's development activities was no longer seen as a 'bother', but was instead actively encouraged as a means to ensure responsiveness and accountability. However, this participation by citizens was of a limited nature in that it was confined to implementation of specific government projects. Measures for responsiveness were largely limited to citizen consultations, and those for accountability largely to monitoring of outputs. There was also a sense in which society was acting as a watchdog in ensuring government accountability. All of which underlined a certain "arms length" relationship between the state and the society. Autonomy from the state was deemed as fundamentally important not just for legitimacy of civil society in its proaccountability role, but also in the Weberian model of modern bureaucracies, which has been emulated in most developing countries, public-sector workers were as a principle to be insulated from citizens so as to maintain objectivity in public service – and this insulation was only sparingly conceded.

More recently, certain stream of research and practice has questioned this separation between the state and the society. Moving on from the arms-length relationship in pressuring the government from outside, this current stream of research argues that accountability is best obtained in "co-governance" spaces which blurs the boundary between the state and the society. These writings draw on experiences from around the world where citizen groups have been experimenting with inserting themselves more and more directly into the state apparatus: into its core functions and everyday workings, monitoring its hitherto opaque operations, and influencing policy from the inside. Participatory Budgeting in Porto Allegre, Brazil was one of the early experiences in this stream where instead of externally influencing the policy, ordinary citizens were inside the governmental apparatus, involved directly in the planning and supervision of public spending - activities normally under the exclusive purview of public officials. Some authors argue that this form of activism represents a 'new accountability agenda'. A pioneering instance of this from India was the experience of Mazdoor Kisan Shakti Sangathan (MKSS) - a Rajasthan based grassroots organization - where citizens (as external actors) directly engage with institutions of internal accountability. MKSS employed 'social audits' to empower ordinary citizens to turn into auditors, and obtain access to the hitherto privileged state documents such as muster rolls, in order to expose malfeasance. This form of accountability has been called 'hybrid' accountability, and is remarkable in that it breaks the state's monopoly over official oversight and legitimizes citizen-inclusion into hitherto exclusive affairs of the state.

Thus, over the years there has been an evolution of ways in which societal actors have engaged with the state indirectly and, increasingly, directly, to improve accountability in governance and service delivery - a process that has come to be known as 'social accountability': an approach towards ensuring accountability that relies on civic engagement, i.e. in which ordinary citizens and citizen groups participate directly or indirectly in exacting accountability. Social Accountability encompasses a broad range of actions and mechanisms that citizens, communities, independent media, and civil society organizations use to hold public officials and public servants accountable. This involves deploying tools like participatory budgeting, public expenditure tracking, citizen report cards, community scorecards, social audits, citizen charters, and so forth. Two prominent characteristics stand out in these tools and mechanisms. First: social accountability efforts work to enhance and integrate citizen voice into the everyday workings and decision-making processes of the state. There has, in this sense, been a shift from 'vote' to 'voice' as the principal accountability tool in the hands of the citizens. Second: central to social accountability efforts is transparency in governance. The main channel through which citizens are being empowered to demand accountability is through creation of, and access to, more information. So the recurrent theme seems to be: more information means more empowerment, which in the context of greater participation means more voice, which means greater accountability.

Social Accountability is being increasingly recognized worldwide as a means of enhancing democratic governance, improving service delivery, and empowering citizens. Accordingly governments around the world - from US and Brazil, to Uganda and South Africa, to Sri Lanka and New Zealand - are finding ways to facilitate citizen engagement and foster social accountability.

Assessing accountability failures in Education and Health

This discussion is on Social Accountability by analyzing the findings of the survey carried out to understand the nature of accountability failures in India and study potential ways of enhancing social accountability in two flagship schemes undertaken by the current government, namely the Sarva Shiksha Abhiyan (SSA) and the National Rural Health Mission (NRHM).

The focus of our analysis would be to situate these findings in the framework for accountability discussed earlier, with a view to underlining the basic point that although social accountability is about enhancing citizen voice and participation in service delivery, in order to realize it there are issues to be addressed within the compact – the institutional design itself - to make the system structurally and functionally built for accountability – a system where stronger voice can actually translate to better accountability. Through this analysis, it aims to highlight weaknesses in the current system.

The Context:

Between 2003-04 and 2006-07, the Central Government's annual budgetary allocations for Education increased by nearly 50% from Rs. 89732 crore to Rs. 134274 crore. Despite this, the state of school education in India continues to remain poor. Although the enrolment rates have gone up, the learning levels at schools continue to remain very low. ASER 2012 estimates that little less than 50% children in Std 5 cannot read a Std 2 text, whereas similar number of children in Standard 1 cannot recognize alphabets and a significant number of children in standard 2 cannot recognize numbers beyond 10. The fact that schools continue to receive funding and teachers access regular salaries despite this extremely poor performance is a clear indication the inability of the state and citizens to monitor performance and ensure enforceability on service providers. One of the most serious problem with schooling today is the rampant absenteeism among teachers: a national survey involving unannounced visits to measure teacher attendance revealed that 24% of teachers in India simply did not show up at school during class hours. Health tells a similar story. Central planned allocation to on the Ministry of Health and Family Welfare since it was launched in 2005 has increased from 7677 crore to 13180 crore in 2008-09. This represents an increase of 79.8% percent in the last four years.

And yet there is a growing recognition that the system of public delivery of health services in India is in crisis. High absenteeism by doctors and health care staff, low quality in clinical care, low satisfaction levels, and rampant corruption are prevalent. A recent study by Das and Hammer on the quality of medical care in Delhi found that the competence levels of a public sector MBBS doctor in a PHC were so poor that there was as high as a 50:50 chance of the doctor recommending a seriously harmful therapy. Absenteeism rates among primary healthcare workers in India are the highest in the world at 40%, with Bihar topping the list at 60% (World Bank's Global Monitoring Report 2008).

An important reason for these appalling scenarios in both health and education has been the lack of accountability in our public services.

Government of India's flagship program in Education in which it aims to address these failures is the Sarva Shiksha Abhiyan (SSA). Launched in 2001, the programme aims to universalize elementary education (6-14 yrs of age) across the country by the year 2010. The National Rural Health Mission (NRHM) is the flagship program in the Health sector.

Launched in 2005, NRHM aims to address the failures in health service delivery by carrying out "necessary architectural correction in the basic health care delivery system". Both of these schemes were taken up in the context of decentralization of the service delivery, with the core strategy being empowerment of local governments and community based organizations to manage, control and ensure accountability in public health and education services.

Social Accountability efforts work to enhance and integrate citizen *voice* into the everyday working and decision-making processes of the state. So any framework for Social Accountability should include 'facilitating and strengthening citizen *voice*' as its principal component. Accountability in public service delivery is ensured when *voice* and *compact* work *together*. That is, not only do the politicians and policy makers need to take cognizance of what the citizens want, they should also then be able to invoke the more traditional accountability relationships via a rational delegation of tasks, creation of the right incentive structures and so forth, so that the service providers deliver the service properly. Thus for social accountability to be truly effective, the more traditional mechanisms to improve the compact must also be addressed. Addressing the compact involves getting the institutional design right, to make the system structurally and functionally built for accountability – a system where stronger *voice* can actually translate to better accountability.

In sum, social accountability in public service delivery is a product of two things working together: a system of institution designed in a manner that makes accountability structurally possible, and an informed and mobilized citizenry that can draw upon platforms for engagement to make accountability demands on the systems. That is, strong *voice*, in conjunction with strong *compact*.

Assessing accountability failures In Education and Health

Let us situate the discussion on Social Accountability by analyzing the findings of the survey carried out to understand the nature of accountability failures in India, and study potential ways of enhancing social accountability in two flagship schemes undertaken by the current government, namely the Sarva Shiksha Abhiyan (SSA) and the National Rural Health Mission (NRHM).

The focus is to situate these findings in the framework for accountability with a view to underlining the basic point that although social accountability is about enhancing citizen *voice* and participation in service delivery, in order to realize it there are issues to be addressed within the *compact* – the institutional design itself - to make the system structurally and functionally built for accountability – a system where stronger *voice* can actually translate to better accountability. Through this analysis, we can highlight weaknesses in the current system.

We begin by setting SSA and NRHM against the backdrop of general failures in education and health service delivery in India. We then look briefly at the important institutional features of each scheme; particularly those that help us understand the various accountability relationships that exist in the corresponding sector. Following that we will look at the way in which these *de jure* features actually play out in practice. Here we draw on the findings of the survey of three states. We then step back and analyze these findings by situating them in failures of *voice* and *compact* in order to understand the more general failures in accountability in these two services.

The Context:

Between 2003-04 and 2006-07, the Central Government's annual budgetary allocations for Education increased by nearly 50% from Rs. 89732 crore to Rs. 134274 crore. Despite this, the state of school education in India continues to remain poor. Although the enrolment rates have gone up, the learning levels at schools continue to remain very low. ASER 2012 (See the Notes on Learning Outcomes) estimates that 44% children in Std 5 cannot read a Std 2 text, whereas close to 40% of children in Standard 1 cannot recognize alphabets. 35.4% children in standard 2 cannot recognize numbers beyond 10. The fact that schools continue to receive funding and teachers access regular salaries despite this extremely poor performance is a clear indication the inability of the state and citizens to monitor performance and ensure enforceability on service providers. One of the most serious problem with schooling today is the rampant absenteeism among teachers: a national survey involving unannounced visits to measure teacher attendance revealed that 24% of teachers in India simply did not show up at school during class hours. Health tells a similar story. Central planned allocation to on the Ministry of Health and Family Welfare since it was launched in 2005 has increased from 7677 crore to 13180 crore in 2008-09. This represents an increase of 79.8% percent in the last four years. And yet there is a growing recognition that the system of public delivery of health services in India is in crisis. High absenteeism by doctors and health care staff, low quality in clinical care, low satisfaction levels, and rampant corruption are prevalent. A recent study by Das and Hammer⁸ on the quality of medical care in Delhi found that the competence levels of a public sector MBBS doctor in a PHC were so poor that there was as high as a 50:50 chance of the doctor recommending a seriously harmful therapy. Absenteeism rates among primary healthcare workers in India are the highest in the world at 40%, with Bihar topping the list at 60% (World Bank's Global Monitoring Report 2008).

An important reason for these appalling scenarios in both health and education has been the lack of accountability in our public services.

Institutional features of SSA:

The central government lays down the key guidelines for implementation including financial norms. It is also responsible for setting standards and goals for the program through curriculum design, monitoring and evolution. It contributes nearly 70% of the funds in the SSA, and also runs revenue and financial sustainability assessments for the program.

Funds from the central government are devolved to the state government through state level implementation societies. The state society is an autonomous society set up for the specific purpose of implementing SSA and works in collaboration with the relevant line department in the state. The state society is the primary implementation unit for the scheme. It has a wide range of policy and operational responsibilities including fund transfers, monitoring, setting performance standards, developing a financial monitoring system, and allocation of funds across different levels of the service delivery chain. According to the guidelines, hiring of teachers is the responsibility of the state level societies. In many states (WB/Gujarat, Tamil Nadu) teachers are hired at the state level. However, in others (Orissa and Jharkhand for instance), these decisions have been developed to the Block or Gram Panchayat.

Funds from the state government are in turn devolved to the district administration. It is incharge of certain operational activities such as capacity building, training and developing funds to the schools based on norms determined by the central and state governments, setting up

Cluster Resource Centres (CRCs) and Block Resource Centers (BRCs), setting up of DIETs (District Institute of Education and Training), as well as undertaking monitoring and evaluation of functionaries as prescribed by state governments.

The BRC is a resource center where books, discussion papers etc are available. It is highly involved in the planning and organizing of workshops, review meetings, training of teachers and various SSA functionaries, monitoring of CRC activities, schools visits, supervision of civil works etc.

One level down, the CRC has a more hands-on approach: from monitoring school activities, visiting primary schools regularly, observing students notebooks, monitoring exams, discussing the results in VEC meetings, sharing achievement levels and problems at the BRC etc.

At the village level, the Village Education Committees (VEC) have been set up. The VEC lies at the heart of the day to day implementation and monitoring operations of the school. It is responsible for the actual expenditure of funds available for maintenance, repair and teaching materials etc. It is also responsible for the monitoring of teachers' and students' performance. In many states, the VEC's work in collaboration with the Gram Panchayat (GP).

The GP is responsible for appointing the VEC and usually, the GP President is a key signatory for all the VEC's financial transactions. Other GP responsibilities include hiring para-teachers. The VEC also develops village level plans and annual work plans on education to reflect local needs. These micro-plans are aggregated up at the district level and the state level where they are meant to provide the basis for expenditure assignments. In some states VECs are also responsible for monitoring the quality of the Mid-Day Meal Scheme in the school. The presence of VECs and their role in community mobilization, monitoring and information dissemination are crucial provisions towards a public accountability system inbuilt into the SSA norms.

How it plays out in practice:

De facto principles aside, the deplorable state of school education is testament to the fact that not everything is working the way it was meant to. Some of these are due largely to indifferent implementation of the guidelines set up in policy, but a deeper analysis reveals that there are also some issues in institutional design itself which breeds inefficiencies. We will analyse these failures after listing out the de facto state of SSA implementation as revealed by this survey and some other surveys.

1. Awareness of the programmes components: Although the district level officials were fairly well aware of the SSA scheme and its components, at the panchayat level officials were largely unaware of many aspects of program implementation. Information, when it was available was mostly available on infrastructural aspects of service delivery, such as civil works rather than, for instance, quality of education. The communities themselves were largely ignorant about SSA, even of the existence of VECs.

In Bihar, fewer than 10% citizens interviewed had knowledge of the programs through the GPO, Gram Sabhas or GP members. Over 60% respondents did not know the objectives of the SSA in Uttarakhand and Bihar. However, over 70% respondents in Kerala, when asked if they had been informed of the benefits of the two programs, said yes. In Uttarakhand, though 53.3% GP members knew about the SSA, only 25.19% knew of the objectives of the program. Further, only 21.4% of GP members in Uttarakhand and 34% in Bihar actually knew when the program had been initiated in their jurisdictions.

The Kerala story is an interesting one, and needs to be understood in the broader context of Kerala's developmental history of greater participation of Panchayats and communities. The awareness of implementing officials in being able to carry out the implementation of the program depends crucially on the training they receive at the Block level. However, not all officials receive this training. What is perhaps more problematic is that even fewer find this training useful in carrying out their duties. Less than 30% officials in Uttarakhand and Kerala found the training received to be useful.

2. VECs: VECs, the cornerstone of decentralized model that SSA is based on, were on paper present everywhere, but in practice largely dysfunctional. In many cases the members did not know they were members of any committee. The meetings rarely happen, and when they do, hardly any constructive discussion about school quality takes place. As per the preliminary findings in nearly 60% of the study villages in both Uttarakhand and Bihar, the communities were not aware about VECs or its membership.
3. High absenteeism and lack of effort from teachers: As the statistics in the beginning of this section reveal, rampant absenteeism among teachers is a serious problem. Even when teachers are present, many of them are not engaged in teaching activities.
4. Corruption and leakages: The survey highlights that corruption continues to exist in the form of over-reporting of enrollment rates, leakages and over-claiming of budgeted meals in MDM-implementations, and politicization of teacher appointments.
5. Monitoring failures: A common underlying problem in most of these failures is the lack of effective monitoring of the programme. The VECs are the principal monitoring bodies at the local levels, but owing either to ignorance among its members of the roles and responsibilities, or to indifference, the VECs have in large part failed to deliver effectively. An important tool which monitoring authorities can use is the Social Audit, something which has been used in many states. However, a majority of implementation officials in the 3 states revealed that no such audits have been conducted in the program at all.
6. Disconnect between needs and allocations: Although on paper the village-level plans are meant to ensure the local needs get reflected in the expenditure assignments, in practice, in the process of aggregation of plans from various villages at the district and then at the state levels, the actual allocations and the restrictive headings under which they are prescribed for use (tied funds) effectively disconnect resource allocations from local needs. This is made worse by the fact that there are delays in release of funds, ending in last quarter rushes in fund release and the resulting inefficiencies in spending rushes.
7. Quality/satisfaction: The data from the satisfaction survey among beneficiaries of the SSA provides us with a mixed picture of the final analysis of this program. A majority of beneficiaries are 'somewhat satisfied', but this could be a limitation of the survey in terms of the way questions were asked.

The National Rural Health Mission

Briefly, NRHM decentralized health service delivery. The National Mission Steering Group at the MoHFW and the Empowered Programme Committee (implementing agency) serve the purpose of outlining the broad framework and policy decisions of the NRHM. At the State level, the State Health Missions have the responsibility of oversight, policy matters, review of the progress of implementation, approval of the state health plans, co-ordination with NGOs etc.

The *district* is the key institutional unit for planning, budgeting and implementation of health services. The key role articulated here is the development of cross-sectoral health plans that integrate health concerns with determinants of health such as hygiene, sanitation, nutrition and safe drinking water. The plans are an *amalgamation* of village health plans, state and national plans and priorities, as well as other centrally sponsored schemes.

The Primary Health Centre is directly responsible to the elected representative of the Gram Panchayat where it is located. NRHM introduces a new community-based functionary called Accredited Social Health Activist (ASHA). The ASHA must primarily be a woman resident of the village, between 25-45 years of age, with formal education at least up to 8th class. She will be selected by the Village Health and Sanitation Committee (VHC) and the Gram Sabha.

ASHA will coordinate with ANM (Auxiliary Nurse and Midwife) and AWW (Anganwadi Worker) and be accountable to the Gram Panchayat. ASHA's role will be to promote good health practices and provide primary medical care for minor ailments. The government will provide a drug-kit to each ASHA to facilitate this new task. ASHA is not a paid employee, but will be compensated by the Panchayat on the basis of measurable outputs of services she performs.

NRHM mandates the creation of Village Health Committees that prepare health plans for the village which form a component of the district level health plan, and also have a direct role in monitoring of the service at local level.

A system of periodic *Jan Sunwais* at various levels to empower community members to engage in giving direct feedback and suggestions for improvement in public health services has been set up. It is compulsory for all the health institutions to prominently display information regarding grants received, medicines and vaccines in stock, services provided to the patients, user charges to be paid etc, as envisaged in the Right to Information Act. The requirements of audit apply to all NRHM activities.

In practice:

While the NRHM was ostensibly aimed at architectural corrections in addressing the failures in public health delivery, like in SSA, the findings of the study indicate that not everything is working. The following points highlight the main problems:

1. Awareness of program components: The survey revealed a worrying lack of awareness about NRHM and its components. This was true not only among villagers at large, but also among the functionaries from the block level downwards who were supposed to be implementing the program. In the PPMT exercise in Tehri district in Uttarakhand, for instance, the health supervisors "categorically denied" any knowledge about the programme components. In Uttrakhand and Bihar, over 70% beneficiaries did not know the objectives of NRHM. In Uttarakhand, though 42.2% of GP members knew about the NRHM, only 17.78%

knew of the objectives of the program. Further, only 21.4% of GP members in Uttarakhand and 27% in Bihar actually knew when the program had been initiated in their jurisdictions. On the one hand this was due to inadequate or absent attempts at training of the officials, or more worryingly lack of interest among those officials insulated by political connections.

2. VHCs: In many villages, the survey found that the VHCs were not even formed, and where formed its supposed members either did not know that they were members of any committee, or were woefully unaware of what their responsibilities were in that role.
3. Shortage of staff, high absenteeism, and lack of training: Shortage of staff, including doctors emerged as the major problem, compounded by high rates of absenteeism. The staff present were found to be inadequately trained. In the survey, 46% of implementing officials had not received any training in Uttarakhand and Bihar, and 61% of those who did felt it had not been useful. On training, the story is similar to SSA, a large percentage of officials did not receive training to be able to carry out the effective implementation of the program. Also, over 60% of those who received training in Uttarakhand and Bihar did not think it was useful.
4. Service quality remains poor: The survey found that although infrastructure development has been relatively good, the quality of service remains very poor. More than 91% of all beneficiaries in all 3 states could not get their problems in either program resolved. Once again, the results of the Citizen Satisfaction Report conducted in the survey leave an inconclusive picture in terms of the impact and implementation of the NRHM.
5. Corruption: The medicines prescribed were also ones that were not available in the hospital – the lack of transparency possibly hiding collusion between the medical officers and medical shops outside. Under the *Janani Suraksha Yojana* which gives cash incentives for women coming into the hospital for labour, bribes were being demanded by PHC officials handing out the cheques.
6. Failures of ASHA: the recruitment of ASHAs was politicized and far from transparent and consultative, further there was corruption among ASHAs forging addresses of pregnant women in order to capture the cash incentives.
7. Monitoring failures: a common underlying feature in most of these problems was a failure of monitoring mechanisms that are, ostensibly, present on paper. The VHCs in particular were entrusted with local community level monitoring and there were obvious failures in this due either to lack of participation by the members, or complete lack of responsibilities. Even the departmental monitoring was weak and ineffective, sometimes owing to a lack of coordination between project level staff and regular staff, sometimes to indifference and absenteeism by the concerned officials. Social Audit were not organized according to 76% of the NRHM program Officials. Over 68% of GP members in Uttarakhand and Bihar said that no independent appraisal of either scheme had been done.

Over 75% officials in all states responded negatively to the use of Social Audits by them during the implementation of the NRHM.

Further issues in the two programs brought to light by the survey:

The survey also throws light on a variety of common problems shared by government programs. When asked if any PRI officials have made plans for the implementation of either the SSA or NRHM, 90 GP members (66.67%) in Uttarakhand and 59 respondents (64.84%) in Bihar said No. Over 96% PRI officials in Uttarakhand and over 90% in Bihar gave us no response to whether they even record the grievances of the people vis-à-vis the programs. Another interesting finding is reflected in figure 13 below. A large percentage of the Gram Panchayat members are in fact not involved in any significant activities related to service delivery.

Analysing the failures in SSA and NRHM:

The accountability failures that are at the heart of these problems in SSA and NRHM can be understood in the context of the *voice* and *compact* framework of public accountability discussed earlier. Such delineation would be a first step towards identifying specific ways of addressing specific problems.

Failures in voice:

The voice failures correspond to lack of awareness among the members of VECs and VHCs about their individual roles of responsibilities, and about the programme features. Information, awareness and community mobilization are fundamental prerequisites for strengthening of citizen voice. Unless the citizens know what to expect, know what they are expected to do, and how to do what they are expected to do; and unless the citizens are mobilized to believe in their entitlements and power over the officials, and to act accordingly, it is futile to expect them to participate in any meaningful way in their pro-accountability role. The serious lack of monitoring and hence accountability is in large part due to lack of awareness or indifference among the community-members. Effectiveness of voice is also contingent on the information on the basis of which the VECs and VHCs can make demands and propose changes. As is evident from the survey, the groups are not informed of budgets, expenditures, and quality outcomes. Therefore there is no basis on which to plan efficiently.

Further, the easiest way to express voice is through the Gram Panchayat, as this is the level of government closest to the people. But, as the institutional design story tells us, the GP itself has limited powers and resources. So even if voice were to be expressed to the GP, the effect would be minimal.

Failures in compact:

The compact failures on the other hand correspond to the institutional design of the program that has failed to create optimal delegation and incentive structure in which accountability is possible. For instance, take NRHM's reporting structures. In the present system ASHA is accountable to both the GP, its parent department, the Department of Family Welfare and Women and Child. Functionaries at the district health mission are also required to report to multiple departments at state level. 23% of program officials did not play any role in the planning of the scheme in their jurisdiction a crucial principle of accountability is that there be as few lines of accountability as possible in order to prevent contradictory orders and create confusion on the part of the provider. Another area in both SSA and NRHM where compact is failing is manifest in the rampant absenteeism among the teachers and doctors, an indication of underlying failures in incentive structures that allow such inefficiencies to persist. In many states, the GP in collaboration with the VECs has the power only to hire para-teachers, while the full-time teachers are still a state prerogative (In MP they have frozen the state cadre). Similarly, hiring and firing of the doctors is

at the state level, and thus far removed from where the monitoring is occurring (at the village level).

Failures in *compact* also serve to seriously weaken *voice*, which is supposed to be at the heart of both the schemes. In SSA, this takes the form of local level village plans not getting reflected in earnest in expenditure assignments from the state, because despite the provisions for village level annual work plans to be taken into account, the central government has set fairly rigid guidelines on the basis of which plans and expenditure assignments are actually made. These decisions are made on the basis of formulae applicable across all schools in the state without any scope for addressing cost disabilities (such as transportation costs) in particular regions. School performance, teacher attendance, teacher availability or even infrastructure needs are not reflected in expenditure decisions. When funds reach the school, they mostly come tied to specific expenditure items. Schools have little internal flexibility to plan and align expenditures to felt needs. As a result, financing rarely reflects realities on the ground. This is on top of the skewed pacing of fund release.

Principal–agent problem

In political science and economics, the principal–agent problem or agency dilemma concerns the difficulties in motivating one party (the "agent"), to act in the best interests of another (the "principal") rather than in his or her own interests.

Common examples of this relationship include corporate management (agent) and shareholders (principal), or politicians (agent) and voters (principal). The problem arises where the two parties have different interests and asymmetric information (the agent having more information), such that the principal cannot directly ensure that the agent is always acting in its (the principal's) best interests, particularly when activities that are useful to the principal are costly to the agent. Moral hazard and conflict of interest may arise. The deviation from the principal's interest by the agent is called 'agency costs.'

Various mechanisms may be used to align the interests of the agent with those of the principal. In employment, employers (principal) may use piece rates/commissions, profit sharing, efficiency wages, performance measurement posting a bond, or the threat of termination of employment.

A principal–agent problem is "a dilemma that arises whenever one party (the principal) employs another (the agent) to a job for him." Contracting/acquisition/procurement whether for information technology, financial services, or any of a myriad of other support functions covered today under the broad lexicon of outsourcing would be subject to dilemmas of the principal–agent problem type. The problem: How to ensure that the agent acts in the best interests of the principal on whose behalf and with whose resources they (the agent) are employed. One of the most common means of attempting to align principal and agent interests is to design a contract, with incentives that track to agent performance.

While incentive-based contracting has been in wide use throughout the Government–market space, either through the use of incentive fees or award fee contracts, the efficacy of its impact has been limited. Use of fee as a performance achievement tool (incentive) has often been limited in its impact because contractors have found creative ways to circumvent the impact on profits.

In other words, one person, the principal, hires an agent to perform tasks on his behalf but he cannot ensure that the agent performs them in precisely the way the principal would like. The decisions and the performance of the agent are impossible and/or expensive to monitor and the incentives of the agent may differ from those of the principal.

An example drawn from the public sector might be the efficient and effective running of public services such as education, health and transport by private firms under regulation by government authorities.

Moral hazard

In economics and social science theory, a moral hazard is a situation where a party will have a tendency to take risks because the costs that could incur will not be felt by the party taking the risk. In other words, it is a tendency to be more willing to take a risk, knowing that the potential costs or burdens of taking such risk will be borne, in whole or in part, by others. A moral hazard may occur where the actions of one party may change to the detriment of another after a financial transaction has taken place.

Moral hazard arises because an individual or institution does not take the full consequences and responsibilities of its actions, and therefore has a tendency to act less carefully than it otherwise would, leaving another party to hold some responsibility for the consequences of those actions. Economists explain moral hazard as a special case of information asymmetry, a situation in which one party in a transaction has more information than another. In particular, moral hazard may occur if a party that is insulated from risk has more information about its actions and intentions than the party paying for the negative consequences of the risk. More broadly, moral hazard occurs when the party with more information about its actions or intentions has a tendency or incentive to behave inappropriately from the perspective of the party with less information.

Moral hazard also arises in a principal–agent problem, where one party, called an agent, acts on behalf of another party, called the principal. The agent usually has more information about his or her actions or intentions than the principal does, because the principal usually cannot completely monitor the agent. The agent may have an incentive to act inappropriately (from the viewpoint of the principal) if the interests of the agent and the principal are not aligned.

Discussion in the classroom

Improving Governance in India

It is commonly recognized that corruption, which has become a universal phenomenon, unless kept in check, can undermine the citizen-government relation severely. It erodes legitimacy of the political system, and the welfare state stands discredited. Common man feels that there is lack of political accountability – its criminalisation systemic weaknesses in corruption/grievance redressal machinery are the most important reasons for sustaining corruption in the country. An accountable government machinery may one of the chief causes for it.

The existing anti-corruption institutions are also not very effective lacking teeth and powers and not being independent. Besides, these institutions face problems with regard to paucity of staff and non-filling up of the vacancies, etc.

Improving Governance is a part of a development process. It is argued that corruption can be curbed by systematic changes in governance through introducing participation, transparency, accountability and probity in administration. The right to good governance is also considered as an essential part of the citizen's rights that one can expect from the government. Accordingly, a

number of initiatives have been taken by the government to incorporate citizen's concerns as inputs in the formulation of policy as well as in the quality and reliability of services. These can be brought through various tools, including the Citizens' Charters, Right to Information, e-Governance, Report Cards, and Social Audits. Besides, each department have now developed its public grievance redress mechanism by appointing a senior officer as Director of Grievances' with the powers to call for files/papers relating to grievance. The public can approach him/her for the redress of its grievances. He/she is supposed to be available on every Wednesday between 1000 and 1300 hours.

The Right to Information Act 2005 empowers the common man to know his entitlement to avail a particular public service, and redress the grievance, if any. It also includes the 'Right to be Heard and Consumer Education', i.e., educating the consumer about his rights. It is based on the rationale of "participatory, transparent and accountable governance". Under the Right to Information Act, public servants can also be questioned on their conduct and, thus, made them accountable.

Electronic governance or e-Governance is to ensure better transparency and services to the public. It disseminates information through an efficient, speedy and transparent process to the public and other agencies, and performs government administration activities. e-Governance can effectively be introduced through -

1. Computerization of all the public dealing Departments, including the Police, Judiciary, transportation, and registration of properties.
2. Introduction of e-Procurement (preferably on the lines of KONEPS) in all public procurements and contracts
3. Introduction of 'Touch Screen System' showing pictures to avail particular service.
4. Replication of 'Lok Vani' software for redress of public grievances.
5. Strengthening the infrastructure of e-governance and enhancing the awareness about e-governance.

Transparency and Accountability

Transparency and accountability are the main constituents of good governance, while good governance is a pre-condition to achieving human development which is the main concern or mission and the ultimate goal for all states' programmes and activities.

Transparency and accountability are interrelated concepts and mutually reinforcing. Without transparency there couldn't be any accountability. Unless there is accountability, transparency would be of no value. The existence of both conditions contributes to an effective, efficient and equitable management in public and private institutions.

Transparency in government mean an open government: government actions are explained; the accessibility of government services and information and the responsiveness of government to new ideas, demands and needs.

Open government is one where the business of government and administration is thrown open to all, at all levels, so as to ensure effective public participation, scrutiny and oversight. Transparency implies openness of both organisations and individuals constituting it and requires openness of information, processes, policy, decisions, actions and outcome. Process transparency

covers both internal business and supporting human resource, financial, and administrative processes; and external service delivery and regulation.

Openness through transparency becomes a means to greater civic participation in an enabled environment, where there is effective free flow of information both ways, to see through the working of the government; and to verify whether or not public servants are meeting their obligations to expectations of citizens. All the four components of accountability i.e. answerability, sanction, redress, and system improvement, need information to account for unacceptable conduct, decisions, and actions. The gaps in conventional supply side accountability have led to the emergence of demand side accountability. "Social Accountability is the institutionalization of durable societal control over policies and their implementation. Civil society is progressively showing tremendous potential to participate directly in institutions of horizontal accountability. This can extend to all faces of development process, viz., planning (people's planning), programming, budgeting (budget analysis, participatory budgeting), release of funds (publication of funds released, public expenditure review), award of contracts (procurement watch, integrity pact), and monitoring of contracts (independent quality inspection). Post planning, this may extend to implementation (hospital advisory, management committees, community forest management), progress of implementation (corruption watch) and evaluation (citizen report card, community scorecards) and audit (public hearing, participatory audit, citizen audit request, monitoring of audit compliance, general law on social audit)". Open government can thus be said to have three components viz.

- Right to information
- Civic engagement in the processes of governance, and
- Accountability for what the government or the public servant says and does

In contemporary India, open government was first stressed in the landmark judgment of Justice P. N. Bhagawati of the Supreme Court of India in 1981, (Gupta S.P. vs Union of India (1982)), where, besides giving a general description of open government he stressed the need for increased disclosure in matters relating to public affairs. Noting that open government means 'information available to the public with greater exposure of the functioning of government which would help assure the people a better and more efficient administration' he went on to describe Open Government in India to be, "the new democratic culture of an open society towards which every liberal democracy is moving and our country (India) should be no exception".

The Right to Information Act in 2005

The passage of Right to Information Act in 2005 by Government of India (GoI) ensured timely response to citizen requests for government information, marking a paradigm shift in the citizen-government relationship in India. The Act sets out a practical regime of right to information for citizens. The main objectives of the law on RTI are: to operationalize the fundamental right to information (deriving from Art.19(1)(a); to set up systems and mechanisms that facilitate people's easy access to information; to promote transparency and accountability in governance; to minimize corruption and inefficiency in public offices and to ensure people's participation in governance and decision making. According section 2 (j), 'right to information' includes the right to

- Inspection of work, documents, records;

- Taking notes, extracts or certified copies of documents or records;
- Taking certified samples of material;
- Obtaining information in the form of diskettes, floppies, tapes, video cassettes or in any other electronic mode or through printouts where such information is stored in a computer or in any other device.

It is significant that the principle of open access to administrative documents has been defined as a right under section 3 and not merely an interpretative principle which can be invoked regardless of the purpose for which that right is exercised. The Act mandates both proactive and reactive supply of information, cataloguing, indexing and computerization of the appropriate records and their dissemination. In cases, where the right to information has been denied by a public official, sufficient information must be provided of the reasons of the refusal. That decision is always reviewable by the appellate authority and the State Information Commission. Right to information has to include the right to protected disclosure of sensitive information. As a prelude to a full-fledged legislation to protect whistle blowers a national resolution on the same has been issued empowering the Central Vigilance Commissioner.

Participation/ Civic Engagement

The constitutional method of political participation of people at the grass roots is achieved through the process of devolution to the lower echelons of governance. Even though the Government of India had initiated the process of devolution of powers as early as in the 1950's, through the Panchayati Raj system, and introducing the element of participatory rural works programme through financial participation of beneficiaries, the Union Government brought in the 73rd and 74th amendments to the Constitution to more firmly institutionalize local governments as the third tier of the State.

One of the key objectives of local level Governments is to ensure that the process of planning for development in the country follows a bottom up participatory development approach. The best example of this is 'Peoples Planning' in Kerala. It also firmly established the place of gram sabha (village assembly) and ward committees in the towns, in the constitutional scheme of things. They meet to get information from the officers of the Grama Panchayat/ Municipalities as to the services they will render and the works they propose to do, discuss the budget and details of allocation of funds and also the details of the estimate and cost of materials of the works executed or proposed to be executed, to study the annual statement of accounts, the last audit notes and replies thereto, to suggest remedial measures and to report satisfactory completion of the works, to secure self discipline among members securing payment of their taxes and repayment of loans and to conduct social audit of works like the works under the Mahatma Gandhi National Rural Employment Guarantee programme.

Civic participation takes the form of informing; consulting; engaging; collaborating and empowering, as has been suggested by the International Association for Public Participation. In participatory governance, government has an obligation to provide information, receive feedback, receive complaints, give answers, enforce sanctions- disciplinary, civil, and criminal, empower citizens, confer rights on the citizen- civil, political, economic, and social; promote social capital, facilitate participation, promote collaboration; and be inclusive, equitable, responsive, open, transparent, and accountable to the people.

Civil society involvement and association with the government can relate to governance structures and functions, assets, resources, and fiscal and financial management systems, and such other internal operative business systems; and external service delivery processes and procedures. These may cover personnel management, fiscal and financial management and performance management. These in turn could relate to recruitment, placement, transfer, promotion and discipline in the area of personnel management; policy, regulation, planning, decision making, programming, budgeting, expenditure, accounting and audit in financial management, programme implementation, service delivery, oversight and evaluation in performance management.

India is at different stages of this spectrum of participation in public affairs. A winning start has been made in the matter of right to information. Active citizen and civil society engagement in governance processes including decision making, is essential if one were to realize the objectives of good governance.

Among the key goals of community participation are:

- Improving technical efficiency by overcoming information asymmetry, providing communities with information on quality through various forms of monitoring and evaluation, and ensuring that service providers spend resources for necessary technical resources,
- Enhancing allocation efficiency through greater attention to the priorities of communities; increased transparency on budgets and public resources with public budgeting and public expenditures tracking systems, and reduction in ‘rent seeking’, and
- Tightening mechanisms of accountability involving increased transparency from community involvement with public sector agencies like community participation in school management, and community participation in public hearings etc.

Following are a few of the administrative accountability measures employed by government agencies in India for securing participation:

- Public disclosures
- A law on community participation to institutionalize citizen participation in local decision making Citizen charters stipulating standards of service delivery and for penalty for non compliance
- Conventional and on line help line for grievance redress
- Arrangements for feedback on services
- Whistle blower protection mechanism
- Public service Delivery legislation conferring right to public services with Grievance officer to quickly investigate and grant relief
- Ombudsman to independently enquire into complaints
- Chief /vigilance officer who reports directly to the government
- Integrity pacts for procurement
- Third party inspection of quality of works and supplies
- Independent evaluation studies

Social Media as Open Government instrument

Technology is revolutionizing the way governments are being run. In this knowledge society the relationship between the citizen and government is mediated by information systems and their automation. Automation of government internal business and external regulation and service delivery is a must for any e-government plan, a beginning towards which has been initiated through the National e-Government Plan. National Information Technology infrastructure and nationwide distributed database with public information infrastructure are under way.

Data bases in India suffer from non-standardization, incomplete data collection at all levels, poor quality and unreliability of data, inconsistency in the methodology and technology employed, absence of universal digitization capability, slow digitization of past data, issues of interoperability of systems etc.

In order to effectively solve these problems Government has initiatives like national policy on open standards which has been published for soliciting public comments.

In the meanwhile progress has been made, by the central and state governments, for progressive use of ICT including Geographic Information Systems (GIS) and satellite imagery to re-engineer transparency, participation and accountability as shown below:

1. Use of internet to facilitate open government
2. Government portals for information
3. Web based disclosure of information and pro-active publication
4. Electronic on line MIS and FMIS ensure that right information gets to the right people
5. Use of mobile phones and Wi-Fi to facilitate engagement
6. Computerized grievance redress mechanisms
7. E-petitions
8. 'Open for questions' programme
9. Access to process of service delivery and internal business processes as in OPEN

Social Media is being progressively used for seeking feedback from citizens; pronouncement of public policy; issue based as well as generic interaction and brand building or public relations. In order to encourage and enable government agencies to make use of web 2 technologies which is a dynamic medium of interaction the Department of Information Technology, GoI has released a draft social media strategy. The Framework & Guidelines for Use of Social Media for Government Organization hopes to help the government enhance its outreach, engage and interact with the Indian internet users. The Planning Commission of India has taken the initiative and put itself on Facebook with a page on the "Twelfth Plan," 2012 through 2017.

The Planning Commission and the National Innovation Council organised the first ever 'hackathon' on the 12th Five-Year Plan on April 6 and 7, 2013.

The hackathon, in which computer programmers and others collaborated on software projects, invited citizens to innovatively communicate the 12th Plan (2012-17) through creative visualisations and software applications. The event was organised simultaneously in 11 locations across India. 12th Plan is the product of unprecedented participation from Indian citizens and civil society to set out a vision for India's progress over the next five years.

Though the Right to Information Act (RTI) 2005 has become the governing law regarding public disclosure of governmental information and accessibility to public data, data-sharing policies in India are still complex in nature, as various provisions under law define and determine the scope of data provided. Taking note of this, the Department of Science & Technology (DST), Government of India, was assigned the task of developing a comprehensive National Policy for Data Sharing and Accessibility, by the cabinet, in June 2010.

According to the Report of Open Government Data in India, while government has initiated many e-governance initiatives, very few of them have resulted in publicly accessible databases. Fewer still of those publicly accessible databases are 'open' in terms of data reusability (technologically, in terms of machine readability and openness of formats), data reusability (legally), easy accessibility (via search engines, for persons with disabilities, etc.), and understandability (marked up with annotations and metadata). Putting out raw data will not suffice. To ensure the relevance of open government data, mechanisms have to be put in place to take its benefits to the common person and to marginalized communities, both by the government as well as by civil society organizations. Concrete steps on these lines will help realize the dream of Open data in the near future in India.

The Second Administrative Commission, Government of India has, after detailed studies into the working of government, made comprehensive recommendations in its detailed reports, among others, on the right to information, citizen centric service delivery, local government, e-Governance etc. Some of the recommendations relevant to this Paper, which are being followed up and will further the cause of transparency, improved citizen centric service delivery, and participatory governance, are listed below:

- Suo motu disclosures under the RTI Act, 2005 should not be confined to the seventeen items provided in Section 4(l) of that Act but other subjects where public interest exists should also be covered.
- Citizens' Charters should be made effective by stipulating the service levels and the remedy if these service levels are not met.
- Regular citizens' feedback, survey, and citizens' report cards should be evolved by all government organisations for gauging citizens' responses to their services. These should be used as inputs for improving organizational efficiency.
- Citizens should be actively involved in all stages of the welfare and development programs implemented by the government.
- Social audit should be made mandatory for all developmental programmes and be institutionalized for improving local service delivery.
- Evaluation tools for assessing the performance of local bodies should be devised wherein citizens should have a say in the evaluation.
- Reward schemes should be introduced to incentivize citizen's initiatives

Various Bills pending in the Parliament regarding judicial standards, public service delivery, electronic services, food security, land acquisition and RR have citizen participation provisions.

Separation of Powers

The separation of powers is a model for the governance. The model was first developed in Ancient Greece and Rome. Under this model, the State is divided into branches, each with separate and independent powers and areas of responsibility so that no branch has more power than the other branches. The normal division of branches is into a legislature, an executive, and a judiciary.

Aristotle first mentioned the idea of a "mixed government" in his work *Politics* where he drew upon many of the constitutional forms in the city-states of Ancient Greece. The term is ascribed to French Enlightenment political philosopher Baron de Montesquieu. Montesquieu described division of political power among a legislature, an executive, and a judiciary. 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. In the British constitutional system, Montesquieu perceived a separation of powers among the monarch, Parliament, and the courts of law. Subsequent writers have noted that this was misleading because the United Kingdom had a very closely connected legislature and executive.

Montesquieu did specify that "the independence of the judiciary has to be real, and not apparent merely".

Comparison between Presidential and Parliamentary systems

Constitutions with a high degree of separation of powers are found worldwide. The UK system is distinguished by a particular entwining of powers. India follows the British type (Westminster type). Complete separation of powers systems are almost always presidential, although theoretically this need not be the case.

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". A. V. Dicey, despite its constitution being the one to which Montesquieu originally referred. For example, in the United Kingdom, the executive forms a subset of the legislature. 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.

Under the concept of parliamentary sovereignty, Parliament can enact any primary legislation it chooses. However, the concept immediately becomes problematic when the question is asked;

"If parliament can do anything, can it bind its successors?" It is generally held that parliament can do no such thing.

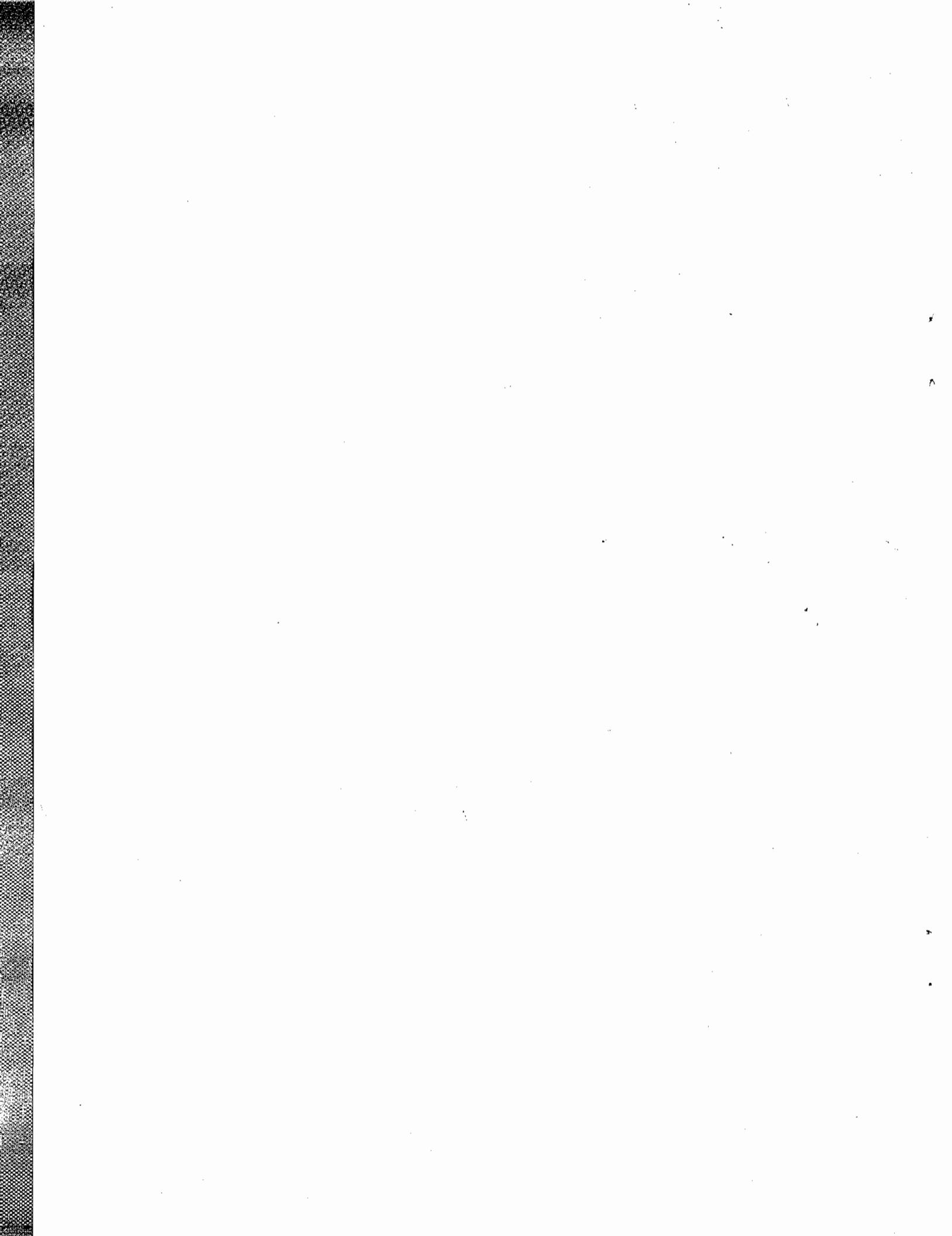
Checks and balances

To prevent one branch from becoming supreme, protect the "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. 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 courts.

Subsidiarity

Judicial legislation

Judicial governance



SEBI at 25

The capital market regulator, the Securities and Exchange Board of India (SEBI), came into being in 1988 but acquired statutory powers only in 1992 with the passage of the SEBI Act. In 1995, it was conferred further powers through an amendment to the Act. It has had seven chairmen so far excluding the incumbent U. K. Sinha. In the pre-SEBI days, capital market regulation under the Securities Contracts Regulation Act vested loosely with the Controller of Capital Issues, functioning directly under the Ministry of Finance.

Achievements

Dematerialisation of shares: The market regulator introduced dematerialised holding of shares and securities after the Depositories Act was passed in 1996, which did away with physical certificates that were prone to postal delays, theft and forgery, apart from making the settlement process slow and cumbersome. This also prevented the issue of fake share certificates floating in the market. It enabled electronic trading, with investors and traders even able to work from home.

Faster settlement process: Sebi is credited with quickly moving from a T+5 settlement cycle in 2001 to T+2 in 2003, or two days between the trade and shares being credited to the buyers' account, down from five. "Pushing for market development is one of Sebi's biggest achievements. Demat, T+2 settlement and the development of electronic markets are major achievements and we were ahead of several markets in all these fronts. With T+2, we are still ahead of the Western markets. The regulator is currently looking at reducing the settlement cycle to T+1, enabling investors and traders to take positions faster."

Stronger and clearer regulations, orders: In the early years, powerful brokers' lobbies controlled share price movements and could afford to ignore Sebi, according to analysts. That this is no longer the case is, in large part, because the quality of orders passed by Sebi.

Recent instances of this include the orders against two Saharagroup entities that were upheld in the Securities Appellate Tribunal and the Supreme Court.

Fostering mutual fund industry: While the Indian mutual fund industry has grown manifold from being a monopoly until the early 1990s—when Unit Trust of India, set up in 1964, was the only one—their reach remains low outside India's top 20 cities. The market regulator has taken several steps to increase the popularity of mutual fund products and prevent mis-selling of products by distributors. Some of the initiatives include widening the distribution network in rural India by roping in postal agents.

Foreign institutional investors: The Indian equity markets were opened to foreign institutional investors, or FIIs, in 1993 and they are now the key driving force behind stock movements. While the chunk of foreign money came in through offshore derivative instruments such as participatory notes (P-notes) where the identity of the end beneficiary is not traceable, Sebi has been consistently pushing to encourage holders of such securities to enter the market as registered FIIs.

Challenges

Enforcement processes: Despite statutory powers on par with a civil court, Sebi hasn't made much headway when it comes to enforcement. In recent months, the regulator has been seeking to strengthen insider trading norms, expand its presence through branch offices, work with police and local enforcement agencies, improve corporate governance norms and boost control over deposit-taking firms.

Talent pool and market intelligence: The regulator needs to significantly improve its market intelligence, technology and talent pool in order to boost enforcement processes, protect investors, and allow the launch of more investment products without raising concerns regarding its ability to manage the resulting risks.

Sebi has about 600 employees while the enforcement department of the US Securities and Exchange Commission (SEC) alone has 1,000 people.

Deepening capital markets: Sebi needs to deepen the capital market. The regulator, along with the government, has taken several measures to widen the scope of investment for all categories of investors—retail, corporate, foreign institutional investors and high-networth individuals in capital markets. To create an equity culture, Sebi has simplified mutual fund investment norms; eased investment norms for initial public offerings (IPOs) and other public issues; unified know-your-client (KYC) norms; simplified disclosures by companies to help investors take informed decisions and most recently issued a discussion paper to introduce a mandatory safety net for retail investors in IPOs.

Matching up to global standards “Sebi is just too small to regulate such large industries as distributors, investment advisors and sub-brokers, not to mention Ponzi schemes.

Controversies

Ulips: In 2010, Sebi issued showcause notices to a dozen life insurers and asked them to stop introducing unit-linked insurance plans, or Ulips, without its permission as these hybrid insurance products mimicked mutual fund schemes that are regulated under Sebi's collective investment scheme, or CIS, norms. The order gave rise to a battle between the capital markets regulator and the insurance regulator—Insurance Regulatory and Development Authority, or Irda. Government issued orders to keep Ulips under Irda. FSDC was set up to take up such regulatory issues..

Sahara: In November 2010, Sebi barred two Saharagroup firms from raising money from the public in any manner, citing violations of capital-raising norms. Another directive followed in June 2011, asking Sahara firms to return money to investors with 15% interest. This marked the beginning of a legal battle between the regulator and the company as the latter argued that since unlisted entities were raising funds, Sebi has no jurisdiction over them. The case was heard in the Securities and Appellate Tribunal and later went up to the Supreme Court, which directed Sahara to refund the money.

Regulation evolves over time, with the accumulation of case laws and precedents. Therefore, SEBI ought to be evaluated on yet another yardstick—the circumstances under which it came

into being, early handicaps it had to overcome in regulating well-entrenched entities like brokers, some of them, when SEBI came into being, were already more than 100 years old. The new regulator, the SEBI, had to start from scratch, there was nothing comparable to it before. It acquired legal status only after the 1992 stock market scam broke out. One of the important handicaps the institution faced was trained manpower. The culture of bringing in deputationists from the revenue services and banks has continued with deleterious consequences. Public sector bankers-turned regulators simply did not have the mindset to comprehend stock market activities. A crucial handicap that the SEBI has faced is in being able to match or at least meet half way the remuneration package offered by the sector it regulates. As a rule, regulation is less glamorous than, say, working for banks or financial services.

In the 25 years, the stock markets and the various intermediaries have been transformed beyond recognition. Yet, if one were to identify its most important accomplishment, it is being able to function with a reasonable degree of independence and professionalism given the major obstacles it faces.

SEBI ordinance

Over the last two decades of SEBI's functioning, it has constantly updated securities laws to meet with market developments, whether it is in the primary markets (IPOs, QIPs, etc.) or in the secondary markets (insider trading, market manipulation, etc.). However, one principal problem has often been the lack of effective enforcement of these laws by SEBI. Robust substantive laws are no good until they are effectively enforced by the regulator.

This perceptible regulatory gap is now sought to be addressed through the ordinance route. In July 2003, the Union Cabinet approved and the President promulgated the Securities Laws (Amendment) Ordinance, 2003 which brings about significant changes, especially on the enforcement powers and authorities of SEBI. It has been primarily been driven by lessons garnered from recent episodes involving securities law matters. The key ones are the Sahara case, the Saradha group scandal and the spate of insider trading cases decided by SEBI and heard and dealt with on appeal by the Securities Appellate Tribunal (SAT). Apart from a substantive change in the Ordinance relating to the expansion of the scope of collective investment schemes (CIS), all other changes are aimed at bolstering SEBI's investigative and enforcement powers.

The Ordinance brings about amendments to the triumvirate of securities laws in India, being (i) the SEBI Act, 1992, (ii) the Securities Contracts (Regulation) Act, 1956 and (iii) the Depositories Act, 1996. The key changes are as follows:

1. Collective Investment Schemes

In order to obviate any doubt regarding SEBI's domain over innovative methods of raising funds from investors, the scope of the CIS has been clarified. Under section 11AA of the SEBI Act, which details the parameters of a CIS, it is now stated that "pooling of funds under any scheme or arrangement" involving a corpus of Rs. 100 crores or more shall be deemed to be a CIS whether or not it is registered with SEBI. Hence, registration with SEBI is not a prerequisite for such scheme to fall within the regulatory purview of SEBI.

2. Investigative Powers

Section 11C of the SEBI Act that deals with investigation by SEBI has been bolstered by conferring additional powers to SEBI, to be exercised under the authority of its Chairman. These include search and seizure, recording of statements under oath, etc. that will add to the currently available powers.

Moreover, SEBI can call for information and records relevant for information, including telephone call data records. This had become a bone of contention in several insider trading cases where direct evidence is hardly available and SEBI has had to rely on circumstantial evidence. Considerable pressure was also imposed on SEBI through international developments where call records were the basis on which convictions were obtained in the US in the Rajaratnam and Rajat Gupta insider trading cases.

The power of SEBI is also extended to obtaining information from international sources through regulators in other countries with whom it has entered into an arrangement for sharing of information. This becomes relevant in indirect foreign investments through entities such as foreign institutional investors (FIIs) where the know-your-customer (KYC) norms may not have been implemented adequately by the entities involved.

3. Enforcement Methods / Remedies

Even where SEBI has been successful in obtaining favourable outcomes in enforcing its regulation, often the consequences on violators have been less than desirable. A standing example of this (although somewhat exceptional) is the Sahara case where despite a favourable ruling from the Supreme Court, there have been delays and difficulties in successfully enforcing those orders against the persons guilty of non-compliance. These are sought to be rectified by the Ordinance by granting specific powers to SEBI to attach the violators' property, bank accounts, and also the arrest and detention of the violator in prison.

4. Special Courts

In order to ensure that cases involving securities regulation that go to court are dealt with in a timely manner, the Ordinance envisages the establishment of special courts to handle such cases. This is especially because there has been no track record of criminal prosecution of securities offenders that may act as a deterrent in the markets. While this is understandable, the use of special courts and tribunals have often been susceptible to legal challenge, and it remains to be seen whether such impediments will be placed in the way of establishment and functioning of special courts for securities laws.

Summary:

President Pranab Mukherjee in July 2013 promulgated an ordinance to provide more powers to market regulator Securities and Exchange Boards of India (Sebi) to tackle fraudulent investment schemes and to monitor call data records of persons or companies suspected of any wrong doing. The ordinance gives more powers to market regulator: legal backing to clamp down on unscrupulous entities that are using newer methods to fraud gullible investors. As per the amended law, Sebi can regulate any money pooling scheme worth Rs. 100 crore or more and attach assets in cases of non-compliance and can order "search and seizure operations". The market watchdog would now have powers to seek information, such as telephone call data records, from any persons or entities in respect to any securities transaction being investigated by it. The ordinance allows setting up of

special courts to speed up Sebi related cases. Establishment of special courts enabled by this Ordinance would fast – track the resolution of pending Sebi related cases. The amendments would clear the air over regulatory gaps and overlaps with regard to types of instruments used in raising funds. "Owing to new and innovative methods of raising funds from investors, such as art funds, time – share funds, emu / goat farming schemes, there has been regulatory gap / overlap regarding types of instruments / fund raising. Even though collective investment schemes come under the purview of Sebi, the regulator receives complaints against illegal fund raising activities of certain companies that claim they do not fall under the CIS Regulations.

Massive public outrage was witnessed in the wake of recent chit funds scam perpetrated by Kolkata – based Saradha group that defrauded thousands of investors of their hard earned money

MSP for minor forest produce

GOI is expected to approve a mechanism that proposes a minimum support price for minor forest products such as bamboo, tendu leaves, mahua, sal and lac. The move is aimed at providing a safety net to millions of forest dwellers in the country who sell such products for a living. The mechanism, proposed by the tribal affairs ministry, will assist in the marketing of 13 minor forest products by improving value addition and fixing a minimum support price (MSP). An estimated 100 million people, mainly tribal, depend on forests for their livelihood and food requirement. In most such areas, collection and sale of minor forest products account for 10%-70% of the population's earnings and 25%-50% of their food requirement.

Improving earnings would not only have an economic impact but also provide the basis of an official response to the stranglehold that Maoist rebels have in large swathes of forestland.

The idea of a mechanism to augment earnings from minor forest products has been in the works for long. In august 2010, two committees were set up to study the issue. Both panels T Haque Committee set up by the panchayati raj ministry and one headed by then member secretary Sudha Pillai "recommended "strategic government intervention" in the form of MSP for 13 minor forest products.

The proposal suggests creating a pricing cell in the Tribal Cooperative Marketing Development Federation of India Ltd to fix the MSP. State wise prices will be approved and announced by the tribal affairs ministry. State government will be free to fix a price higher than the benchmark. Prices will be revised every three years. The states will no longer have monopoly in procuring these products.

According to sources, a revolving fund has been proposed to facilitate payment for the first two years. Three quarters of the corpus of this fund will come from the Centre and remaining from the state.

Cfr

Forest Rights Act (FRA), introduced in 2006 has two provisions for community forest rights. The Act gives communities the right to protect and manage forests under traditional use. It also allows communities to own, manage and sell bamboo, which it calls a minor forest produce. FRA recognises rights for settlement and farming in forest areas, and community rights over minor forest produce.

Mendha (Lekha) was the first village in the country to script community forest rights (CFR) success story under the Forest Rights Act (FRA) 2006 in 2011.

Mendha (Lekha) gram sabha was the first to be handed over transit passes (TPs) for sale of bamboo on April 27, 2011. Since then, 840 villages in Gadchiroli have been granted CFRs over non-timber forest produce.

Gram sabhas in Madhya Pradesh and Chhattisgarh are learning FRA lessons from Mendha (Lekha).

With over 4 lakh acre forest land granted under CFR, 50% has bamboo on it. CFRs have potential to change lives of people.

People's fight for rights first started with joint forest management committee (JFMC) in 1991. In the last two years, Mendha (Lekha) posted a turnover of Rs1.15 crore after selling 3.85 lakh bamboos in 1,116 hectare area. It is still left with Rs61.70 lakh after paying taxes and wages. They plan to spend 50% of it on forest management and 50% to develop the village and revive 'Ghotul'. A ghotul is a spacious tribal hut surrounded by earthen or wooden walls. It is an integral part of Gond tribal life in the Bastar region of Chhattisgarh and the neighboring areas in Maharashtra and Andhra Pradesh in India. It is a place for youths, an independent and autonomous "children's republic" as described by Verrier Elwin. The ghotul is central to social and religious life in Gond society. According to Gond legend, Lingo, the supreme deity, created the first ghotul.

Solar trade war

The United States' action of complaining against India in the World Trade Organisation over the Indian government's 'domestic content requirement' — for solar modules used in the projects awarded under the Jawaharlal Nehru National Solar Mission — has brought to the fore a major divide in the Indian solar industry.

In India, the total installed solar power capacity in India in 2010 was 18 MW. Today, it is 1,200 MW, and at least another 500 MW will be added this year. On the solar power equipment side, Indian manufacturers have capacity to produce about 1,900 MW of modules that will generate electricity when the sun's rays fall on them. Both these segments need to be nurtured. Indian manufacturers want protection against the much cheaper products from abroad, especially from the Chinese crystalline silicon manufacturers and the American 'thin film' manufacturers, both of whom often bring in cheap funding for their buyers. India has an ambitious target of 22,000

MW of solar capacity by 2022; and in the \$40 billion programme, domestic producers want a share.

The project developers stress that it is only smart to let them buy their equipment from the cheapest sources in the world, so that a culture of setting up solar plants develops first. Force them to buy locally, the costs will stunt the growth of the fledgling industry and neither the power producers nor the module makers will be in business.

Under the National Solar Mission (NSM), there is an obligation to source the content from inside India.

This domestic content requirement was only for projects awarded under the NSM and not for those set up under the various states' programmes. Notably, of the 1,200 MW of capacity in India today, about 850 MW has come under Gujarat's programme. Most of those putting up projects

Against this backdrop, India initiated anti-dumping investigations in November 2012 against manufacturers in China, USA, Taiwan and Malaysia, deferring to the pleas of the domestic manufacturing industry. The solar power generators were promptly up in arms. Now, the U.S. has taken India to WTO over the 'domestic content requirement' (DCR) under the NSM. India is likely to argue that the NSM is in the nature of government procurement — because the power is bought by a government-owned company. India is not a signatory to the Agreement on Government Procurement, hence, no violation.

Secondly, India will argue that the DCR rules have truly caused no damage to any overseas manufacturers, because it is applied on a very small portion of the country's goals, the rules do not cover states' programmes.

Indian government filed a request for information with the WTO relating to several state-level renewable energy and water infrastructure schemes that contain similar "local content requirements". The request for information from India, which is commonly seen as a precursor to a formal WTO complaint, asks for details on renewable energy schemes in Michigan, solar programmes in California and Texas, and water infrastructure projects in a number of states, including South Carolina, Pennsylvania, West Virginia and Alabama.

The US and the EU have both lodged complaints against China over allegedly unfair solar subsidy schemes

14th FC

Union Government in January 2013 constituted the 14th Finance Commission under former Reserve Bank of India (RBI) governor Yaga Venugopal Reddy. The commission under YV Reddy is going to primarily review finances of the governments keeping in mind the fiscal consolidation road map that was laid out by his predecessor Vijay Kelkar, the head of 13th finance Commission. The Commission would have three full-time members-

- Sushma Nath
- M. Govind Rao
- Sudipto Mundle

It would also have Abhijit Sen, the Member of Planning Commission as its part-time member. Also, Ajay Narayan Jha had been appointed Secretary to the Commission. The commission has to give its report by October next year and the recommendations will come into effect from April, 2015 for a five-year period. Terms of reference of the 14th Finance Commission-The FFC is asked to suggest changes to the Fiscal Responsibility and Budget Management (FRBM) Act, assess the impact of the proposed goods and services tax (GST) on government finances and also the mechanism to compensate states for revenue losses, if any. The FFC has also been asked to look at the need to insulate the pricing of public utility services - drinking water, irrigation, power and public transport from policy fluctuations through statutory provisions. FFC has also been asked to look at the level of subsidies needed for inclusive growth, and equitable sharing of subsidies between the Centre and the states.

Core inflation

The Wholesale Price Index (WPI) consists of prices of primary articles, fuels and manufacturing articles, including metals. Generally, a decline in inflation tends to suggest a drop in the demand pressure. But, if inflation oscillates triggered by volatile global oil and commodity prices, we cannot draw meaningful conclusions about the demand strength in the economy.

A reliable measurement of economy's demand-side pressures should eliminate the effects of transitory supply shocks. Such a demand-side inflation measure arrived at by excluding certain components of the price index is called core inflation. Since March 2010, the Reserve Bank of India (RBI) has been using non-food manufacturing inflation (NFMI) as a core inflation measure for India. NFMI is computed by excluding the prices of primary articles, fuel group and processed food from the WPI.

In May 2013 (please update to November 2013), the wholesale price index (WPI)-based inflation fell to 4.7 per cent from 4.9 per cent a month ago. While overall inflation is now within the Reserve Bank of India's threshold level of five per cent, it is crucial for the monetary policy making to correctly gauge the underlying demand pressures in the economy. This is done, by excluding the prices of commodities not directly influenced by domestic demand. For example, the prices of food and fuel items are swayed by fluctuations in supply, influenced by administrative price hikes, global prices, and value of the rupee. Measures of core inflation are often calculated by excluding such prices to measure demand momentum. The frequently-used measure of core inflation in India is non-food manufacturing inflation, which fell below three per cent in April for the first time since January 2010. In May, it fell further, to 2.4 per cent.

IPRs

The Intellectual Property Appellate Board (IPAB) has revoked GlaxoSmithKline's patent in India for its breast cancer drug Tykerb, a decision that took its cue from a recent landmark Supreme Court court ruling disallowing "repetitive patents" on the same drug.

The board has, however, upheld the patent for lapatinib, the original compound, citing innovative merit. IPAB ordered that the claimed invention, the salt version of the original drug, is "obvious" and, therefore, has been revoked.

This bears out India's policy stancethat incremental inventions lacking "enhanced therapeutic efficacy" as assessed by the patenting authorities under Section 3(d) of the Patents Act won't qualify for patents. In April, the Supreme Court in a landmark ruling rejected Swiss drug-maker Novartis' plea for a patent for its anti-cancer drug Glivec— beta crystalline of a known molecule called imatinib mesylate — saying it lacked novelty and failed to meet the country's patenting standards.

Last year, India revoked three patents on grounds that included lack of novelty/inventive step. These were for Pfizer's cancer drug Sutent, Roche Holding's hepatitis C drug Pegasys, and Merck's asthma treatment aerosol suspension formulation.

Compulsory licensing

The Intellectual Property Appellate Board (IPAB) earlier in 2013 upheld the grant of compulsory licence (CL) to the Hyderabad-based Natco Pharma Limited, a generic drug maker, to produce and market Nexavar, a patented cancer drug of multinational pharma major Bayer Corporation. The order will pave the way for reduction in the prices of costly life saving drugs. Various international conventions and Indian laws allowed the member countries to grant such compulsory licence in order to make medicine cheaply available to the public.

IPAB directed Natco to pay seven percent royalty.

Bayer obtained a patent in India in 2008 for Nexavar which cost Rs. 2.8 lakh for a pack of 120 tablets, equivalent to a month's dosage. Controller of Patents, Mumbai, granted the first-ever compulsory licence to Natco to make 'sorafenib tosylate', a generic version of Bayer's high-priced anti-cancer drug Nexavar. Natco was told to sell the pack at Rs. 8,800.

Bayer appealed against the Controller's order before the IPAB. Upholding the compulsory licence, the IPAB pointed out that even after obtaining patent, Bayer had not made the drug available on a large scale and at an affordable price within the stipulated time.

Panchayat Raj Institutions

Participation at village level: Gram Sabha and Ward Sabha

Article 243A gives constitutional recognition to the 'Gram Sabha' as 'a body consisting of persons registered in the electoral rolls relating to a village comprised within the area of the Panchayat at the village level.' The Constitution further stipulates that a Gram Sabha may exercise such powers and perform such functions at the village level as the legislature of a State may, by law, provide. Gram Sabha is the key to self-governance and to transparent and accountable functioning of the Gram Panchayat. The Gram Sabha is the only forum that can ensure direct, participative democracy. It offers equal opportunity to all citizens of a village or cluster of villages to discuss and criticize, approve or reject proposals of the Panchayat executive and also assess its performance. It is the platform for effective social audit, which lies at the core of ensuring transparency and accountability in the functioning of the system.

Although the Gram Sabha forum has high potential for grounding democracy at the grassroots, facilitating socio-economic inclusion, participation in planning and implementation of development programmes and ensuring accountability of the Panchayat to the electors, it is generally seen that meetings of the Gram Sabhas are not held regularly and are marked by thin attendance particularly of women and marginalized groups. There is little discussion on the proposals put forward for approval by the Panchayat. Issues of common interest and of the marginalized sections are often not discussed.

The general perception is that the task before the Gram Sabha is approval of the lists of beneficiaries, approval for issue of utilization certificates and passing of the annual accounts. Panchayat heads bring their own supporters and potential beneficiaries to attend the meetings so that while the quorum is completed, most of the other electors keep away. Hence, a sense of cynicism has developed about the efficacy of Gram Sabha meetings. In fact, the ineffectual nature of Gram Sabhas in affected areas is stated to be one of the primary causes behind the rise of Left Wing Extremism in the Scheduled Areas & vicinity.

For the rural local governance to be effective, energizing Gram Sabhas is the real challenge. There is a need to evolve mechanisms for regular and meaningful meeting of the Gram Sabha, active participation of its members and monitoring its functioning. Good practices that provide for people's assemblies below the Gram Sabha such as Ward Sabha, Mahila Sabha and Bal Sabha should be promoted. Since the area and population of a Ward Sabha is smaller and commonality of interest greater, people would discuss with close involvement matters that they wish taken up through the Ward Member to the Gram Panchayat and evolve a consensus.

Gram Sabha and Social Audit

Social audit is a close corollary of energetic Gram Sabha functioning. It would inculcate respect for downward accountability amongst elected representatives and government officials. If Gram Sabha keeps a close vigil on implementation and leakages, inefficiencies can be virtually eliminated. Gram Sabha can monitor & discuss attendance of government functionaries, functioning of schools, dispensaries, aganwadi centers, ration shops and other local institutions. Gram Sabha can discuss reports of the Standing Committees of the Gram Panchayat. Gram Sabha can also go through the list of beneficiaries under schemes such as Indira Awaas Yojana

(IAY), Antyodaya Anna Yojana (AAY) and National Old Pension Scheme, Gram Sabha can be an effective forum for familiarizing the electors with the provisions of RTI for eliciting information that they are unable to obtain in the normal course.

Energizing the Gram Sabha

The scope of deliberations in the Gram Sabha meetings can be enhanced to make these more meaningful, such as:

- i. Gram Sabha can be an effective forum for information sharing on programmes, schemes, good practices and matters of common interest for which assistance from the State and Centre is available through different policies and programmes.
- ii. Gram Sabha can discuss issues such as (i) quality of life and Millennium Development Goals, (ii) social security, gender justice, female feticides, substance abuse (alcohol, tobacco and drugs), hygiene, nutrition, (iii) sustainable development, diversification of agriculture, better cropping practices, opportunities for improving incomes, drought/flood management, soil & water conservation, (iv) infrastructure development, etc.
- iii. Gram Sabha should fully participate in planning, implementation and performance review of various schemes viz. BRGF, MGNREGA, NRHM, SSA, ICDS, IWMP, RKVY etc. In preparing plan and shelf of projects, realistic assessment of resources should be made. All State Departments should clearly articulate the role of Gram Sabha in their Policy / Programme / Scheme.

The role & responsibilities of Sarpanch, Panch and Secretary should be clearly defined. A number of subjects have been devolved on the Panchayats by the various State Governments and Central Schemes. All these subjects cannot be discussed in the meeting of the Village Panchayat or the Gram Sabha. Attention of the Gram Sabha is often attracted to the most pressing challenges and issues at the time of the meeting. Many states, therefore, have formed subject-wise standing committees of the Panchayats to give a focused attention to their subject. Thus, Standing Committees on Agriculture, Health, Education and Water Supply and Sanitation are able to look after these particular subjects devolved to the Panchayats. The Standing Committee will formulate its own plan keeping the broad policy of the State and the local needs in mind. At present, the functioning of the Standing Committees is generally weak. Development of capacities of the elected members of the Standing Committees is needed. Additionally, the attitude of the official members for their better participation in functioning of the Standing Committees is also required.

Transparency and Accountability

Improving accountability is one key pre-requisite for better functioning of the Panchayat. Accountability cannot be enforced if there is lack of transparency in functioning of the Panchayats. Steps need to be taken for improving access to information to the people. One immediate measure can be to make some disclosure voluntarily. Gram Panchayat could be required to publish by writing permanently on suitable walls or permanent display board in its office or in other public places:

- the list of beneficiaries for programmes
- a list of families being assisted
- a list of the rights under various Acts like MGNREGA, RTE, RTI, etc.
- progress of important programmes like MGNREGA every month as per prescribed format
- availability of services by the GPs like dispensary-hours, etc.

This will be apart from building capacities and sensitivity of the Panchayats in supplying information to the people as per their need.

Organizing the poor for their participation through Self Help Groups

Self Help Groups (SHGs) have become powerful community organizations in some states with visibly effective social capital. They have gained space in the social and economic life of villages. The SHG system has also resulted in improvement of the financial situation of ordinary people, especially women, mainly through thrift and credit operations - thus providing security against vulnerability.

This is being achieved in Kerala through the association of Kudumbashree (Federation of the SHGs) with the Panchayats and also in West Bengal by involving the SHGs in Panchayats. Through economic activities, it has also brought in a modicum of economic development in the life of the poor. Their achieving minimum level of income will be crucial for being able to participate freely, which is essential for expansion of democracy. Because of the community-based and democratic functioning of SHGs and perceived efficiency, they have been used as extension mechanism as well as instruments in the delivery of services and implementation of projects. This is often done at the expense of the legitimate authority of PRIs, because officials are comfortable in dealing with interest groups. This tendency has aggravated as officials find dealing with political bodies like Local Governments quite messy and uncomfortable.

Women and Panchayats

The President of India in her Address to the Parliament on in 2009 had mentioned the intent to provide fifty percent reservation for women in Panchayats as women suffer multiple deprivations of class, caste and gender. And, enhancing reservation in Panchayats will lead to more women entering the public sphere.

Accordingly, a Bill to amend Article 243D to provide 50 % reservation for women in seats and also offices of Chairpersons in all 3 tiers of Panchayats was introduced in the Lok Sabha. Presently, out of approx 28.18 lacs elected representatives of Panchayats, 36.87% (around 10 lacs) are women. With the proposed Constitutional (110th) Amendment, the number of elected women representatives (EWRs) is expected to rise to more than 14 lacs. A number of steps are necessary for empowerment of women, such as:

- A provision of women component plans in PRI budgets
- Linkages with SHGs in all levels of PRIs.
- Adequate training and capacity building of Elected Women Representatives (EWRs)
- Political parties to put up women candidates
- Women candidates be given opportunity to serve a full term
- Mahila Sabhas be encouraged to facilitate women's concerns and be raised on priorities in meetings of Gram/Ward Sabhas
- Separate quorum for women's participation in Gram/Ward Sabhas.

Devolution and Activity Mapping

Devolution of 3Fs by the States are highly uneven across States. While across the key sectors, the State Panchayat laws mandate a role for the Panchayats, in most cases, the law is ambiguous enough to allow for both decentralized and centralized modes of programme- or service- delivery to co-exist. In some cases, where the states have clearly devolved such responsibilities to the Panchayats, these are either still largely being provided in a top-down manner through the state

civil service machinery or the ability of Panchayats to deliver these is limited because of the deficient financial and administrative powers and, therefore, services continue to fail the citizen. Doubts are often expressed about the capacity and accountability of PRIs. This is a vicious circle since, unless 3 Fs are devolved, the PRIs would not be able to prove their comparative advantage. Empowering Panchayats, with clear roles and authority assigned to different levels through activity mapping, is a strong incentive to build capacity and also to get other prerequisites for effective performance into place.

Clarity on the role and responsibilities of the Panchayats of different tiers is provided by the Activity Mapping which, thus, becomes an important step in the devolution of functions to the Panchayats.

Further, the 2nd ARC in its Sixth Report relating to the Local Governance, has recommended that there should be a clear cut delineation of functions for each level of the local governance. This is not a onetime exercise and has to be done continuously while working out locally relevant socioeconomic programmes, restructuring organizations and framing subject matter laws. It may be noted that the Activity Mapping does not imply that the subjects are devolved totally and wholesale. The Subjects or Sectors need to be unbundled and assigned to the different levels of Government on the basis of clear principles of public finance and public accountability, and above all, the governance principles of Subsidiarity, Democratic Decentralization and Citizen Centricity.

The result of good Activity Mapping would be to clearly identify where competence, authority and accountability lie. Good Activity Mapping would permit higher levels of Government to concentrate more on policy making, legislation, system building, addressing issues of equity & regional imbalances and effectively discharging oversight responsibilities. There is generally a strong case for giving the Gram Panchayats the responsibilities of asset creation, operation, and maintenance, while involving it in the planning process through the Gram Sabha; giving the middle tiers responsibilities for human capital development; and giving higher levels of government the responsibility of policy, standards and monitoring of outcomes.

The first step towards activity mapping is the unbundling of each Sector into services, activities and sub-activities to a level of disaggregation that is consistent with the devolution. For example:

- Rural Education, Health, Drinking Water and Sanitation are Sectors. Education would include services such as Primary, Secondary and Tertiary Education and Vocational Training.
- Services can be further unbundled into activities. For example: Basic education could be unbundled into activities such as:
 - identifying and recruiting persons with appropriate teaching skills
 - monitoring teacher attendance
 - procuring & maintaining an inventory of educational materials & equipments
 - setting up school buildings with adequate drinking water & sanitation facilities
 - repairing & maintaining existing schools and
 - Ensuring an even spread of teachers, wherever necessary.

The detailed Activity Map prepared by Kerala State could be a good reference-point for the Activity Mapping. The States could consider adopting this with suitable modifications taking into account the wide diversity in their size (area & population), devolution of functions, relationship between the 3 Tiers, capacity of PRIs, terrain, climate, etc.

Along with the activities to be devolved, some Institutions would have to be transferred to the Panchayats for maintenance and upkeep. Finally, the Activity Map will need to be issued in the form of a detailed Government Order (GO).

Parallel Bodies and the functioning of PRIs

Policy prescriptions in consonance of economic efficacy led to development of alternative approaches to service delivery, natural resource management and poverty alleviation. These interventions led to development of parallel bodies to Panchayats In any given gram Panchayat there are nearly ten parallel bodies comprising stake holders committees, user groups , self help groups, missions, DRDA etc. Some of them have statutory backing Water Users Associations (WUA), School Educating Committees, (SEC) are examples of this variety. Other was creation of Government Orders like Vana Samrakshana Smiths or registered under society's act like Women Self Help Groups.

These bodies were supported as specialized agencies of various line departments for taking up specialized job; and due to the skepticism of policymakers and bureaucrats about the abilities of the local institutions. This skepticism appears to be a product of the rural reality of, illiteracy, poverty and caste ridden society. This was true of pre reform period. The situation has not become better with a greater awareness, literacy, e-governance etc.

Often, Parallel Bodies (PBs) are created for supposedly speedy implementation and greater accountability. However, there is little evidence to show that such PBs have avoided the evils including that of partisan politics, sharing of spoils, corruption and elite capture. 'Missions' (in particular) often bypassing mainstream programmes, create disconnect, duality, and alienation between the existing and the new structures and functions. PBs usurp the legitimate space of PRIs and demoralize the PRIs by virtue of their superior resource endowments, though such resources are available only during the lifetime of schemes. Arguments such as protection of funds from diversion have now weakened since advances in core banking systems, treasury computerization and connectivity can enable instantaneous, seamless and just-in-time transfer of funds directly to the implementing PRI.

Expenditures by PRIs can also be monitored on a real time basis thus doing away with the need for intermediate parallel bodies to manually transfer funds and collect, pool and analyse data on expenditures.

Ministries should, therefore, rapidly phase out such PBs from their schemes. If necessary, the technical & professional component of these PBs could be retained as Cells or Units within the PRIs, for carrying out their technical & professional functions.

DRDA

The government in mid-2013 announced disbanding of the three-decade-old District Rural Development Agency (DRDA), an organ responsible for overseeing implementation of anti-poverty programmes of rural development ministry.

The agency will now be rechristened and it will perform its role under zila parishads, the local elected bodies at the district level. DRDAs, which were set up as independent societies in 1980, would be attached and function as part of the zila parishads.

As of April 1, 2014, the DRDAs as constituted today under the Society's Act will not exist. The decision to disband the DRDA was taken on the recommendation of a committee constituted under the chairmanship of V Ramchandran with the objective of strengthening and professionalising DRDA to meet the challenge of rural development in the present context. Ramachandran panel had submitted its report in March 2012.

PRI finances

Over the last decade the own sources of revenue of PRIs have been less than ten percent of their expenditure. In contrast, more than 90 percent of their expenditure has been financed through CSS, ACA or other government grants; the major recipient of this source being the Gram Panchayats.

Data from the Thirteenth Finance Commission shows that Panchayat's own sources of revenue are very meager. 5 out of 25 states reported 'nil' as own sources of revenue of the Panchayats. Only in the three states – Goa, Kerala and Haryana – did the Panchayats report more than Rs. 100 per capita coming out of their own revenue-sources.

Constitutional Provisions on Panchayat Finances

The taxation power of the Panchayats essentially flow from Article 243H, which reads that "the Legislature of a State may, by law

- authorize a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;
- assign to a Panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits
- provide for making such grants-in-aid to the Panchayat from the Consolidated Fund of the State; and
- provide for constitution of such funds for crediting all moneys received, respectively by or on behalf of the Panchayat and also for the withdrawal of such moneys there from as may be specified in the law."

Article 243-I of the Constitution mandates setting up of State Finance Commission (SFC) with the objective of reviewing the financial position of the Panchayats and making recommendations as to the principles which should govern the following:

- distribution between the States and Panchayats of the net proceeds of the taxes, duties, tolls and fees,
- determination of taxes, duties, tolls and fees to be assigned to Panchayats,
- grants-in-aid to the Panchayats, and
- measures needed to improve the financial position of the Panchayats.

The 2nd Administrative Reforms Commission (ARC), in its 6th Report titled 'Local Governance—An inspiring journey into the future' has drawn the following broad conclusions on Panchayat Finances:

- Panchayats are heavily dependent on grants from Union and State Governments.
- A major portion of grant from the Centre and States is scheme specific. Panchayats have limited discretion and flexibility in incurring expenditure.
- In most of the critical Eleventh Schedule matters like primary education, healthcare, water supply, sanitation and minor irrigation even now, the State Government is directly responsible for implementation of the relevant programmes and hence expenditure.
- Internal resource generation at the Panchayat level is weak. This is partly due to a thin tax domain and partly due to Panchayats' own reluctance in collecting revenue.
- Overall, a situation has been created where Panchayats have responsibility but grossly inadequate resources.

There is an imperative need for an effective fiscal decentralization so as to ensure that the finances available with the Panchayats match the transferred functions based on activity mapping for the devolution of 3Fs:

Further, there is a need to re-orient the regulatory and policy regime and give the Panchayats more tax-handles as also to ensure that the taxation powers given are effectively exercised since generating own revenue is the best way to increase autonomy, efficiency, credibility & accountability of Panchayats.

The Twelfth Finance Commission, on the basis of some studies, has suggested measures such as making it obligatory for PRIs to levy certain taxes, prescribing minimum revenue collection, levy of user charges, higher efficiency in tax collection, economy in expenditure and transparency in functioning.

Central Finance Commission (CFC) Devolutions

The 13th CFC – has devolved Rs.63,150 crores on the PRIs over the period of next 5 years. The 13th FC has linked devolution to a share of divisible tax pool instead of fixed grants. The Commission has also allotted a performance grant subject to the fulfillment of stipulated conditions which are expected to bring about considerable improvement in the working of the Panchayats.

Panchayats and service delivery

In case of service delivery, Panchayats have the responsibility to deliver some services like drinking water supply, local roads, lighting of streets on their own and delivery some of the services as entrusted to them by State/Central Governments in form of several schemes/programs. In the first case, again the lack of resources reduces their capability to provide any locally planned quick solution to the people's need. In case of second they need to work within the framework decided by State or Central Government. Panchayat's scope of functioning is still very limited in nature thus not much change has been granted responsibility to recruit Para-teachers and establish and maintain schools but in this case also a parallel bureaucratic departmental structure exists which work independently and not accountable to Panchayats.

Current Status of Panchayat Infrastructure

A large number of Gram Panchayats in the country do not have even full time Secretary. Around 25 percent of the Gram Panchayats do not have basic office buildings. A large no. of elected representatives of PRIs are not adequately educated and know little about their roles & responsibilities, programmes, procedures, systems.

Often the Panchayat Functionaries for want of good, relevant & periodic training are not able to perform their functions. Elected representatives in particular need to be trained within 3 months of their election in their functional domain.

Although all the District and Intermediate Panchayats are connected with computers, only around 20% Gram Panchayats reported to be having computing facility. In some States, Village Panchayats do not have computing facility. Gujarat, Kerala, Tamil Nadu and West Bengal have done good work by providing computing facility to almost all the Gram Panchayats.

Information Technology (IT) needs to be primarily positioned as a decision making support system for Panchayats themselves-a tool for transparency, disclosure of information and social audit, a means for better and convergent delivery of services to citizens, improving internal management and efficiency of Panchayats, capacity building of representatives and officials of Panchayats, and a medium of e-procurement.

Have the states implemented 73rd CAA provisions?

The mandatory provisions specified in the Constitution have been implemented in the last two decades. All States (excluding Jharkhand, due to a court case) held regular elections through the State Election Commissions. All the States have implemented reservation for women, SCs and STs bringing almost 1.6 million representatives from these groups into elected positions in the Panchayats, making the Panchayats the nursery of future leadership. State Finance Commissions have been constituted and in many States, some of their recommendations have been acted upon. All the States (excluding Uttarakhand & Jharkhand) have constituted District Planning Committees and most have initiated decentralised planning processes.

However, the implementation of Constitutional provisions – n which were left to the discretion of the States – varies to a great extent. The most important aspect in strengthening of the Panchayats is the devolution of 3Fs (i.e. functions, funds and functionaries) related to the matters listed in the Eleventh Schedule of the Constitution. Another is the enablement of their function of preparing and implementing bottom up participatory plans for economic development and social justice. The States vary a great deal in both these respects. While some States have forged new paths, others are still to catch up. Of course, many States are trying out new approaches and mechanisms, and making corrections along the way.

Why are the Panchayats are not delivering in many States

Lack of adequate devolution: Many States have not taken adequate steps to devolve 3Fs to the PRIs to enable them to discharge their constitutionally stipulated function. Further, it is imperative that the PRIs have resources to match the responsibilities entrusted to them. While SFCs have submitted their recommendations, not many few States have implemented these or taken steps to ensure the PRI's fiscal viability.

Excessive control by bureaucracy: Wide powers of suspension and dismissal have been vested in the State bureaucracy, placing the PRIs in a position of disadvantage vis-a-vis even middle rung functionaries of the State Governments. In some States, even Gram Panchayats have been placed in a position of subordination: Gram Panchayat Sarpanches have to spend extraordinary amount of time visiting Block Offices for funds and/or technical approval. These interactions with the Block staff office distort the role of a Sarpanchs as elected representatives.

Tied nature of funds: This has two implications. The activities stated under a certain scheme are not always appropriate for all parts of the district. This results in unsuitable activities being promoted or an under-spend of the funds.

Overwhelming dependency on government funding: A review of money received and own source funds shows the overwhelming dependence of Panchayats on government funding. **Reluctance to use fiscal powers:** An important power devolved to GP is the right to levy tax on property, business, markets, fairs and also for services provided, like street lighting or public toilets, etc. Very few Panchayats use their fiscal power to levy new taxes. The argument given by Panchayat-heads is that it is difficult to levy tax on their own constituency, especially when they live within the community

Status of the Gram Sabha: Empowering the Gram Sabhas could have been a powerful weapon for transparency, accountability and for involvement of the marginalized sections. However, a number of the State Acts have not spelt the powers of Gram Sabhas nor have any procedures been laid down for the functioning of these bodies.

Companies Bill 2012

With the passage of the Companies Bill, 2012, by Parliament on August 8, 2013, after 57 years, an overhauled company law has been made based on the recommendations of the expert committee under the chairmanship of JJ Irani (2004-05).

In the current national and international context, there is a need for a simpler legislation as 1956 law was cumbersome and the mandate of the Irani committee was to review the existing legislation and provide suggestions to simplify the current law, while at the same time bring it abreast with the needs of corporate India. Highlights:

One-person company: This new concept permits an individual to organise his/her business by setting up of a private company with only one shareholder. This form of a company is entirely new to India, though prevalent in other jurisdictions, and would facilitate small entrepreneurs to join the organised sector with such one-person companies.

National Financial Reporting Authority: the new Act proposes to have an apex authority to formulate accounting/auditing policies and standards and their enforcement and also to regulate the relevant accounting professions. It further aims:

- To monitor and enforce compliance with accounting standards
- To oversee quality of service by audit firms
- Can investigate members & firms registered under Chartered Accountants, 1949
- To have powers available to civil court under CPC

Governance: The new Act proposes to codify the requirements for appointment of independent directors, much beyond the current requirements stipulated for listed companies. Further, the role of the audit committee has been enlarged and duly codified as has the role of directors in companies. It is also proposed to permit holding board meetings through electronic means – a long overdue requirement in the current global context. All these new provisions are positive and would help enhance governance standards across India Inc. Also, it seeks to restrict compensation payable to independent directors by prohibiting issuance of ESPs to such independent directors. The first time we are seeing the term of independent directors' and secondly they have very clearly defined the roles and responsibilities. The maximum number of directors in a private company has been increased from 12 to 15, which can be increased further by special resolution.

Corporate social responsibility (CSR): This much-debated new provision mandates that companies with a certain size or with a certain minimum profit should constitute a specific committee of the board (with at least one independent director) to undertake CSR activities on a mandatory basis. Local areas where the company operates need to be given preference for such CSR spend. While the rationale of the government to encourage India Inc to increase their CSR activities is laudable, the mandatory requirement for CSR spending would appear to make this provision akin to a tax. Considering that past experience has shown that the government's own social spending has suggested enormous leakages, it is yet to be seen whether corporate CSR spending will succeed and reach the ultimate intended beneficiaries.

Class-action suits: The new Act seeks to institute a new provision for class-action suits by a specified number of shareholders/depositors against the company/its directors on account of mismanagement, fraud, etc. This is an important provision that would enable such stakeholders to seek suitable protective action against company/directors and also include claims for damages.

Special courts: It is proposed to now have special courts to deal with all violations under the new Act. This provision could be an effective mechanism to fast-track addressing violations under the new Act provided such special courts are set up in and, importantly, appropriately staffed to decide matters effectively.

While the new Act has 470 sections as compared to over 650 sections in the erstwhile law. However, in addition to the 470 sections, there is a considerable part of the new law (over 390 provisions), where the government would need to prescribe requirements or notify rules.

It will take about a year to come into force.

The new law will empower small shareholders, smoothen corporate governance and compel large companies to spend more on social welfare under the broad head of corporate social responsibility (CSR). It imposes checks and balances to prevent frauds, make corporate board room decisions transparent and hold auditors and directors more accountable. It will bring India's corporate governance framework in line with the changing business environment of the 21st century.

The focus of the bill is to enhance transparency and ensure fewer regulations, self reporting and disclosure. At least a third of a company's board should comprise of independent directors and at least one of the board members should be a woman, according to the new law.

All companies will have to move to a uniform financial year ending March 31. Only companies, which are holding or subsidiary arms of a foreign entity requiring consolidation outside India, can have a different financial year with the approval of Tribunal.

The new legislation has more provisions to guard the interests of employees. It mandates payment of two years' salary to employees in case a company shuts operations.

It will allow shareholders' associations to take legal action against companies' promoters and management through 'Class Action Suits' — a form of lawsuit where a large group of people collectively bring a claim to court. This acts as a deterrent to carry out a fraud by tailoring and influencing board decisions only to suit promoter and management interests.

- The debut of class-action suits in India is being seen as a positive move as it empowers small shareholders to seek answers in case they feel that a company's management or its conduct of affairs is prejudicial to its interests or its members or depositors. And, the proposed law also puts

in place a more stringent regime for companies when they seek deposits from public. This will put a check on the menace of vanishing companies and fly-by-night operators.

In a novel move, the bill also makes it mandatory for company boards to have a woman representative, something that will give a greater representation to women in corporate decision-making.

It also makes it mandatory for firms to rotate auditors within a stipulated time – frame – a practice which public sector enterprises and banks currently adopt to ensure that the auditors and management do not get too close. Auditor to report any offence involving fraud to the Central government. Penalty of Rs. 1 lakh – 25 lakh in case of non-compliance.

SFIO

Corporate fraud investigation body SFIO will have the power to carry out arrests in respect of certain offences of the Bill which attract the punishment for fraud. Those offences shall be cognisable and the persons accused of any such offence shall be released on bail subject to certain conditions provided in the relevant clause in the Bill. The Serious Fraud Investigation Office (SFIO) gets statutory status in line with the recommendations of the Vepa Kamesan Committee on strengthening the SFIO. The SFIO is under the administrative control of the Corporate Affairs Ministry.

The Serious Fraud Investigation Office (SFIO) is investigating 63 chit fund companies for alleged violations of the Companies Act. The Corporate Affairs Ministry, under which SFIO functions, looks into violations of Companies Act by firms. While cases of fraud and cheating by the chit fund companies are under investigation by police authorities and the Securities and Exchange Board of India (Sebi), in respect of 63 such companies, SFIO is also investigating matters relating primarily to violations of Companies Act, 1956. All the firms in the country are registered under the Companies Act 1956 and are required to comply with various norms as mandated by the legislation.

Companies Law Gets A Comprehensive Makeover

The Rajya Sabha on Thursday passed the Companies Bill, 2011, completing the legislative process for the ambitious recast of the 56 year old law. The Bill has already been passed by the Lok Sabha and now needs just the sanction of the President to become a law. ET takes a look at some of the important concepts of the bill.

Mandatory Spending on CSR

Companies have to spend at least 2% of its average net profit during three preceding years on Corporate Social Responsibility (CSR) activities

 **Individuals can sue for CSR violations**

Greater Responsibility of Auditors

**Auditors to be appointed for 5 years, to be approved every year
A person can audit a maximum of 20 companies**

 **Auditors can face imprisonment up to one year for violating relevant provisions and pay damages for incorrect or misleading statements**

More Teeth to Independent Directors

Listed cos must have at least one-third independent directors

An independent director cannot hold more than two consecutive terms of 3 yrs

One independent director can represent small shareholders in listed cos

Framework For Faster Winding Up, Compromises And Arrangements

More Teeth To SFIO

Statutory recognition to the Serious Fraud Investigation Office

It will have powers to arrest offenders

Once SFIO begins to investigate a case no other agency can be involved

 **Cos law tribunal to have power to implement compromises among stakeholders**

NEW LAW IN NUMBERS

New bill is highly consolidated with 470 clauses down from earlier 658

The bill prescribes 33 new definitions

7 schedules instead of 16 in the old bill

WHAT NEXT?

The bill will go to President for assent

NEW IDEAS IN THE COMPANIES BILL

One-Person Company
An individual can set up a 1-person company

Class Action Suits
MEMBERS or depositors can file class action suits

Limits On Subsidiaries
INVESTMENT cos cannot have more than 2 layers of subsidiaries

GOVT can prescribe limits on layers of subsidiaries for other cos as well

NO limits on lateral subsidiaries

Sweat Equity After Passing Resolution

National Company Law tribunal

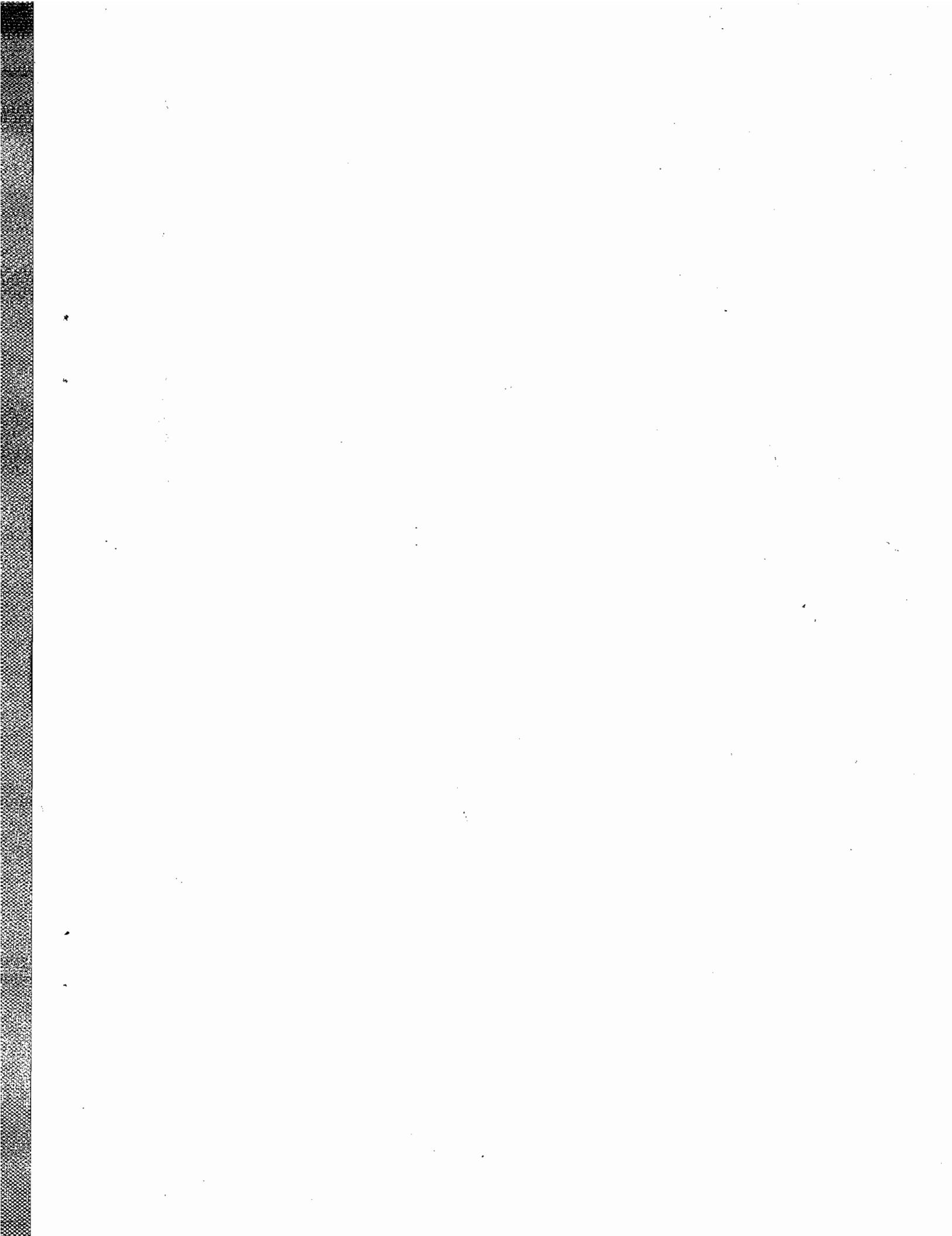
SEPARATE tribunal to deal with disputes such as winding up, amalgamations, rehabilitation, reduction of share

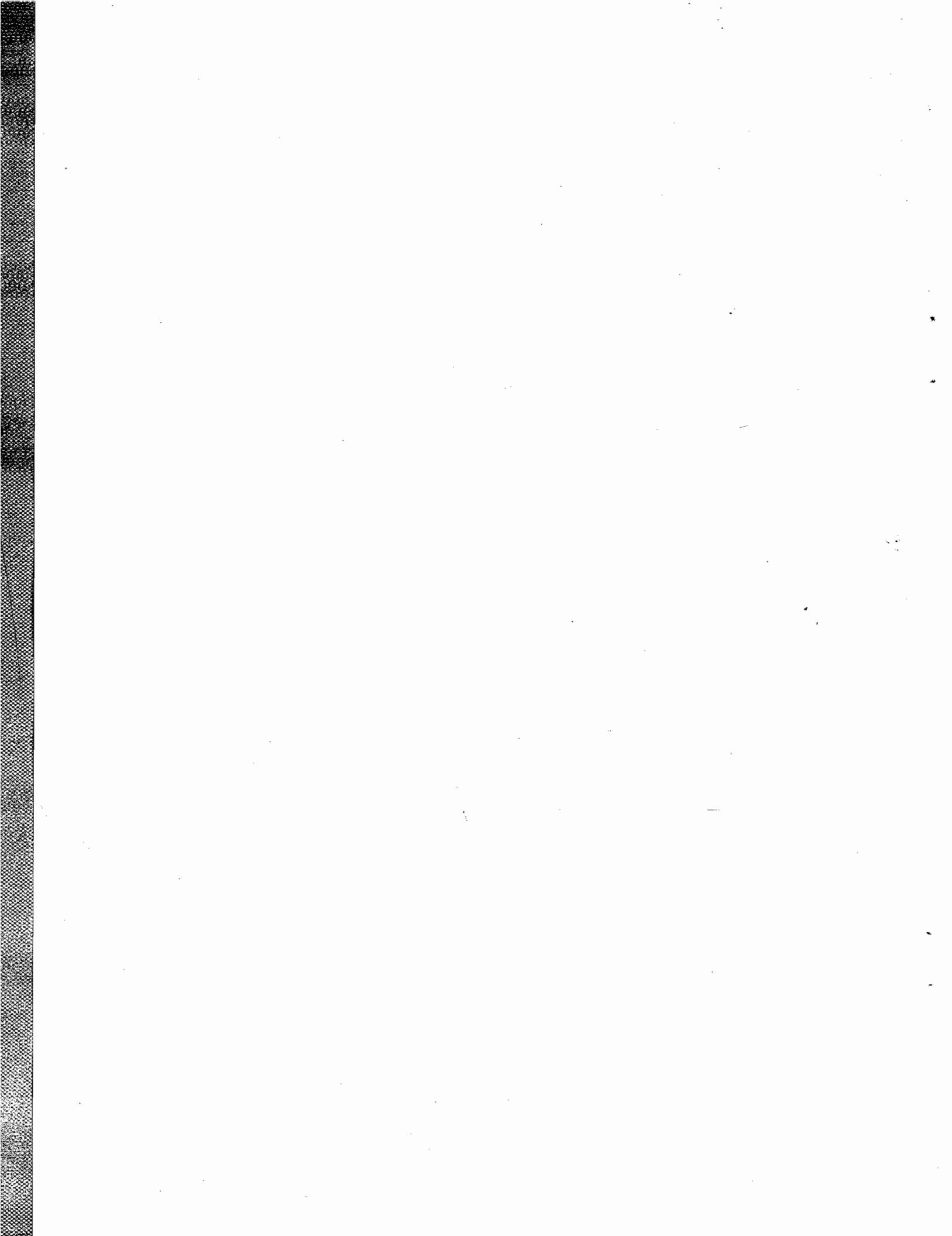
Employee Protection In Failed Companies
MUST pay 2 yrs' salary on winding up or ops

Mandatory Women Directors
CERTAIN class of companies should have at least one women director on board

Fraud
FRAUD & wrongful gain has been defined for the 1st time







URBANIZATION: THEIR PROBLEMS AND REMEDIES

The Nature and Concept of Urbanization:

Urbanization is a universal process implying economic development and social change. Urbanization also means, "a breakdown of traditional social institutions and values". However, in India, one cannot say that urbanization has resulted in the caste system being transformed into the class system; the joint-family transforming into the nuclear family, and religion becoming secularized.

Two trends are clear regarding urban life: (1) dependence upon agriculture for livelihood has steadily decreased; and (2) population of towns and cities has increased over the years. Both the trends indicate an increase in the processes of industrialization and urbanization. Towns and cities offer jobs and better amenities, whereas people in villages live a hard life. Due to urbanization, traditional bonds based on religion, caste and family have weakened in the villages.

Anonymity, as found in towns, is absent in rural areas.

Structure of towns and cities:

Towns:

For the Census of India 2011, the definition of urban area is as follows;

1. All places with a municipality, corporation, cantonment board or notified town area committee, etc.
2. All other places which satisfied the following criteria:
 - i) A minimum population of 5,000;
 - ii) At least 75 per cent of the male main working population engaged in non-agricultural pursuits; and
 - iii) A density of population of at least 400 persons per sq. km.

The first category of urban units is known as Statutory Towns. These towns are notified under law by the concerned State/UT Government and have local bodies like municipal corporations, municipalities, municipal committees, etc., irrespective of their demographic characteristics as reckoned on 31st December 2009. Examples: Vadodara (M Corp.), Shimla (M Corp.) etc.

The second category of Towns (as in item 2 above) is known as **Census Town**. These were identified on the basis of Census 2001 data.

Urban Agglomeration (UA): An urban agglomeration is a continuous urban spread constituting a town and its adjoining outgrowths (OGs), or two or more physically contiguous towns together with or without outgrowths of such towns. An Urban Agglomeration must consist of at least a statutory town and its total population (i.e. all the constituents put together) should not be less than 20,000 as per the 2001 Census. In varying local

A city is defined as a place having population of 1,00,000 or more.

The ratio of rural population to urban has not changed drastically since 1901; but there is a trend towards its slow decline. Today, cities are overcrowded. They contain many more people than the number for whom they can comfortably provide civic amenities. Cities which are state's capitals have become over-burdened. The cities of Delhi, Bangalore and Jaipur have shown rapid increase in their populations over the past two decades. All towns and cities do not have a uniform pattern of population growth and development.

Urbanization in India:

The following points have been made about the nature of urbanization in India:

1. Whether the nature of urbanization is co-terminus with westernization?
2. Can a valid distinction be made between villages and cities?
3. Urbanization is seen in relation to social change, hence urbanization is not an independent variable of social change; and
4. Urbanization has brought new forms of social organization and association

Features of Urban Life:

Students of urban life have identified some dominant features that distinguish life in cities and towns from that in village:

1. In the urban context the traditional social structure undergoes a process of loosening up.
2. The quality of human relationships tends to become more formal and impersonal.
3. Ritual and kinship obligations are diluted; caste and community considerations yield to economic logic. This results in secularization of outlook.
4. Urbanization leads to greater functional specialization and division of labour.

5. Urbanization life is organized around community organizations and voluntary associations.
6. Towns have substantial cultural, educational, recreational and religious resources that become institutionalized.
7. Urban areas provide impulses for modernization in society as a whole.

Major Problems of Urban Life in India:

Among the myriad problems of urban India following four problems are usually highlighted:

- (i) poverty
- (ii) housing (or the lack of it)
- (iii)civic amenities
- (iv)the great cultural void of the poor.

Nearly half the population of India (or 41 per cent, if we lend credence to official statistic) is below the poverty line. Rural India is better able to disguise and handle poverty; urban India cannot do so. Its poverty is growing, particularly which eludes them in the cities. The poverty directly affects the quality of life, particularly in the areas of nutrition, health and education.

Social scientists have not made any concerted studies of the cultures of the pavement dwellers and slum dwellers; all we have are some socio-economic surveys which provide bare but stark statistics. Novelists, short-story writers, and some exceptional film makers, on the other hand, have provided penetrating and incisive insights into their ways of life. There are many simple, hard-working men and women living in the slums, but they also have extortionist dons, boot-leggers, and smugglers. They have dens of vice and the flesh trade. These aspects present the ugly face of urban life.

There are few civic amenities for the poor. Water taps work only for an hour or so in the morning and evening. As slum areas have but a few public taps, there are long rows of people waiting their turn to fill their vessels. Most hand-pumps are in a state of despair; the few that work are overused. There are few lavatories; most people have to ease themselves in the open, pigs and stray dogs provide some sanitation, but they also spread disease. The roads and lanes are slushy. Primary health centre's are not adequately staffed and stocked. Important life-saving drugs are always in short supply and have to be bought from druggists. The schools, in uninviting settings,

impart only nominal instruction. Public transport is expensive and crowded. Cinemas and video parlours provide some entertainment, to be supplemented by drinks, drugs, and gambling.

Most pavement and slum dwellers find themselves detached from their tradition moorings, living in a cultural void. Many of them live away from their families, unable to adapt to the urban ethos. They lead lonely lives or fall into evil company. Those living with families also encounter many problems. While men are away at work there is not much security for the women left behind in the slums. As parental authority becomes weak, adolescents become unmanageable.

Remedial measures of combating problems of urbanization:

Remedial measures suggested for removing the problems. The problem of urbanization has acquired certain distortions and imbalances in the planned processes of development. Given the alarming situation and the condition that prevails in rural areas the push factors are likely to operate in the villages. Thus, urban areas will continue to attract village populations. Besides this there is going to be a natural increase in the population of town and cities. This is unavoidable. However, adequate measures of planning and efficient management of the problems associated with it may provide some relief to the people living in village and the urban areas. Some of the remedial measures are given below:

1. Planned communities for the migrants with adequate housing facilities.
2. Efficient public transport
3. Improved water and power supply
4. Improved sanitary conditions
5. Improves health infrastructure for preventive and curative medicine
6. Improved education facilities
7. Improved civic amenities

The needs of the poor have to be kept in mind so that they have an access to good living condition. What is all the more important is the fact that these civic amenities and infrastructural facilities need to be extended in rural areas as well, so that large scale migration of displaced population due to economic compulsions may be checked from moving to urban centres.

Communalism, Regionalism and Secularism

Introduction :

Since Independence, the central leadership has confronted several major challenges to the unity of the country. These have included the integration of some 562 semiautonomous princely states into the Indian Union in the years immediately after Independence.

Despite numerous successes, therefore, in resolving some of the major problems threatening the unity of the Indian state since Independence, some of the problems are so severe that the central government finds it difficult to maintain the unity of the country. Moreover, the remaining problems cannot be considered to be merely the unresolved remnants of old conflicts but reflect a fundamental structural tension in the Indian political system between forces seeking to strengthen further and centralize more decisively the Indian state and regional and other forces demanding further decentralization, and interdependence between the center and the states.

Most scholarly observers of contemporary Indian politics agree that since Independence there has been a considerable decay in the functioning of political institutions and in their public legitimacy. From a comparative perspective, however, India's political institutions appear quite differently. The performance of India's political institutions compares favorably in many respects with those of her neighbors or with most other post-colonial societies. Indeed, the Indian political regime is one of the most democratic in the world by most conventional measures of political participation, electoral and party competition, and persistence of parliamentary institutions. It is also among the least repressive regimes in the world. With admittedly major exceptions such as the annihilation of Naxalites, terrorists, and those suspected or wrongly accused of being in those two categories. The repressive and brutal measures taken against presumed militant, insurrectionary, and secessionist groups in Punjab, Kashmir, and the northeast, opposition politicians and students and others who engage in public demonstrations against the regime or the dominant party are not normally harassed or imprisoned without cause and are certainly not tortured. There is a free press and ordinary people are free to speak their minds in public and private. It is in this background that the concept of secularism, communalism and regionalism assumes importance.

Secularism

The word "Secular" has many meanings in the Indian context. To begin with, secular connotes 'anti-religious'. To be secular is to be anti-religious, an atheist or agnostic. Like-wise, a secular state must be actively hostile to religion, discourage religious practices, prevent the growth of religious institutions. The secular state in this sense has never existed in India. A small minority of atheists do, but this is nothing new. There is a long and venerable tradition of atheism in Indian culture; it follows that such secular persons have existed even in the past.

Secondly, the word "secular" means not anti-religious but non-religious. On this view, the secular state is non-religious but permits religious practices outside its sphere. It neither encourages nor discourages religion. It keeps off all kinds of religious and quasi-religious activities. Although Nehru may not have always lived upto this ideal, this may well be the Nehruvian conception of secularism. Third, the word "secular" has also been identified with multi-religious. Its defenders argue that in India, a land that has given birth to and nourished some of the major religions of the world, a state policy of indifference to religion is neither justified nor workable. Since most people in India are religious, the state cannot keep away from religious matters or adopt a stance of mere neutrality between the religious and non-religious. Rather, it should actively promote religion. The state should play a positive and dynamic role in the pursuit of a religious life. But in a land of many religions, the state cannot discriminate in favour of any one religion. It should grant equal preference to all. So the word "secular" here clearly means an equal preference to the religious and the non-religious and within religions equal respect for all religions. It does not take long to guess that this is the Gandhian conception of secularism. Fourth, the word secular has come to mean multi-communal. This degeneration has been characteristic of the Indian polity over the last 25 years or so. To be secular is to grant equal preference to the fanatical fringe of all religious communities. Here, the more desirable, universalisable aspects of all religions are overlooked or deliberately neglected and their closed, aggressive and communal dimension is over emphasised.

The BJP has systematically undermined each of the four connotations of the word "secular" and has infused it with a meaning consistent with the rest of its ideology. It attacks the first conception for being anti-religious, the second for being indifferent to religion, and the third and the fourth for granting equal preference to all religious and communal practices. Each of these, for the BJP, is pseudo-secular. For the BJP, secularism in the Indian context must mean granting special favours to a particular brand of freshly manufactured, aggressive Hinduism. To be secular is to favour a particular communal group. The argument behind it is simple minded but dangerous. India is a uniquely religious land; religion has a special place in the life of every Indian. No state in India can afford to ignore this fact and therefore it should actively promote religious life. But it must not favour all religions equally. Hinduism is the religion of the majority and therefore the state must favour the Hindu over other religious groups. To even conceive this within traditional forms of Hinduism is impossible, so a new aggressive Hinduism is necessary to articulate this demand. The word "secular" must accommodate this brute fact; either it goes or it must be clipped to mean "pro-aggressive Hinduism". This is positive secularism because it is positive towards this brand of Hinduism. Needless to add that such a position is highly contentious because it has neither been endorsed by the state nor has it been found reasonable.

Communalism:

Communalism operates at different levels ranging from individual relations and interests to the local, institutional and national politics and to communal riots. There is a whole range of social relations and politics over which communalism pervades today and this spread of communalism involves two inter-related central issues. First is the state of consciousness in society. The second is communalism as an instrument of power, not purely for capturing state power, but for operating in political, social and economic domains and at almost all levels of social organization.

Religion is an integral factor in the existing state of social consciousness in our society. It provides an identity of being part of a community to all those who believe in the same religion. It is perceived and believed that those who belong to the same religion have a certain common identity. It is this belief in commonality which is used for communal mobilization. That is communalisms, and communal mobilisation are based (or a possibility of creating a perception) that there are identities which are based on religious belonging. Such an identity, in fact, can be manipulated for purposes of power at various levels. The increasing efforts at communalisation are a part of this process, that is, manipulation of religious consciousness to serve the interests of certain political parties. The mobilisation of sections of society on the basis of religious beliefs for the purpose of power is central to the intensification of communalism today.

The process of communalisation draws upon communal solidarity which is both a contemporary construction and an outcome of objective historical development during the colonial period. For constructing communal solidarity a selective appropriation of the past is being attempted, by equating Hindu with Indian. The contemporary communal mobilisation derives sustenance from a Hindu interpretation of the past. Needless to say, it is a backward projection of the needs of the present day communalism.

Two good examples of this are the attempts to establish Hinduism as a homogeneous religion from ancient times and, secondly, the notion of the existence of Hindu community from early times. The very stimulating work done by Romila Thapar on the ancient history of India considers in detail the social and ideological dimensions of Hinduism as well as its historical evolution.

The Hindu community, as Romila Thapar has very rightly remarked, is an "imagined community". It is not a community which really existed. In the past, the communities were based on location, on occupation, on caste and sometime on sects. Even in contemporary society, secular communities are more in operation than religious communities. An individual in society spends more time in secular pursuits than in religious matters.

Today communalism is primarily an instrument for acquiring power. And power is, to begin with, acquired at the grass-root level and, therefore, it has got to be contested at that level. These local associations or communities, the grass root communities, are a way of positing an alternative to communalism.

Regionalism

States reorganization has been a dominant problem of federalism. The problem of regionalisms has acquired importance in political circles. The situation of Punjab, Kashmir and Assam and the north east has been of crucial significance despite its special status and its particular form of regional autonomy, the central government and political leaders have intervened as much or more in Kashmir since independence than in any other state of the Union. Consequently, the history of its politics from Independence until the outbreak of the recent internal war cannot be understood without knowledge of center-state political relations and alliances.

There are three prevailing explanations for the rise of an insurrectionary movement amongst Kashmiri Muslims against the Indian state in Kashmir. One is an argument which always presents itself in movements such as these, that it reflects the primordial desires of the Kashmiri Muslims. In fact, however, the course of modern Kashmiri history demonstrates the opposite: the absence of any clear universally accepted ultimate goal for kashmiri Muslims, let alone the rest of the non-Muslim population of the state.

The second explanation is that the Indian state has taken a "too soft and permissive attitude" with political forces who have set out to exploit the special status of Kashmir and to manipulate religious and separatist sentiments for their own political advantage.

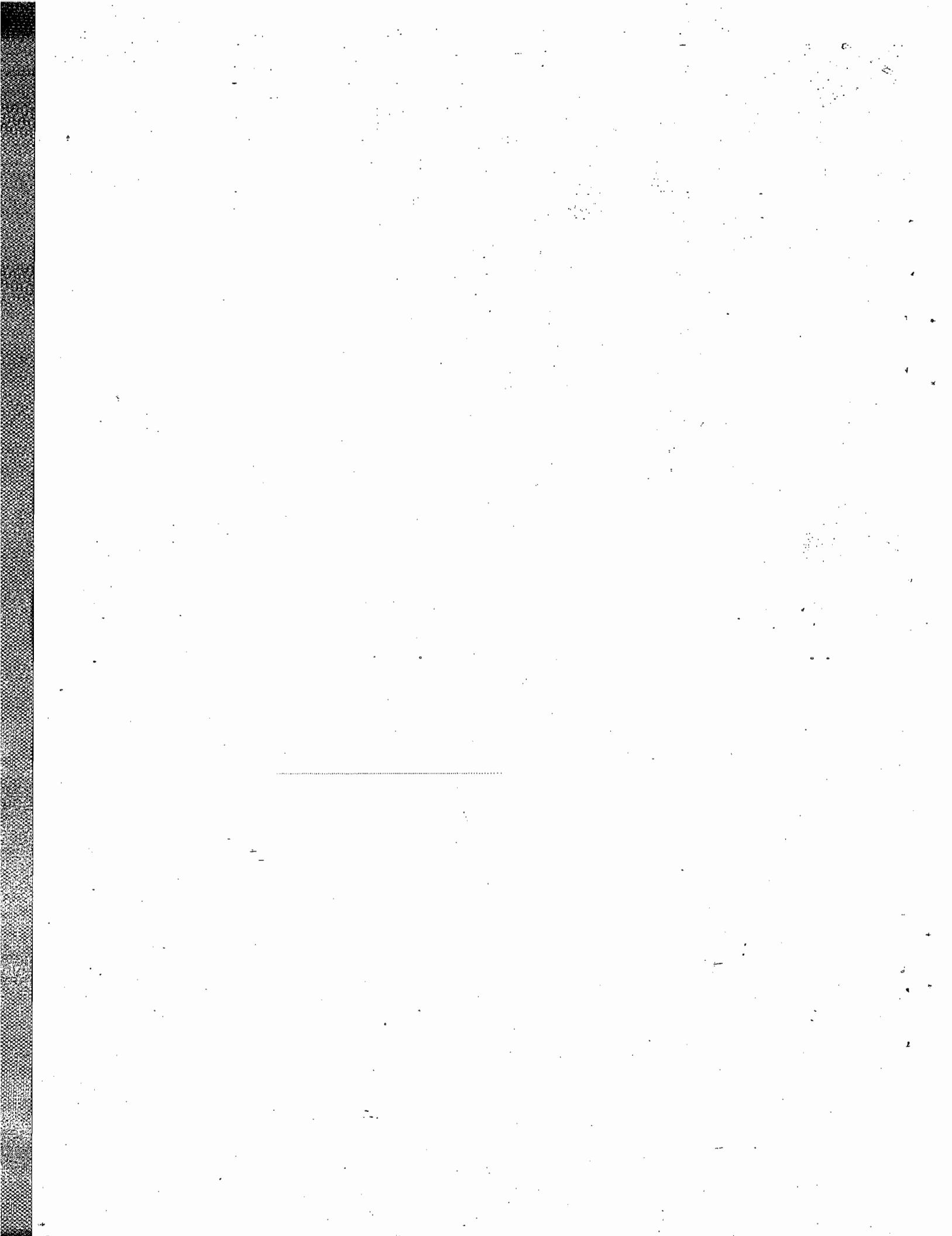
A third explanation, the point of view adopted here, is rather that the central government has been not "soft and permissive," but manipulative and interventionist and that it has not kept its promise to respect in practice the limited autonomy granted to Jammu & Kashmir under the terms of accession.

Many alternative explanations for the resurgence of regional and communal conflicts in the past fifteen years have been offered, including the persistence of immutable primordial cleavages in Indian society, their underlying bases in economic or class differences, and specific policies and political tactics pursued by the central and state governments. The analysis here has given primacy to the latter. However, it is also true that the problems in the Punjab, in the northeastern region, and in Kashmir have been complicated by the presence of other factors which were not present in the linguistic reorganizations of states which took place during the Nehru period.

In the Punjab case, the most important difference is the fact that the Sikhs are a separate religious as well as linguistic group. In the northeast, the issues have been tangled by the presence there of several tribal minorities, whose demands have been secessionist, by the migration of large numbers of people from other provinces of India, particularly West Bengal, to the northeastern states of Assam and Tripura especially, by illegal migrations from Bangladesh as well, and by the presence of large numbers of both Hindus and Muslims among the migrant and local populations. In Kashmir, the issues have been complicated by the internationalization of the dispute, the special status which Kashmir has had since its integration into the Indian Union, and

its perceived integral connection with the opposed founding ideologies of the two principal successor states to the British Raj.

Nevertheless, the argument here is that the policies pursued by the government of India after Nehru's death have played a major role in the intensification of conflicts in these regions and have in the process highlighted a major structural problem in the Indian political system. That problem arises from the tensions created by the centralizing drives of the Indian state in a society where the predominant long-term social, economic, and political tendencies are toward pluralism, regionalism, and decentralization. Although the same tensions existed in the Nehru years, central government policies then favored pluralist solutions, non-intervention in state politics except in a conciliatory role or as a last resort, and preservation of a separation between central and state politics, allowing considerable autonomy for the latter.



ROLE OF WOMEN AND WOMEN'S ORGANISATION

Before we embark upon women's status it would be proper to have some idea about the concept associated with women's position. In a lay man term role refers to the behaviour of an individual in society. Sociologists use the term in the context of position that a person occupies in society. Thus the roles are the bundles of socially defined attributes and expectations associated with social positions. When people occupy social positions their behaviour is determined mainly by what is expected of that position. For example, in school teacher performs the role of a teacher while the same person may perform a different role as a father or mother in home.

What is pertinent to mention here is that both the roles that a person has to perform as father or mother is expected of them to perform in a given situation.

Roles are also of two types – (a) Ascribed and (B) Achieved

Ascribed roles are those roles which are determined by birth and the achieved roles are the roles which an individual acquires by virtue of skills that a person develops. For example, the skill of an engineer or a doctor is acquired by completing the course while one becomes male or a female by birth. Thus the status of a doctor is acquired through training while the status of a male or a female is bestowed upon them by virtue of birth.

Viewed in the context of the definition discussed above when we examine the role of a woman in India we find their status to be quite ambivalent. Our historical text portrays them as 'Devi' or 'the Goddess' who is to be worshipped while elsewhere they are portrayed as occupying such a low position that they deserve to be beaten. Their subordinate position is hallowed by tradition and the religion. The Feminist contest the arguments of those who tend to argue that the Vedic period was the golden age of Indian womanhood. It is generally argued that the status of women was very high in the period, and that it was only with the coming of invaders, especially Muslims, that restrictions began to be placed on women. The Feminist scholars argue that such a portrayal of women's status was the product of the 19th century interaction between colonialism and nationalism. The nationalist historians (Altekar & R.C. Dutt) argue that the evils and the low status of Indian Women were attributable to Muslim Invasions.

A notable historian (Uma Chakravarty) Questions the construction of past at several levels, First, she points out that even the status of upper caste women was not high as is depicted. Second, defining the past in terms of Vedic India presents a falsely homogeneous picture. Thirdly, even from the Brahminical source the structure of institutions ensured that the subordination of women was complete long before the arrival of Muslims.

The critical readings of the classical text suggest the following:

As for property, not only they were denied of it, they themselves were treated as property. They were given as a bride i.e., they were gifted to groom along with other goods. They were excluded from participating in a variety of material transactions, from giving and receiving Dakshina on ritual occasions. Women had limited recognition as wives and mothers within the patriarchal structure.

Social Reform Movements & changing women's status

The focus of the reform movement was directed towards widow's oppression, bridging gender gap in education, strive for widow remarriage, end child marriage and many other disabilities that came in the way of improving women's status. The majority of women were governed by local customs and traditions. The abolition of sati was one of the major incident that was recorded from Bengal province governed by the chief British opponent of sati, William Bentick. Therefore, when the Sati Abolition Act was passed in 1829 there was hardly any visible protest registered even from the orthodox Hindu communities. Thus the women's position became a central issue in the debates over social reform in 19th century. However, the nationalist leaders refused to make it part of the political negotiation with the colonial state. It means the new patriarchy which nationalist discourse set up as a hegemonic construct remained insulated. Thus articulating complex and contested interrelationships between women on the one hand and on the other emerging notions of citizenship, nation and community were the salient feature of the social reform movements of 19th century.

The era of social reform was succeeded by the period of the national movement when women began to work collectively against male supremacy. In the beginning of the 20th century, the formation of women organisations against the discriminatory practices under patriarchy provided first wave of movement that saw women's participatory role in politics. The Indian Women's movement has hundreds of organisations but none can be treated as the most representative of the entire women's movement. Thus it is important to reflect upon some of them because in its essence their voices reflect the concern of women issues in general. Some are called new or autonomous, others criticised as separatist, harbouring Marxist ideology and conservative etc. But what is significant to note is that all these organisations form part of the Indian women Movement.

The period from the late 60s onwards, may be called the second wave with a resurgence of political activity by women. During this period there was a growth of middle class women's organisations of working women fighting for their right to (a) independent livelihood and (b) basic resources like credit, training and access to new technology. The Self Employed Women's Association (SEWA) in Ahmadabad and Working Women's Forum in Madras was formed. Another group of organising dalit labourers in Tamil Nadu were the Landless Labourers Movement (LLM) and the Rural Women's Liberation Movement (RWLM). In the National Conference on

Perspectives for Women's in Bombay three groups out of a total of 85 opted to present their organisational functioning.

The second wave saw mass participation of women in popular upsurges against the government and power structures in general.

The third wave is said to have emerged in the late 70s with a specific feminist focus. The period saw the growth of autonomous women's groups in towns and cities without party affiliations or formal hierarchical structures. Since the 80s, there has been a large scale co-option of feminist agenda or rhetoric by the state. It has been adopted by the state as the slogan of women's empowerment. The feminists lament that the govt programmes aims at empowering women only to the extent that it would serve the purpose of education for population control through drive against child marriage. The growing support of the state and the NGO-isation of the women groups have taken up women issues for protest and pressurising govt to take up proactive measures in support of vital issues concerning women. In the 90s women's groups at the national level emerged and they were:

1. All India Democratic Women's Association,
2. All India Women's conference;
3. National Federation of Indian Women,
4. Mahila Dakshta Samiti.

Other national level organisations i.e., YMCA, the Joint Women's Programme and Centre For Womens Development Studies have also taken up issues of women's reservation bill in the parliament. The Women organisations have taken up several issues in course of women's movement- the issues which are of critical importance that needs to be highlighted.

Development Issues: The national conference of women's movement was held in December 1997 where while addressing the problems of women activists questioned the very model of development. They expressed concern over increasing impoverishment of large segments of working population, the ecological crisis, the new economic policy that lays stress upon profit maximisation under the goals of economic development simply neglect issues of natural resource that are the source of women's livelihood. All the marginalised sections of the people are exploited in the interests of capital.

Sexual Violence against women: The issue of sexual violence has been raised by many women's organisations in terms of: (a) the fundamental rights of women (b) the role of state and bureaucracy in improving the public services like street lighting, women's lavatories, public transport etc (c) the need to have better laws to check the incidents of crime against women.

Dowry and dowry related crimes were reported in large numbers during 80s and 90s. The recent spurt of crime against women pertain to Rape, Sexual harassment, kidnapping, acid throwing, Female foeticide, the large scale practice by doctors providing facilities of abortion of unwanted foetus after ultrasound test etc. Women's organisations succeeded first in the state of Maharashtra in 1988, subsequently the

central legislation in 1994 in the form of PNDT ACT was passed. Similarly, last year the public protest in which leading women organisations took up the case of rape last year on December 16 saw Varma Committee report pointing out the loopholes in Rape laws existing earlier.

Health Issues relating to women: Programmes of UNICEF, ICDS and WHO also operate on the premise that the women's primary role is that of mothering the child and looking after their health. It is presumed that the high infant mortality rate, Malnutrition, maternal mortality rate, child marriage continue to prevail due to ignorance and lack of gender sensitivity.

Work Participation Rate: The work participation rate of men still continues to be higher in comparison to men. What is all the more depressing is the fact that for women work is available only in unorganised sector and not in the organised which does not allow any job security to them. The Equal Wages act was passed in 1975, assuring equal pay for equal work or work of a similar nature but such acts have no meaning in the unorganised sectors where works are given to them at the whims and fancies of the employer.

Reservation for Women in Representative Institutions: The percentage of women representation in the parliament has fluctuated between 3.4 per cent in 1977 to barely 10 per cent in 2009 and the situation is not very different in the state assemblies either. The Panchayat Act as a result of the constitutional Amendment in 1992 is no denying the fact is a welcome change but the women have yet not been recognised as an agent of social transformation. It is in this context that the women organisations may play a proactive role. The feminist perspective assumes significance in this context.

POPULATION AND ASSOCIATED ISSUES

In contemporary times the planning commission and the policy makers are seized with the idea of dealing with the problems of rise in population. Even before independence the leaders who were involved with carrying out national revolts recognised it as one of the major problem to be tackled. Under Nehru's chairmanship in 1935, a sub -committee was constituted. It was felt by the members of its committee that population stabilization was essential for socio-economic development. Furthermore, in Feb 1950, while inaugurating international conference Nehru stated that family planning must become a movement in case people's standard of living is to be raised. Demographers have pointed out the factors which result in population explosion in India.

Following factors have been attributed by demographer for rise in population:

1. Culture and tradition
2. Growing menace of dowry
3. Tragic cases of female infanticide
4. Decrease in age at marriage
5. Absence of family planning programmes
6. Ignorance, illiteracy and superstition
7. Culture and religious factors
8. Direct correlation between fertility, illiteracy and ignorance

Considering the high fertility rate it was decided to constitute a committee to initiate and suggest guidelines for population policy. Swaminathan committee was constituted, which submitted its report on population policy in 1994. Following four key issues were stressed:

1. Population was directly linked with economic system and environment.
2. It was also linked with gender issues and social development.
3. Population policy is linked with basic needs of the people (that is minimum needs are spelt out in five year plan).
4. Population policy is linked with democratic decentralization through involvement of local govt. institutions.

It was also recognised in the report that since India has largest number of illiterates, literacy campaign programme needs to be effectively implemented to check the population. Besides illiteracy, poverty was also to be eradicated in case population is to be controlled. It was argued that by increasing our intellectual capital to control population. It was further argued that NGOs are swindling govt. funds in the name of controlling population explosion. Therefore their activities must be scrutinised. Some mechanism must be devised to attract couple living below poverty line to accept family planning program.

In the year 2000, the national policy program was worked out which spelt out fourteen demographic goals and about twelve strategic themes:

- The new national population policy of 2000 was announced. Its main features are under stated.
- Redress the unmet needs for basic reproductive and child health services, supplies and infrastructure.
- Make school education up to age 14 free and compulsory, and reduce drop out at primary and secondary school levels to below 20 percent for both boys and girls.
- Reduce infant mortality rate to below 30 per 1000 live births.
- Reduce maternal mortality ratio to below 100 per 100,000 live births.
- Achieve universal immunization of children against all vaccine preventable diseases.
- Promote delayed marriage for girls, not earlier than age 18 and preferably after 20 years of age.
- Achieve 80 per cent institutional deliveries and 100 percent deliveries by trained persons.
- Achieve universal access to information/counseling, and services for fertility regularization and contraception with a wide basket of choices.
- Achieve 100 per cent registration of births, deaths, marriage and pregnancy.
- Contain the spread of Acquired Immuno deficiency Syndrome (AIDS), and promote greater integration between the management of reproductive tract infection (RTI) and sexually transmitted infection (STI) and the National AIDS Control Organization.
- Prevent and control communicable diseases.
- Integrate Indian System of Medicine (ISM) in the provision of reproductive and child health services, and in reaching out to households.
- Promote vigorously the small family norms to achieve replacement levels of TFR.
- Bring about convergence in implementation of related social sector programs so that family welfare becomes a people centered program.

Strategic themes:

The strategic themes to achieve the national socio-demographic goals for 2010 are presented below:

1. Decentralised Planning and Programme Implementation

- The 73rd and 74th Constitutional Amendments Act, 1992, made health, family welfare, and education a responsibility of village panchayats.

2. Convergence of Service Delivery at Village Levels

- ❖ Efforts at population stabilisation will be effective only if we direct an integrated package of essential services at village and household levels.
- ❖ Since the management, funding, and implementation of health and education programmes has been decentralised to panchayats, in order to reach household levels, a one-stop, integrated and coordinated service delivery should be provided at village levels, for basic reproductive and child health services.
- ❖ The panchayats should seek the help of community opinion makers to communicate the benefits of smaller, healthier families, the significance of educating girls, and promoting female participation in paid employment.

3. Empowering Women for Improved Health and Nutrition

- ❖ The complex socio-cultural determinants of women's health and nutrition have cumulative effects over a lifetime. Discriminatory childcare leads to malnutrition and impaired physical development of the girl child.
- ❖ Impaired health and nutrition is compounded by early childbearing, and consequent risk of serious pregnancy related complications. Women's risk of premature death and disability is highest during their reproductive years.
- ❖ Maternal mortality is not merely a health disadvantage, it is a matter of social injustice. Low social and economic status of girls and women limits their access to education, good nutrition, as well as money to pay for health care and family planning services.
- ❖ Programmes for Safe Motherhood, Universal Immunisation, Child Survival and Oral Rehydration have been combined into an Integrated Reproductive and Child Health Programme.
- ❖ The voluntary non-government sector and the private corporate sector should actively collaborate with the community and government through specific commitments in the areas of basic reproductive and child health care, basic education, and in securing higher levels of participation in the paid work force for women.

4. Child Health and Survival

- ❖ Infant mortality is a sensitive indicator of human development.
- ❖ Our priority is to intensify neo-natal care. A National Technical Committee should be set up, consisting principally of consultants in obstetrics, pediatrics (neonatologists), family health, medical research and statistics from among academia, public health professionals, clinical practitioners and government.

5. Under-Served Population Groups

- In both rural and urban areas there continue to be unmet needs for contraceptives, supplies and equipment for integrated service delivery, mobility of health providers and patients, and comprehensive information.

Under-Served Population Groups

(a) Urban Slums

- Nearly 100 million people live in urban slums, with little or no access to potable water, sanitation facilities, and health care services. This contributes to high infant and child mortality, which in turn perpetuate high TFR and maternal mortality.

(b) Tribal Communities, Hill Area Populations and Displaced and Migrant Populations

- In general, populations in remote and low density areas do not have adequate access to affordable health care services. Tribal populations often have high levels of morbidity arising from poor nutrition, particularly in situations where they are involuntarily displaced or resettled.

(c) Adolescents

- Adolescents represent about a fifth of India's population. The needs of adolescents, including protection from unwanted pregnancies and sexually transmitted diseases (STD), have not been specifically addressed in the past.

(d) Increased Participation of Men in Planned Parenthood

- In the past, population programmes have tended to exclude menfolk. Gender inequalities in patriarchal societies ensure that men play a critical role in determining the education and employment of family members.

6. Diverse Health Care Providers

- Given the large unmet need for reproductive and child health services, and inadequacies in health care infrastructure it is imperative to increase the numbers and diversify the categories of health care providers.
- A national effort to reach out to households cannot be sustained by government alone. We need to put in place a partnership of non-government voluntary organizations, the private corporate sector, government and the community.

7. Mainstreaming Indian Systems of Medicine and Homeopathy

- India's community supported ancient but living traditions of indigenous systems of medicine has sustained the population for centuries, with effective cures and remedies for numerous conditions, including those relating to women and children, with minimal side effects.
- Particular challenges include providing appropriate training, and raising awareness and skill development in reproductive and child health care to the institutionally qualified ISMH medical practitioners.

8. Contraceptive Technology and Research on Reproductive and Child Health

- Government must constantly advance, encourage, and support medical, social science, demographic and behavioural science research on maternal, child and reproductive health care issues.
- Applied research relies upon constant monitoring of performance at the programme and project levels. The National Health and Family Welfare Survey provides data on key health and family welfare indicators every five years.

9. Providing for the Older Population

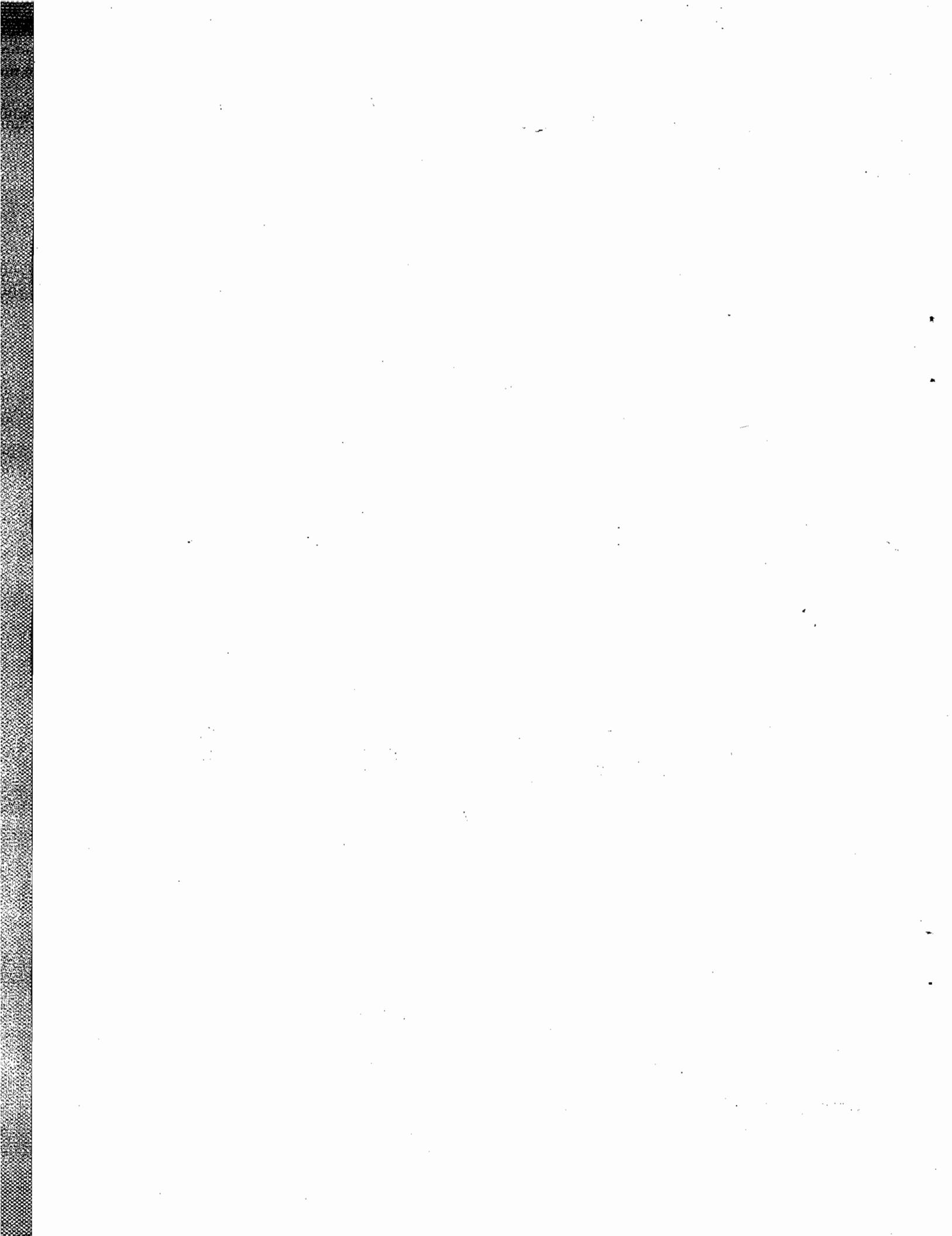
- Improved life expectancy is leading to an increase in the absolute number and proportion of persons aged 60 years and above, and is anticipated to nearly double during 1996-2016, from 62.3 million to 112.9 millions.
- The Ministry of Social Justice and Empowerment has adopted in January 1999 a National Policy on Older Persons.

10. Information, Education, and Communication

- Information, education and communication (IEC) of family welfare messages must be clear, focused and disseminated everywhere, including the remote corners of the country, and in local dialects.

NRHM 2005-2012

National rural health mission identified 18 high focus states under its mission document. Besides this working group on population stabilization in its policy pronouncement stated achieving population replacement level (i.e., TFR 2.1) by 2010 and population stabilization by 2045.



2013-14 Union Budget and Infrastructure

The Finance Minister has promised new industrial corridors, smart cities, bigger role for private firms in coal, a regulator for the dispute-ridden highways sector and support for innovative financing for-infrastructure projects

Airport express

The Delhi Airport Metro Express (DAME) is a Delhi Metro line from New Delhi Metro Station to Dwarka Sector 21, linking the Indira Gandhi International Airport. The line, also known as the Orange line is operated by the Delhi Airport Metro Express Pvt. Limited (DAMEPL), a subsidiary of Reliance Infrastructure, the concessionaire of the line, and opened in February 2011. The total length of the line is 22.7 km, of which 15.7 km is underground and 7 km, from Buddha Jayanti Park and Mahipalpur, is elevated.

Service was suspended from July 2012 to January 2013 due to technical problems. After reopening, the speed was cut to only 50 km/hr, extending journey time from the airport to New Delhi Station to over 40 minutes. On 27 June 2013 Reliance Infrastructure Ltd intimated DMRC that they are unable to operate the line beyond 30 June 2013. Following this DMRC took over operations of Airport Express line from 1 July 2013.

Why Reliance Infra pulled out?

Delhi Airport Express Private Ltd (DAEPL) was a special purpose vehicle set up by the parties to operate and run the 22.7-km line. Reliance has pulled out of its 30-year contract to operate the Airport Express line. Lessons for the PPP are: The government, having decided that India needs upgraded infrastructure and lacks the public funds to build it, has focused in its planning on partnerships with the private sector. Reliance Infrastructure won the bid to operate the Airport Express on the assumption that it would carry 40,000 people a day. In effect, it has even at its best been carrying half those numbers, around 17,000. As a result, much advertising space has gone unsold. And so made losses; it costs Rs 7 crore a month to run, but the revenue from tickets and advertising is only Rs 3 crore. That is presumably what lies behind the private sector operator's unwillingness to persist with the project; DAMEPL appears to have decided that the prospects of a turnaround in the line's fortunes are not great. The question is, of course, whether the original estimate of 40,000 metro riders was reasonable - another example of how auctions can lead to unrealistic estimates in the hope of renegotiation later. PPP projects have to work out how this problem can be avoided. The project was built at a cost of Rs 5,700 crore, with Reliance spending Rs 2,285 crore and the DMRC paying Rs 3,415 crore. What went wrong? For one, it appears that construction standards were deficient. That meant that the speed of the train was drastically lowered, and a planned 17-minute trip began to take as much as 45 minutes - which made it difficult to attract riders, as the ticket price of Rs 150 became extremely unattractive for a regular metro-rail ride. Scheduling and track layout itself minimised the attractiveness of the Airport Express as an option for travellers. It shut down before midnight, for example, opening at 5.15 am - whereas most international flights take off and land in Delhi between midnight and 4 am. And the Airport Express did not even run to Terminal 1 of Delhi airport, the terminal through which most of Delhi's cost-sensitive passengers fly; nor did it connect seamlessly with the rest of the Metro. The government intends to launch PPP-financed infrastructure worth Rs 1.15 lakh crore in the coming months. If the lessons of the Airport Express are learned, we can be far more gainful.

SIA

Social impact assessment (SIA) is a methodology to review the social effects of infrastructure projects and other development interventions. The origin of SIA comes from the environmental impact assessment (EIA) model, which first emerged in the 1970s in the U.S., as a way to assess the impacts on society of certain development schemes and projects before they go ahead - for example, new roads, industrial facilities, mines, dams, ports, airports, and other infrastructure projects. It has been incorporated since into the formal planning and approval processes in several countries, in order to categorize and assess how major developments may affect populations, groups, and settlements. SIA is often carried out as part of, or in addition to, environmental impact assessment, but it has not yet been as widely adopted as EIA in formal planning systems, often playing a minor role in combined environmental and social assessments.

Social impact assessment is also of increasing importance as a means to measure and monitor the social returns or social outputs of a business.

Social impacts can be defined as the consequences to people of any proposed action that changes the way they live, work, relate to one another, organise themselves and function as individuals and members of society. This definition includes social-psychological changes, for example to people's values, attitudes and perceptions of themselves and their community and environment. Indeed, some SIA practitioners consider social impacts to be only 'as experienced' (e.g. stress, disruption, hunger) and differentiate these from the causal processes (e.g. over-crowding, infrastructure pressure, poverty).

The main types of social impact that occur as a result of these project-related changes can be grouped into five overlapping categories:

- lifestyle impacts – on the way people behave and relate to family, friends and cohorts on a day-to-day basis;
- cultural impacts – on shared customs, obligations, values, language, religious belief and other elements which make a social or ethnic group distinct;
- community impacts – on infrastructure, services, voluntary organisations, activity networks and cohesion;
- amenity/quality of life impacts – on sense of place, aesthetics and heritage, perception of belonging, security and livability, and aspirations for the future; and
- health impacts – on mental, physical and social well being, although these aspects are also the subject of health impact assessment.

The key points of the above discussion are that:

- social and biophysical impacts are interconnected and should be assessed together;
- SIA is understood to be concerned with the human consequences of development proposals, identifying all significant social impacts that arise in this context; and

National Investment & Manufacturing Zones (NIMZs)

The Government of India has announced a National Manufacturing Policy with the objective of enhancing the share of manufacturing in GDP to 25% within a decade and creating 100 million jobs. The National Investment & Manufacturing Zones (NIMZs) are an important instrumentality of the manufacturing policy.

The basic detail is as follows: State government selects the land and applies to the Central government to accept its proposal to set up an NIMZ. If the central government accepts, it notifies the same and sets up an SPV that manages it. State government owns it itself or makes any other arrangement of ownership.

NMIZs are the cornerstone of the NMP for realising its goals. NMIZs will be developed as green field industrial townships, benchmarked with the best manufacturing hubs in the world.

These NMIZs will seek to address the infrastructural bottleneck which has been cited as a constraining factor for the growth of manufacturing”.

The NMIZ will function as “a self-governing and autonomous body and will be declared by the State Governments as an Industrial Township under Art 243 Q (c) of the Constitution. ... They would be different from SEZs in terms of size, level of infrastructure planning, and governance structure related to regulatory procedures and exit policies”. NMIZ may also have SEZs located in them. While SEZs mainly concentrated on exports, NMIZs have no such role, though they may export if they choose to. SEZs exist for the services sector well while NMIZ does not.

Thus, NMIZ is going to be an all-inclusive gigantic structure combining production units, public utilities, logistics, environmental protection mechanisms, residential areas and administrative services. It may also include one or more Special Economic Zones (SEZs), Industrial Parks and Warehousing Zones, Export Oriented Units (EOUs) and Domestic Tariff Area (DTA) units.

The NMP prescribes that an NMIZ would have an area of at least 5000 hectares and that the State Government “will be responsible for selection of land suitable for development of the NMIZ, including land acquisition if necessary”.

As regards internal infrastructure of NMIZ, it will be provided by a Developer or a group of Co-developers, while external linkages will be provided by Govt. of India and the concerned State Govt. Thus, it requires Centre-State co-ordination. The NMP says that the administrative structure for NMIZ will be headed by an SPV- Special Purpose Vehicle .

While the Central Govt will be responsible for notifying the NMIZ and issuing necessary clearances, the State Governments really have many tasks to perform. Apart from selecting the land and acquiring if necessary: such as ensuring water requirements, power connectivity, infrastructure linkages, etc. .

The NMP empowers the Central Govt. with the creation of a High Powered Committee to ensure necessary coordination among central ministries and state governments and also monitor the progress of environmental and other clearances, as well as ensuring external physical

infrastructure in a time bound manner. The latter includes: Rail, Road (National Highways), Ports, Airports and Telecom and it also talks about using public private partnership model for this purpose and providing Viability Gap Funding.

State Govt may also have to provide such external linkages. Other functions of states government include, among other things,

- a) land,
- b) funding of initial cost of land,
- c) exploring funding arrangements, including from international funding institutions, long term tax free debentures, etc
- d) power connectivity,
- e) water requirements,
- f) state roads connectivity,
- g) sewerage and effluent treatment,
- h) health, safety and environmental issues, etc.

Besides the above major features of NMIZ, the NMP deals at great length on matters of

- a) institutional framework [e.g. making Department of Industrial Policy and Promotion (DIPP) as the nodal department of Govt. of India];
- b) rationalization and simplification of business regulations – dispensing with complying with 70 laws and regulations and filing sometimes as many as 100 returns a day;
- c) making labour laws flexible;
- d) exit policy for units in NMIZs that also ensures prospect of loss of job insurance policy for employees;
- e) leveraging infrastructure deficit and government procurement, etc.

A typical NIMZ will be of at least 5,000 hectares in size and will be chosen by the state governments from its own land or through acquisitions. The preference will be for non-agricultural land with adequate water supply. If needed, the states may reserve a certain share of the land for MSMEs.

Ownership of an NIMZ will either be with the state government, a state government undertaking in joint ownership with a private partner or under any other appropriate model.

Wasteland, as far as possible will be acquired and agricultural land will be kept to minimum. It should not be in ecologically sensitive area.

SPV

The administrative structure of an NIMZ will include four entities, namely an SPV, a developer, the state government and the central government. After the central government notifies an NIMZ in the official gazette, an SPV will be constituted to exercise the powers, discharge the functions and manage the affairs of the NIMZ. This SPV can be a company, including a Section 25 company, depending upon the MoU between stakeholders.

The appropriate financial and administrative structure of the SPV will depend on the financial participation of different stakeholders who will also have their nominees on the board of the SPV. However, the CEO of the SPV will be a senior central or state government official. The SPV will include an official/expert conversant with the work relating to pollution

control/environmental protection. There will also be representation to the industrial units functioning in NIMZs. The main functions of the SPV will include master planning of the zone, preparation of a development strategy and an action plan for self-regulation to serve the purpose of the policy, formulation of rules and procedures for development, operation, regulation and management of NIMZs and their enforcement.

- The SPV will also expedite environmental clearance and clearances under the air and water Acts, work out an arrangements with the state government regarding revenue streams including the levy of user or service charges or fees or rent for the use of infrastructure/properties in NIMZs and the creation of specific mechanisms for specialised services.
- The SPV can take up the development work on its own through various agencies/contractors or take up the development in partnership with a developer who shall be selected through a transparent process.

Labour advantages

NIMZs will put in place a comprehensive exit policy that will promote productivity while providing flexibility by reducing some of the moving rigidities in the labour market and by ensuring protection of workers' rights as laid down in the statute.

An exit policy will be worked out, keeping in view the provisions for the protection of workers' rights within the statutory framework. Firms operating in NIMZs will have a job-loss policy to insure workers against loss of employment in the event of closure or retrenchment. This policy will be used to make compensation payment to workers at the time of closure or right sizing. The SPV can also opt for a sinking fund mechanism, instead of a job-loss policy, to be funded by contributions to provide compensation to workers. Or both can operate in combination.

Similarly, the SPV will help redeploy labour from one unit to another in case of closures. This redeployment shall be from the date of closure at the same remuneration and on the same terms as before.

Under Section 25FFF of the Industrial Disputes Act there is a mandatory requirement to pay compensation equivalent to fifteen days' average pay for every completed year of continuous service, or any part thereof in excess of six months. NMP makes it 20 days.

By July 2013, Centre has already given in principal approval for 12 NIMZs.

- AP has been granted another National Investment Manufacturing Zone (NIMZ) near Ongole in Prakasam district. This will be in addition to the two NIMZs already cleared in principle by the central government in Medak and Chittoor districts. The zones will be developed as integrated industrial townships with state-of-the-art infrastructure, clean and energy-efficient technology and skill development facilities. Andhra Pradesh would be the second state after Maharashtra to have more than two NIMZs. Japan, Germany, the UK, Russia and China have shown keen interest in investing in these NIMZs.

SEZs

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in 2000.

This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. To instill confidence in investors and signal the Government's commitment to a stable SEZ policy regime and with a view to impart stability to the SEZ regime thereby generating greater economic activity and employment through the establishment of SEZs, Special Economic Zones Act, 2005, was made.

The main objectives of the SEZ Act are:

- a) generation of additional economic activity;
- b) promotion of exports of goods and services;
- c) promotion of investment from domestic and foreign sources;
- d) creation of employment opportunities;
- e) development of infrastructure facilities;

It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities.

The SEZ Act 2005 envisages key role for the State Governments in Export Promotion and creation of related infrastructure. A Single Window SEZ approval mechanism has been provided through a 19 member inter-ministerial SEZ Board of Approval (BoA). The applications duly recommended by the respective State Governments/UT Administration are considered by this BoA periodically.

The SEZ Rules provide for different minimum land requirement for different class of SEZs. Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created.

The SEZ Rules provide for:

- Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs;
- Single window clearance for setting up of an SEZ;
- Single window clearance for setting up a unit in a Special Economic Zone;
- Single Window clearance on matters relating to Central as well as State Governments;
- Simplified compliance procedures and documentation with an emphasis on self certification

Incentives and facilities offered to the SEZs

The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:-

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- 100% Income Tax exemption on export income for SEZ units for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Exemption from minimum alternate tax(done away with)
- External commercial borrowing by SEZ units upto US \$ 500 million in a year
- Exemption from Central Sales Tax.
- Exemption from Service Tax.
- Single window clearance for Central and State level approvals.
- Exemption from State sales tax and other levies as extended by the respective State Governments.

The major incentives and facilities available to SEZ developers include:-

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years
- Exemption from minimum alternate tax under Section 115 JB of the Income Tax Act(done away with recently)
- Exemption from dividend distribution tax(done away with. Read ahead).
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act). 2013

The government will soon notify the Special Economic Zones (SEZ) reforms which seek to ease land requirement norms and provide for an exit policy. The government had announced these reforms in the supplementary Foreign Trade Policy (FTP).

Once a major attraction for investors, SEZs lost sheen following imposition of MAT (Minimum Alternate Tax) and DDT (Dividend Distribution Tax), besides the global slowdown.

The government had taken note of the fact that there are acute difficulties in aggregating large tracts of uncultivable land lying vacant, to set up SEZ.

For multiproduct SEZ, minimum land requirement has been brought down from 1,000 hectares to 500 hectares and for sector-specific SEZs, it has been brought down to 50 hectares.

Also, there would be no minimum land requirement for setting up ITITES SEZs, besides easing of minimum built up area criteria.

The 170 functional SEZs have attracted an investment of over Rs 2.36 lakh crore and exports from them totalled Rs 4.76 lakh crore in 2012-13, a growth of over 2,000 per cent over the 7 years period. So far, the government has notified about 390 SEZs in different parts of the country.

Land-related Issues

Land reform (also agrarian reform, though that can have a broader meaning) involves the changing of laws, regulations or customs regarding land ownership and cultivation. Land reform may consist of a government-initiated or government-backed property redistribution, generally of agricultural land. Land reform can, therefore, refer to transfer of ownership from the more powerful to the less powerful, such as from a relatively small number of wealthy (or noble) owners with extensive land holdings to individual ownership by those who work the land. Such transfers of ownership may be with or without compensation; compensation may vary from token amounts to the full value of the land.

Land reform may also entail the transfer of land from individual ownership — even peasant ownership in smallholdings — to government-owned collective farms. The common characteristic of all land reforms, however, is modification or replacement of existing institutional arrangements governing possession and use of land.

In the years immediately following India's independence, the process of nation building considered the problems of land with a pressing urgency. In fact, the national objective of poverty abolition envisaged simultaneous progress on two fronts: high productivity and equitable distribution. Accordingly, land reforms were visualized as an important pillar of a strong and prosperous country.

The Government of India saw that agricultural development in India could be achieved only with the reform of India's rural institutional structure. It was said that the extent of the utilisation of agricultural resources would be determined by the institutional framework under which the various inputs were put to use. M. Dandekar observed: "Among the actions intended to release the force which may initiate or accelerate the process of economic growth, agrarian reform usually receives high priority". The First Five-Year Plan stated: "This (land reform) is a fundamental issue of national importance. The former Prime Minister, Indira Gandhi, emphasised: "Land Reforms is the most crucial test which our political system must pass in order to survive." Land reforms therefore became one of the vital aspects of the agricultural development policy especially after the concept of the Five-Year Plan came to stay.

The important objectives of land reform measures in India were: (1) to enhance the productivity of land by improving the economic conditions of farmers and tenants so that they may have the interest to invest in and improve agriculture, (2) to ensure distributive justice and to create an egalitarian society by eliminating all forms of exploitation, (3) to create a system of peasant proprietorship with the motto of land to the tiller and (4) to transfer the incomes of the few to many so that the demand for consumer goods would be created.

The Second Five-Year Plan emphasised the objectives of the land reforms thus:

- i. To remove the impediments in the way of agricultural production as may arise from the character of agrarian structure and to evolve an agrarian economy conducive of high levels of efficiency and productivity;
- ii. To establish an egalitarian society and to eliminate social inequality;

The land reform legislation was passed by all the State Governments during the Fifties touching upon these measures;

1. Abolition of intermediaries.
 2. Tenancy reforms to regulate fair rent and provide security to tenure.
 3. Ceilings on holdings and distribution of surplus land among the landlords.
 4. Consolidation of holdings and prevention of their further fragmentation and
 5. Development of cooperative farming.
- * The Zamindars acted as the intermediaries. Until Independence, a large part of agricultural land was held by the intermediaries under the zamindari, mahalwari and ryotwari systems. Consequently, the tenants were burdened with high rents, unproductive cultivation and other forms of exploitation.

By 1972, laws had been passed in all the States to abolish intermediaries. All of them had two principles in common: 1) abolition of intermediaries between the state and the cultivator and 2) the payment of compensation to the owners. But there was no clear mention about just and equitable compensation. Therefore, the Zamindari Abolition Act was challenged in the High Courts and the Supreme Court. But the Government accomplished the task of abolishing intermediary tenures bringing nearly 20 million cultivators into direct contact with the state. Nearly 57.7 lakh hectares were distributed to landless agriculturists after the successful completion of the Zamindari Abolition Act. The abolition also had a favourable economic impact on the country. By conferring the ownership of land to the tiller, the Government provided an incentive to improve cultivation. This paved the way for increase in efficiency and yield. This was an important step towards the establishment of socialism and the Government revenue increased. It also ushered in cooperative farming.

The efficacy of the legislation was, however, considerably reduced for the following reasons;

1. The act did not benefit sub-tenants and share croppers, as they did not have occupancy rights on the land they cultivated.
2. Many landlords managed to retain considerable land areas under the various provisions of the laws. Benami holdings became the order of the day in many States.
3. The problems of transferring ownership rights from the actual cultivators of the land, the tenants, the sub-tenants, share croppers, therefore, remained far from resolved.

Result, land reforms remain incomplete and unfinished.

One of the major negative features of agrarian transition in India is the continued concentration of land in the hands of the upper strata of the rural society. This has not undergone any change in the past five decades, despite the reforms. In fact, leasing in by the affluent farmer is common place.

It may be inferred that the steps taken by the Government have not made any significant impact on the agrarian structure to reduce, let alone eliminate the inequality in the distribution of land or income or to afford to lend the poor the access to the land. It is also true that the land reforms did not seriously jeopardise the interest of the landholders. The structural impediments to production and equitable distribution of rural resources are very much in existence. Social, political and economic power still rests with the elite group who were elite prior to 1947 also.

On the question of increasing productivity, it is difficult to assess the exact contribution of land reforms because productivity has been more related to the technical revolution ushered in the Indian agricultural sector.

A degree of success was even registered in certain regions and states, especially with regard to issues such as the abolition of intermediaries, protection to tenants, rationalization of different tenure systems, and the imposition of ceilings on landholdings. But the progress by and large is meager. There are many factors responsible for the tardy progress but important among them are the lack of adequate direction and determination, lack of political will, absence of pressure from below, inadequate policy instrument, legal hurdles, absence of correct-up-dated land records and the lack of financial support.

Most studies indicate that inequalities have increased, rather than decreased. The number of landless laborers has risen. In the opinion of some, after liberalization, privatization, and globalization (LPG) we are today at a juncture where land mostly for the urban, educated elite, who are also the powerful decision makers has become more a matter of housing, investment, and infrastructure building; land as a basis of livelihood for subsistence, survival, social justice, and human dignity has largely been lost.

The balance of power in rural India is so heavily weighed against the landless and the poor that implementing land ceiling laws is difficult. It is clear that without massive mobilisation of the rural poor and a deepening of democratic governance in rural India, very little can be achieved in this direction. West Bengal, with more than half of India's ceiling surplus land beneficiaries, provides an example of what could be achieved. Its land distribution programme called Operation Barga has been hailed as a success.

Although half of India's population continues to depend on agriculture as its primary source of livelihood, 83 per cent of farmers operate holdings of less than 2 ha in size, and the average holding size is only 1.23 ha. This is often in fragments and unirrigated. There are also those who are entirely landless, although agriculture is their main source of livelihood. They have inadequate financial resources to purchase and often depend on leasing in small plots, on insecure terms, for short periods, sometimes only for one season. Hence many face insecurity of tenure and the growing threat of land alienation and pressures from urbanisation, industrialisation and powerful interests.

They are unable to take advantage of the economies of scale, or invest in costly inputs such as irrigation, technology or machinery. They have limited access to formal credit. Hence they have few resources for land improvement or crop insurance or adequate inputs (seeds, fertilisers, and so on). They are often ignored by extension agencies and seldom receive information on new technologies or training in skill-intensive agricultural practices.

Absentee landlordism is high in some regions (especially the hill states and rainfed areas), causing huge tracts of cultivable fallows to lie idle. Unfortunately, most tenancy laws have driven tenancy underground or made it even more informal. Micro-studies from different states show that the proportion of leased-in land is significantly higher than reported by both the NSS and Census. In some cases, it is as high as 20–25 per cent of the gross cultivated area. Tenancy contracts are oral and for a short period. The proportion of leased-in land is higher in agriculturally developed regions compared to backward regions. All classes of households participate in the lease market both as lessors and lessees. However, while in backward agricultural regions, the traditional pattern is more common wherein the small and marginal farmers dominate the lease market as lessees and large and medium farmers as lessors, in agriculturally advanced regions, the lease market is in a state of transition where all classes of

households participate. The trend towards reverse tenancy is more pronounced in these regions.

There is, therefore, a strong case for legalising tenancy and allowing leasing-in and leasing-out land with adequate safeguards to protect the interests of small and marginal farmers. Liberalisation of the lease market does not mean abrogation of existing tenancy legislations. These must be suitably amended to permit leasing-in and leasing-out of land, while making ownership rights non-alienable and secure, fixing tenure, recording of lease and allowing landowners to resume land for cultivation after expiry of lease.

Reforming tenancy laws would allow all sections to appropriately participate in the lease market depending upon their resource endowment. Studies have shown that in states like Punjab and Haryana, large and medium farmers who lease in land from small and marginal farmers invest in modern inputs, reap economies of scale and raise farm productivity. The small and marginal farmers who lease out their land also gain in terms of occupational mobility and higher incomes. In other states like Bihar and Orissa, with low wages and fewer employment opportunities, small and marginal farmers lease in land, enlarge their holding size and thus afford a reasonable level of living with all attendant benefits of tenancy like borrowing from financial institutions. The medium and large farmers in these states migrate to urban areas to take non-farm employment opportunities without any risk of losing their land. When their livelihoods become secure in the non-farm sector, they could sell their land. Liberalising tenancy also helps in consolidation of holdings as farmers prefer to lease out rather than sell the piece of land that is inconveniently located. Long-term tenancy contracts would also help raise agricultural productivity.

These constraints are further compounded for tribal and women farmers. Increasingly, as more men than women move out of agriculture, there is a shift toward the feminisation of agriculture. Many women also serve as de-facto household heads. However, women farmers typically have little direct access to land and highly unequal access to inputs and other services.

Environmental factors further disadvantage poor farmers. Water tables have been falling and soils depleting. All this is happening against the backdrop of climate change. The key question is: *how can these constraints be transformed into opportunities?* Can the disadvantaged farmers attain sustainable livelihoods and become India's advantage for both higher growth and more inclusive development?

The Way Forward

The Twelfth Plan Working Group on Disadvantaged Farmers, including Women has proposed several mechanisms for easing the land constraint faced by the landless and land-poor:

Land Transfers by Government to Disadvantaged and Women (D&W) Farmers: There should be a comprehensive assessment of all land available with the government, including ceiling surplus land, uncultivated wasteland, and so on. Unofficial estimates by organisations such as Ekta Parishad suggest much more land is available for distribution than reflected in official estimates.

All such available land should be distributed to groups of D&W farmers rather than to individual families. The land so distributed could either be registered in the group's name, or it could be given to them under a very long-term lease arrangement. The recommendation of the Eleventh

Plan that all rural families without homesteads be allotted land in the woman's name, needs to be implemented in all States, to be used for shelter and supplementary livelihoods, although the amount allotted could be subject to availability. Some States have taken important initiatives in this direction. Kerala has had a longstanding programme of giving ownership rights on land on which a homestead stands, in its land reform programme. Some 4.46 lakh agricultural labour households benefited from this: the percentage of landless families declined from 15.7 per cent in 1971-72 to 4.8 per cent in 2002-03. These schemes provided land for shelter and also for supplementary livelihoods (for example kitchen gardens, goat and poultry rearing). The West Bengal and Orissa governments have also allotted homestead plots to land-less families. Orissa has been allotting 4 to 10 cents and West Bengal has allotted up to 16 cents.

Facilitating Land Purchase

Apart from distributing all surplus land available with the government to D&W farmers, schemes could be instituted to enable the landless and land-poor to themselves purchase land. The Twelfth Plan Working Group on Disadvantaged Farmers, including Women recommends a loan-cum-grant scheme with 50 per cent being given as a low interest loan and 50 per cent being given as a grant, to help groups of landless or near landless women and men purchase land collectively. The land purchased can be registered in equal parts in each group member's name, but support is needed to help the group improve the land, and even cultivate it as a group.

A case in point is a scheme started in the 1980s by the Government of Andhra Pradesh, under which poor dalit women formed small groups to buy land collectively for joint farming, with support from the NGO Deccan Development Society. Many women's groups in Medak District took advantage of the scheme. The land was equally divided and registered in the names of individual women. But they are cultivating jointly by pooling it.

Facilitating Land Leasing

Land leasing is a significant mechanism for bringing in fallow or little used land under cultivation, and providing land access to the land-poor. This will need both legal changes and institutional innovation.

Legal changes: Tenancy should be legalised and regulated to provide security to the tenant while also protecting the landowner's rights. The contractual period should be long enough to encourage investment in land. Legalisation should also protect the landowner's rights so that s/he has an incentive to lease out the land which might otherwise remain underutilised. A group approach to leasing in and use of the land should be built into the system, as also financial and institutional support for such cultivation. In other words, leasing by women's Self Help Groups (SHGs), or groups constituted of male or female headed disadvantaged farmer families, or production cooperatives, or other forms of group farms should be permitted. Sub-leasing within the group to individual members should be banned. Financial and institutional support should also be provided for group cultivation.

Public Land Banks: Even legal guarantee may be insufficient to mitigate the landowner's fear of losing his/her title, especially since many of the lessors are themselves small and marginal farmers. Enacting a law to recognise tenancies could freeze the informal land lease market in the short run. To guard against this, the Twelfth Plan Working Group on Disadvantaged Farmers, including Women proposes the creation of a *Public Land Bank* (PLB) at the panchayat level. This would regulate and rationalise land demand and supply. The PLB would take 'deposits' of

land from landowners wanting to lease out their land, with the surety that they could withdraw their deposit when they wanted. The deposit could be for one season, one year, or three years and more. The PLB would lease out the land under its command to specially designated categories of disadvantaged farmers, such as marginal farmers, women, dalits, and tribals, whether leasing as individuals or in groups. These lessees would get a guaranteed lease, fixed after assessing land quality, and in a consolidated plot where possible. Institutional finance and other support could also be provided.

There can be several incentives for farmers to deposit their land in the PLB: (i) a minimum rent from the PLB even for fallow land; (ii) an additional 'topping up' rent for land that gets leased out; (iii) development of the land in terms of soil conservation and so on, via MGNREGA or other means. (iv) government guarantee to protect the owner, with owners being free to withdraw their land from the Bank with due notice. For the lessees, it would provide D&W farmers access to land for which they cannot always compete in the open market. The PLB should provide a guaranteed lease and, where possible, a consolidated plot of reasonable size. This would, in itself, improve their ability to move up the value chain and taking advantage of new opportunities.

Group Farming: An Integrated Approach to Ease Multiple Constraints To ease the constraints D&W farmers face in access to land and other inputs, and to enable them to take advantage of new market opportunities, we need an integrated approach to problem resolution. The most comprehensive solution would be group farming with individual land ownership. There are several successful examples of group cultivation in India from which lessons can be learnt and the programme expanded to other states. The best known example is of the Kudumbashree project launched in 2007 by the Kerala Government; but initiatives in Andhra Pradesh are also of note.

The Kudumbashree project initially facilitated land leasing by small groups of women, typically women's SHGs. In March 2010, an additional step was taken under which SHGs undertaking group farming can be registered as Joint Liability Groups (JLGs) a National Bank for Agriculture and Rural Development (NABARD) scheme and given financial and technical support. The state government also provides support for land preparation and reclamation (linking it with MGNREGS in some districts). There are some 38,000 JLGs in Kerala today, covering 2.5 lakh women. Such collective/group farming is carried out in all 14 districts of Kerala, covering around 24,000 ha in 2010–11. Of this, 30 per cent is fallow land which is about 9 per cent of the total current fallow land in the state. Each JLG has 4–10 women members from poor families, who lease in land, and also pool small plots owned by members. Leases range between 1 and 3 years. Rent on fallow land is low. The main crops cultivated are paddy (almost one-third the acreage), tapioca, vegetables, banana and pineapple. Group farming through joint leasing has brought substantial uncultivated land under farming, revived agriculture and created employment.

The *Andhra Pradesh Mahila Samatha Society (APMSS)* is another significant case of successful group farming by women. In 2001, APMSS began implementing a five-year GoI–UNDP supported Dry Land Agriculture Project by mahila sanghams in five districts. The project covered 500 villages, with women farming in groups on jointly leased in or pooled personal land. In 2005, United Nations Development Programme (UNDP) involvement ended but the programme continued under APMSS. Many of these groups survive today. There are about 175

women's groups in five districts, involving 4,376 women farmers, belonging to small and marginal farmers and landless labourers. The groups mainly cultivate paddy with little irrigation and use non-chemical farming practices. All farm operations are shared and the output is distributed among the women.

Group farming has greatly increased food security among the participating households, which would not have been possible on an individual basis. However, the groups need sustained technical support at the field level which had been provided during the project period with UNDP funding.

The Kudumbshree and APMSS models could be tried on a pilot basis in other States, adapted to local contexts. The group enterprise model should also be replicated for other agricultural sectors, such as fisheries (for example, group pisciculture); poultry or livestock management. Group farming could also be integrated with MGNREGS for improving agricultural land. For instance, MGNREGS has been used productively for land preparation or reclamation to support group farming in Kerala (under the Kudumbshree project). Such efforts to integrate group farming with MGNREGS need to be encouraged to leverage such schemes better for improving land resources for agriculture.

Land acquisition for non-agricultural use

Faster industrialisation is both desirable and inevitable; so is faster urbanisation. Land is an essential requirement for these structural changes to proceed unimpeded. Government also needs to acquire land for a variety of public purposes, including human development and infrastructure projects. Recognising that all the land needed for development cannot be obtained in a purely voluntary manner, there is need for a fair land acquisition law which resorts to compulsory acquisition only where it is unavoidable and in a manner that seeks assessment of social impact as participatory as possible, while also ensuring that both fair compensation and Resettlement and Rehabilitation of the dislocated persons.

Independent estimates place the number of people displaced following development projects in India over the last sixty years at 60 million, and only a third of these are estimated to have been resettled in a planned manner. Most of these people are the assetless rural poor, marginal farmers, poor fisher-folk and quarry workers. Around 40 per cent of those displaced belonged to Adivasis and 20 per cent to Dalits. Given that 90 per cent of our coal, more than 50 per cent of most minerals and most prospective dam sites are in Adivasi regions, there is likely to be continuing tension over issues of land acquisition in these areas.

These problems have arisen in large part because the legal framework under which land has been acquired is outdated. It is based on the principle of 'eminent domain'¹ under which the State can forcibly acquire land for a public purpose at prices which do not reflect the market price nor provide any premium to reflect the fact that the acquisition is forcible.

The way forward is to move away from the colonial perspective of treating people as 'subjects', which is inherent in the doctrine of eminent domain, towards a vision of citizens, whose rights are guaranteed under the Constitution. Ultimately, we have to go beyond narrow legality to seek broader legitimacy.

Supreme Court verdict 2013 April

In a landmark judgment, the Supreme Court directed the smallest units of local governance to use their powers and take a decision on whether the Vedanta group's \$1.7 billion bauxite mining project in Odisha's Niyamgiri Hills can go forward or not.

Affirming the decision-making power of the village councils of Rayagada and Kalahandi under the Forest Rights Act (FRA), the court directed these gram sabhas to "take a decision...within three months" on any claims of cultural, religious, community and individual rights that the forest dwellers of the region may have.

"We are, therefore, of the view that the question whether STs [Scheduled Tribes] and other TFDs [traditional forest dwellers], like Dongria Kondh, Kutia Kandha and others, have got any religious rights i.e. rights of worship over the Niyamgiri hills, known as Nimangiri, near Hundaljali, which is the hill top known as Niyam-Raja, have to be considered by the Gram Sabha," said a three-member Bench in its order. "Gram Sabha can also examine whether the proposed mining area Niyama Danger, 10 km away from the peak, would in any way affect the abode of Niyam-Raja. Needless to say, if the BMP [bauxite mining project], in any way, affects their religious rights...that right has to be preserved and protected."

Once the gram sabhas have made their decision, the court gave the Ministry of Environment and Forests (MoEF) a further two months to take a final decision on granting a forest clearance for the bauxite mining project being run as a joint venture between a State-owned mining corporation and the U.K.-based Vedanta's Indian arm.

R&R

Resettlement & Rehabilitation (R&R) provisions must be made mandatory

Not addressing these issues has meant that even when the purposes for which land is to be acquired are in the legitimate national interest and/or sub-serve a vital public purpose, there have been fractious and irresolvable conflicts over land acquisition.

On the other hand, given the huge asymmetries of information and power in the land market, there are innumerable instances of distress sales by farmers to more powerful entities at throwaway prices. In many instances, these sales have been followed by use of the land in ways that run completely contrary to the original stated purpose and have yielded wind-fall profits to land and real estate mafias. That is why there has to be a role for the government to put in place, a transparent and flexible set of rules and regulations, and to ensure its enforcement.

Government is in the final stages of formulating *The Right to Fair Compensation, Resettlement, Rehabilitation and Transparency in Land Acquisition Bill*. The Bill seeks to balance the need for facilitating land acquisition for various public purposes, including infrastructure development, industrialisation and urbanisation, while at the same time meaningfully addressing the concerns of farmers, and those whose livelihoods depend on the land being acquired.

The reason for combining the two into a single legislation is that land acquisition and R&R are two sides of the same coin. R&R must always, in each instance, necessarily follow upon significant acquisition of land. Not combining the two within one law, risks neglect of R&R which has been the experience so far.

Even as it protects the interests of the land and livelihood losers by ensuring them fair compensation and adequate R&R, the Bill also seeks to ensure that land acquisition for vital

public purposes happens in a manner that is judicious, transparent and time-bound, so that public purposes can be served in an expeditious and efficient manner.

The Bill is a milestone in legislation that should lead to a reduction in instances of perceived injustices that have played a major role in fuelling Maoism. On the other hand, by improving the functioning of the land market, it should lead to an upgrading of the overall investment climate in the country.

The Bill lists eight categories of public purpose for which government can acquire land:

1. Land for strategic purposes relating to armed forces of the Union, national security or defence, police, safety of the people;
2. Land for railways, highways, ports, power and irrigation purposes for use by Government and public sector companies or corporations;
3. Land for the project affected people;
4. Land for Planned development or improvement of village or urban sites or for residential purpose to weaker sections in rural or urban areas;
5. Land for Government administered educational, agricultural, health and research schemes or institutions;
6. Land for persons residing in areas affected by natural calamities;
7. Land acquired by the Government for use by government itself for purposes other than those above public sector companies; or
PPP projects for the production of public goods or the provision of public services for physical infrastructure, social infrastructure and human development projects including those involving the production of intermediate goods and services for these purposes.
8. Land for private companies for the production of public goods or provision of public services for physical infrastructure, social infrastructure and human development projects including those involving the production of intermediate goods and services for these purposes.

Under categories (7) and (8), consent of at least 80 per cent of the landowning Project Affected Families (PAFs) is sought to be obtained through an informed process as outlined in the Bill. Under PPP projects, ownership of land will continue to vest with Government so that the PPP framework can apply.

In each case of land acquisition, fair compensation and R&R provisions as laid out in the Bill will apply. The compensation will be two times the market rate (including solatium) in urban areas and 2-4 times the market rate (including solatium) in rural areas (based on a sliding scale reflecting the distance of project from urban area). The sliding scale will be determined by State government or State Land Pricing Commission/Authority. The land compensation calculated will not be taken as the base to determine the circle rate for subsequent acquisitions, in order to ensure there is no speculative price spiral.

In the interests of food security, reasonable restrictions have been placed on acquisition of multi cropped agricultural land, with the limits of these being in each case left to the States to decide. These restrictions shall not apply in the case of linear projects (such as railways, highways, major district roads, power and telegraph lines and irrigation canals)

The comprehensive R&R package for land-owners and livelihood losers includes:

1. Subsistence allowance at `3,000 per month per family for 12 months
2. The affected families shall be entitled to: (i) Where jobs are created through the project, mandatory employment for one member per affected family or (ii) `5 lakhs per family or (iii) `2,000 per month per family as annuity for 20 years, with appropriate index for inflation. The option of availing (i) or (ii) or (iii) shall be that of the affected family
3. If a house is lost in rural areas, a constructed house shall be provided as per the Indira Awas Yojana specifications. If a house is lost in urban areas, a constructed house shall be provided, which will be not less than 50 sq mts in plinth area. In either case the equivalent cost of the house may also be provided in lieu of the house as per the preference of the project affected family
4. *One acre of land* to each family in the command area, if land is acquired for an irrigation project
5. `50,000 for transportation
6. A one-time 'Resettlement Allowance' of `50,000

Additional benefits have been provided for SC/ ST families. The Bill also seeks to provide the same R&R package to affected families on sale/purchase of land where sale/purchase exceeds certain threshold. This threshold shall be fixed by respective States keeping in view the availability of the land and density of the population.

25 infrastructural amenities are to be provided in the resettlement area, including schools and play-grounds, health centres, roads and electric connections, assured sources of safe drinking water for each family, panchayat ghars, Anganwadis, places of worship and burial and/or cremation ground, village level post offices, as appropriate, with facilities for opening saving accounts, Fair Price shops and seed- cum-fertiliser storage facilities and so on.

In order to avoid delays, stringent time-lines have been set. Compensation will be given within a period of three months from the date of the award. Monetary R&R entitlements will be provided within a period of six months from the date of the award. Infrastructure R&R entitlements will be provided within a period of eighteen months from the date of the award. No involuntary displacement will take place without completion of R&R. In irrigation or hydel projects, R&R shall be completed six months prior to submergence.

Innovations in land for urbanisation

Work on issues related to urbanisation during the preparation of the Twelfth Plan has thrown up a number of innovative ideas to ease the land constraint in this sector:

Land Readjustment (LR) is gaining acceptance as an alternative to land acquisition as it has many advantages for land assembly. Under this process, a compact area is selected in consultation with the land owners for urban expansion/renewal. The municipal authorities provide infrastructure which is funded by exploiting a part of land. The remaining land, whose value has increased due to provision of infrastructure, is reallocated back to participating private land-owners. In essence a participatory tool, LR avoids public discontent and protests to a great extent. It also reduces the need for raising large amounts of money for acquiring land.

India has already been experimenting with a variant of LR in Gujarat's Town Planning Schemes (TPSSs). Successful LR is grounded in three main enablers:

- Fairly well-defined property rights • Streamlined, independent, and transparent evaluation processes • Strong judicial system to address public concerns

The government of Tamil Nadu is considering the Gujarat model of Town Planning scheme to address some of the issues of land acquisition and planned development. Land readjustment and pooling are successfully implemented in Gujarat. When a development plan or a new road alignment is proposed, the Town Planning scheme does not acquire the land from the private owners. Instead, it temporarily pools the required land and the area for laying roads, amenities and other public purposes are delineated and allocated. Normally about 20 per cent of land is required for roads and another 20 per cent for common amenities. The remaining area is then reconstituted into plots as envisaged in the development plan and given back to the original owners. The land re-allotted would be proportionate to the size of the original plot and the location would be as close as possible to its original location. The cost to develop the roads and other infrastructure would be raised through the collection of the development charges from the owners or through selling the land pooled for the common purpose.

This does not involve any forceful acquisition of land. More importantly, the benefit of the development is shared with the land owners who would have otherwise forfeited them for a onetime compensation which is usually lower than the market value.

No compensation is paid in this scheme. Whatever land lost is compensated through the increase in post development land price. They are free to sell the developed plot or use it. This particularly works well in the urban and adjoining areas where the cost of the developed plot is higher than the undeveloped one. Many of the development projects can be amicably implemented through this.

Simplification of procedures for conversion of land-use and change in building bye laws have been mandated under JNNURM. These reforms should be completed urgently.

Rights of Slum Dwellers: Phase-II of the Rajiv Awas Yojana (RAY) is to be launched during the Twelfth Plan. RAY mandates giving ‘property rights’ to slum dwellers by suitable enactment within a year of the project being sanctioned.

RAY 2011

With an aim of creating a slum-free India, government approved the launch of the phase-I of Rajiv Awas Yojana (RAY) to facilitate affordable housing for slum dwellers.

The Centre would provide financial assistance to States willing to assign property rights to slum dwellers for provision of shelter and basic civic and social services for slum re-development and for creation of affordable housing stock under the RAY scheme.

The scheme is expected to cover about 250 cities, mostly with population of more than one lakh across the country by the end of 12th Plan (2017). The scheme will progress at the pace set by the States.

As per the Cabinet Committee on Economic Affairs decision, the Centre will bear 50 per cent of the cost of slum redevelopment. To encourage creation of affordable housing stock, the existing schemes of Affordable Housing in Partnership and Interest Subsidy Scheme for Housing the

Urban Poor have been dovetailed into RAY.

In order to encourage private sector participation in slum re-development, Central assistance can be used by the States and cities towards viability gap funding.

Credit enablement of the urban poor and the flow of institutional finance for affordable housing is an important component of the scheme. The government has agreed to establish a mortgage risk guarantee fund to facilitate lending the urban poor for housing purposes with an initial corpus of Rs. 1000 crore.

The scheme has been designed on the basis of experience of the Jawaharlal National Urban Renewal Mission (JNNURM) sub-mission of Basic Services to the Urban Poor (BSUP) and the Integrated Housing and Urban Development Programme (HSDP).

Under these schemes, government had sought to take action for inclusive urban growth by enabling redevelopment of slums with basic amenities and decent housing with security of tenure.

The foundation laid by the JNNURM is now being built upon by aiming at creation of a slum free India through assignment of property rights to slum dwellers with greater inflow of additional Central assistance for slum re-development and creation of new affordable housing stock.

As in JNNURM, the Central assistance is conditional to reforms by the States. The reforms required here are directly linked to the objectives of the scheme and necessary for the scheme to be successful.

These reforms include the enactment of law and the assigning of property rights as also reforms in the policy to ease the land and affordable housing shortages.

The scheme is expected to begin in 250 cities which have an estimated 32.10 million people living in slums. They will benefit by way of property rights and access to decent shelter, basic amenities and a dignified life.

The inclusive city growth process will lead to enactment of productivity at the bottom of the pyramid and will sustain the contribution of cities to the Gross Domestic Product.

Updating and modernization of land records

The deteriorating quality of land records administration over the last four decades has been a major cause for concern. Accurate and updated land records are a veritable lifeline for millions of small and marginal farmers in India. They secure them against a range of vulnerabilities and allow them to access credit and agricultural inputs, as also the benefits of various anti-poverty programmes. Unambiguously recorded land rights, firm in law, are the foundation for investments in higher farm productivity. On the other hand, chaotic land management results in sporadic encroachments and fratricidal litigation, at great cost to the poor. It also creates a governance regime within which rent-seeking and exploitation of the weak flourish unchecked.

Rational Use of Land

Land is a fixed resource and its availability in India on a per capita basis is relatively low compared with most countries. Furthermore, the country's population is likely to continue to grow till at least 2040 whereas the land mass may actually shrink with increased coastal erosion and flooding due to climate change. In these circumstances, the rational and planned use of land must be an issue that needs the highest priority, and should be made a central focus of our resource planning. Land is a state subject, but the issues are so critical that there is need for better coordination at the national level.

There are three main areas of conflict that need to be addressed. The first relates to the allocation of available land between agriculture, industry and urban use. The second potential conflict arises from the fact that allocation across different uses means some land acquisition is therefore necessary, but the terms on which this had been done in the past are no longer acceptable. The third potential conflict arises because most of our mineral resources are in areas, which are forested and the effective exploitation of these resources calls for acquisition, which may disrupt some tribal communities.

As far as the allocation to alternative sectors is concerned, it is important to recognise that diversion of land from agricultural to non-agricultural uses is inevitable in any development process since Industry must expand and cities must also expand and in both cases land needed for this expansion can only come from agriculture. Concern is often raised in this context about the impact on food security. This problem is greatly exaggerated because the productivity of land in agriculture at present is very low and the shift of some land from agriculture to non-agricultural use can easily be offset by productivity increases, which are feasible and have been seen in many other developing countries. We need a clearer articulation of a strategy for dealing with such shifts while ensuring the continuing increase in the supply of agricultural products of the appropriate mix of grains, horticulture products and cash crops.

Compulsory acquisition is unavoidable where there is a genuine public purpose such as acquiring land for infrastructure development. There may be a case for using acquisition for certain lands of privately owned facilities which serve a public purpose but this needs to be carefully defined. To remedy the deficiencies in the existing legislation for land acquisition which dates back to colonial times, the government has introduced the Land Acquisition Relief and Rehabilitation Bill in Parliament which is expected to create a much more balanced framework protecting the rights of those whose land is being acquired, as well as those whose livelihood will be disrupted.

Land Reform and Environmental Sustainability

The land within a forest area relates to issues of land reform. It is important to have an ecological balance among the proportions of land designated for forestry, agriculture, and nonagricultural purposes, and land reform can help to maintain and sustain this balance. Land reform that can ensure more equitable landownership can go a long way in relieving pressure on forests, even more than dedicated forest development programs that look on forests as a narrow environmental issue, devoid of a human dimension. The human element in forests, however, is very important, especially in several states of India where groups of populations have depended on forests for their livelihood for generations.

The concept of social forestry, later Joint Forest Management and in 2006, the Forests Rights law were the steps taken by the government to settle the issue.

Importance of Land Reform to India's Future

From an economic perspective, the question of land is linked to critical issues of agricultural productivity, agrarian relations, industrial uses, infrastructure development, employment opportunities, housing, and other related issues. Each one of these aspects is crucial for enhancing national security by ensuring consistent economic growth, food security, goods for export, and so on, which reinforce the country's economic strength, and therefore, its bargaining power in the international community.

- ❖ The case has been made above for an ecological balance between the proportion of land designated for forestry, agriculture, and nonagricultural purposes. There is a need to explore the linkages among rural poverty, landlessness, and skewed land tenure systems with particular attention to the problems of deforestation.

Traditionally, impoverished farmers moving into forests have been identified as the principal, direct agents of forest loss. Hence, land reform that can ensure more equitable landownership may well do more to relieve pressure on forests rather than any other policy of forest resource development. In this context, and as suggested above it would be helpful to explore the efficacy of social forestry programs already undertaken in states such as Andhra Pradesh.

Patterns of land use also have an impact on soil erosion and land degradation. For instance, agricultural practices designed to suit market conditions presuppose a permissive use of agrochemicals to maximize productivity. Land is rigorously exploited to generate immediate, short-term profit, often at the expense of a long-term impact in the form of severe land degradation. In arid and semiarid regions, the introduction of perennial irrigation in order to increase yield causes salinization of the land. Irrigation on poorly drained land has waterlogged the soil, causing salts in the groundwater to rise and accumulate on the surface, turning farmland into a salt-encrusted desert. Artificial fertilizers and chemical sprays undermine the natural fertility of soils and increase its vulnerability to erosion. Of a total land expanse in India of 329 million hectares, nearly 141 million hectares (43 percent) of the land is subject to water and soil erosion. Other types of land degradation such as water logging, alkaline and arid soils, salinity, ravines, and gullies affect another 34 million hectares.

Given the fragile nature of the ecosystem and land quality that has resulted from such a dependency on chemical inputs, care must be exercised in determining land-use patterns in the future. Agriculture is expanding to wastelands that are not suited for cultivation, hence pushing India's small farmers into a less fertile land base. Additionally, the rising demand for irrigated agriculture has led to massive overexploitation of groundwater. And, with the demand for more water, local wells often dry up, leaving small and marginal farmers to either pay for expensive state-provided water or abandon the unproductive farm. In response to the same crisis in water access, wealthier farmers, corporations, and the state resort to expensive technology-dependent extraction of groundwater, which exacerbates the overall problem of groundwater depletion. The ecological consequences of the current dominant model of development are serious and need to be addressed.

Tribal Displacement and Deprivation. The concept of land as a commodity comes into conflict with traditional concepts of common property and with societies, such as those of many tribal peoples throughout India, who generally do not have a documented system of land rights. The issue of land use arises in this context because many tribal groups, 7 percent of the total Indian

population, live in resource-rich regions. Consequently, both the government and the private sector have a keen interest in gaining access and control over the land or its mineral wealth. In the process, depriving tribal groups of land has become the norm, as they are routinely displaced, and, in most cases, not even able to claim compensation since they have no legal proof of ownership.

It is estimated that over 20 million people have been displaced by large projects (e.g., dams, railroads) since independence, and a majority of these people have been tribal groups. This has happened despite the fact that special legal provisions exist to protect the land and other assets of tribal people. Driven away from their homes and with little or no resettlement assistance, they join the ranks of the landless. One attempt at correcting this ongoing marginalization was the official endorsement of five principles that valued the preservation of tribal land use patterns and land distribution practices.

The *Panchsheel*, or five principles of tribal development, state the following:

1. Tribal people have the right to develop according to their own culture and join the mainstream as equals, while maintaining their identity. Tribal rights on tribal lands and forest will be safeguarded.
2. A team built from among tribals will develop their land.
3. State administration in tribal areas will work through traditional tribal structures.
4. Achievements in tribal areas will be judged according to human growth rather than productivity.

The resource-rich regions of the tribal peoples in India have been drawn into the plans for national development, with its emphasis on industrialization and ever-higher productivity. Already, industries and irrigation schemes built on large dams have displaced many tribal people and transformed them into landless migrant labor. The government has presented tribal development schemes as a principal tool for poverty alleviation. However, these schemes have not taken into account the total dependence of the tribal population on land and their lack of other productive assets. It is critical that the unique existence and subsistence patterns of tribal people be empathetically understood so that economic development can be harmonized with social change.

From the 12th FYP Document

India has had a long history of social discrimination, closely linked with denial of access to land. Specific land tenure systems prevailing at the time of independence also created their own set of problems. The deteriorating quality of land records administration over the last four decades has compounded the hardships of the poor. And in the recent past, the drive to acquire land for development has posed fresh challenges, most especially for the scheduled tribes. The last few years have witnessed a number of new government initiatives, including the Hindu Succession (Amendment) Act, 2005 and the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, which are a response to both historical injustices and recent challenges. In January 2008, the Prime Minister approved the constitution of two High Level bodies—the National Council for Land Reforms under the Chairmanship of the Prime Minister and a Committee on State Agrarian Relations and the Unfinished Tasks in Land Reforms under the Chairmanship of the Union Minister for Rural Development. The Union Government has drafted *The Right to Fair Compensation, Resettlement,*

Rehabilitation and Transparency in Land Acquisition Bill.

The constraint posed by land is emerging as a key challenge in ensuring both inclusiveness and sustainability of the growth process. There is a constraint faced by the landless, small and marginal farmers within agriculture, as also the constraint faced by the growing need for land for the processes of urbanisation and industrialisation.

Contract farming

Farming is an age-old means of livelihood for millions of Indians. However, there have been few systems/models in which farmers are assured of a market for their produce, leave alone a remunerative price. Farmers have on occasion had to throw their produce away for want of buyers. This is one side of the coin. On the other is the agri-based and food industry, which requires timely and adequate inputs of good quality agricultural produce. This underlying paradox of the Indian agricultural scenario has given birth to the concept of Contract Farming, which promises to provide a proper linkage between the 'farm and market.'

Recognising the need for and merits of such a linkage with the farming/producing community, several corporates involved in agrocommodity trading, processing, exports, etc. have attempted to establish convenient systems/models that ensure timely and consistent supply of raw material of the desired quality and low cost. This article discusses a few successful cases of contract farming and a brief note on the bottlenecks and criticisms levelled against this emerging alternative farm business model.

Contract farming is defined as a system for the production and supply of agricultural/horticultural produce under forward contracts between producers/suppliers and buyers. The essence of such an arrangement is the commitment of the producer/ seller to provide an agricultural commodity of a certain type, at a time and a price, and in the quantity required by a known and committed buyer. Contract farming usually involves the following basic elements - pre-agreed price, quality, quantity or acreage (minimum/maximum) and time.

According to the contract, the farmer is required to plant the contractor's crop on his land, and to harvest and deliver to the contractor a quantum of produce, based upon anticipated yield and contracted acreage. This could be at a pre-agreed price. Towards these ends, the contractor supplies the farmer with selected inputs, including the required technical advice. Thus, the contractor supplies all the inputs required for cultivation, while the farmer supplies land and labour. However, the terms and nature of the contract differ according to variations in the nature of crops to be grown, agencies, farmers, and technologies and the context in which they are practised. For example, contract farming in wheat is being practised in Madhya Pradesh by Hindustan Lever Ltd (HLL), Rallis and ICICI.

Under the system, Rallis supplies agri-inputs and know-how, and ICICI finances (farm credit) the farmers; HLL, the processing company, which requires the farm produce as raw material for its food processing industry, provides the buyback arrangement for the farm output. In this arrangement, farmers benefit through the assured market for their produce in addition to timely, adequate and quality input supply including free technical know-how; HLL benefits through supply-chain efficiency; while Rallis and ICICI benefit through assured clientele for their products and services. The consortium is also planning to rope in other specialist partners including insurance, equipment and storage companies.

Small farms and contract farming

In production agriculture, the trend in India is towards fragmentation rather than consolidation. The average size of landholdings declined from 2.2 hectares in 1970-71 to 1.06 hectares in 2003. Nearly 88 percent of the farmers have less than 2 hectares of land, and account for about 44 percent of the operated area (NSSO, 2006). Although these farms are small, indications are that they are more efficient than larger farmers in terms of land productivity, presumably due to a high share of family labor on small farms. The share of marginal and small farmers (of less than 2 hectares) in the total value of agricultural output is about 51 percent, substantially higher than their 44 percent share of area operated.

While smallholders, by virtue of available family labor and intensive cultivation practices, can be highly productive, they typically have a small marketable surplus and face high transaction costs in marketing their produce. Diversifying out of traditional crops towards high value agriculture poses two key challenges. First, higher production risk (susceptibility to pest attack and climatic adversities) and price risk associated with high value agriculture compared to grains often deters diversification. Second, lack of resources (financial assets as well as access to credit) coupled with inadequate market and crop knowledge often restricts shifts to new enterprises and investments in variable and fixed inputs. Small farmers often find themselves locked in a situation of income uncertainty and low risk bearing capacity, thus constraining shifts towards higher value and income generating activities. Again, contract farming models that can share risk and overcome resource constraints emerge as a possible approach to facilitate the transformation of small holders to high value agriculture.

Right to Homestead Bill July 2013

After legislating the Right to Information and Education and the Right to Work and Food through the Mahatma Gandhi National Rural Employment Guarantee Act and the Food Security Ordinance (July 2013) the government's next step seems to be aimed at legally upholding the right to a home. A task force set up by the Rural Development Ministry including government officials and civil society members is ready with a draft of the National Right to Homestead Bill 2013. The Bill aims to ensure that "every shelterless poor family has a right to hold homestead of not less than 10 per cents. Within a period of 10 years commencing from the date of notification". According to the National Land Reforms Policy draft, more than 31 per cent of households in the country are landless. Almost 30 per cent own less than 0.4 hectares, meaning 60 per cent of the population owns only five per cent of the country's land. The draft Bill calls for State governments to notify an implementation plan within one year to identify beneficiaries, make an inventory of available lands and acquire more, and develop and allot plots. It mandates that the Central government will bear 75 per cent of the cost through a National Homestead Guarantee Fund.

*'Land alienation' term is radical.
Rajiv Gandhi Awas Yojana'*

