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Let noble thoughts come to us from every side
Rig Veda

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BUDGET 2011-12

MEASURES FOR STRENGTHENING INCLUSION

- National Food Security Bill (NFSB) to be introduced in the Parliament during the course of this year.
- Allocation for social sector in 2011-12 (Rs1,60,887 crore) increased by 17 per cent over current year. It amounts to 36.4 per cent of total plan allocation.
- Allocation for Bharat Nirman programme proposed to be increased by Rs10,000 crore from the current year to Rs58,000 crore in 2011-12.
- Plan to provide Rural Broadband Connectivity to all 2,50,000 Panchayats in the country in three years.
- MGNREGA-In pursuance of last years budget announcement to provide a real wage of Rs100 per day, the Government has decided to index the wage rates notified under the MGNREGA to the Consumer Price Index for Agricultural Labour. The enhanced wage rates have been notified by the Ministry of Rural Development on January 14, 2011.
- From 1st April, 2011, remuneration of Anganwadi workers increased from Rs1,500 per month to Rs3,000 per month and for Anganwadi helpers from Rs750 per month to Rs1,500 per month.
- Scheduled Castes and Tribal Sub-plan -Specific allocation earmarked towards Schedule Castes Sub-plan and Tribal Sub-plan in the Budget.
- Allocation for primitive Tribal groups increased from Rs185 crore in 2010-11 to Rs244 crore in 2011-12.
- Allocation for education increased by 24 per cent over current year.
- Sarva Shiksha Abhiyan-Rs21,000 crore allocated, which is 40 per cent higher than Budget for 2010-11.
- Pre-matric scholarship scheme to be introduced for needy SC/ST students studying in classes IX and X.
- National Knowledge Network-Connectivity to all 1,500 institutions of Higher Learning and Research through optical fiber backbone to be provided by March, 2012.
- National Innovation Council set up to prepare road map for innovations in India.
- Special grant provided to various universities and academic institutions to recognise excellence.
- Additional Rs500 crore proposed to be provided for National Skill Development Fund during the next year.
- An international award with prize money of Rs1 crore being instituted for promoting values of universal brotherhood as part of National celebrations of 150th Birth Anniversary of Gurudev Rabindranath Tagore.
- Plan allocations for health stepped-up by 20 per cent.
- Scope of Rashtriya Swasthya Bima Yojana to be expanded to widen the coverage.
- Financial Inclusion-Target of providing banking facilities to all 73,000 habitations having a population of over 2,000 to be completed during 2011-2012.
- Unorganised sector- Exit norms under co-contributory pension scheme "Swavalamban" to be relaxed. Benefit of Government contribution to be extended from three to five years for all subscribers who enroll during 2010-11 and 2011-12.
- Eligibility for pension under Indira Gandhi National Old Age Pension Scheme for BPL beneficiaries reduced from 65 years of age to 60 years. Those above 80 years of age will get pension of Rs 500 per month instead of Rs 200 at present.



About the Issue

Presenting Budget 2011-12, Finance Minister Pranab Mukherjee said he placed the document “as a transition towards a more transparent and result oriented economic management system in India”. It is necessary to dwell on this statement as the key to understanding the logic of the budget this year.

Like every year, this most important economic document of the union government has a lot to offer as a plan of action on almost all sectors of the Indian economy. Yet the distinguishing feature of the budget this year is the stress it has placed on result oriented development. It is necessary to understand why.

Through the budget, the government of India sets the expenditure menu for more than a tenth of the country’s annual GDP. This is a huge volume of money—about Rs 12,57,729 crores. But all commentators of government finance are united in the opinion that the sum does far less in terms of social good, than it could do. In other words, the leverage the government could have on the rest of the economy is not there. The primary reason for this disconnect is the leakages and the inefficient use of the funds meant for investment.

So instead of rushing headlong to raise additional funds to sink into the same hole, the Finance Minister has made a break from the past. He has kept the total expenditure almost unchanged, raising it by only by 3.38 %, which is less than even the projected inflation rate of 5% for the year. He has instead, concentrated his energy on more efficient use of the sum that he has deployed.

To do this he has promised to marry technology to government accounts and delivery programme. As a result, the Minister expects he will be able to provide more petroleum subsidies to those who need it, despite spending almost Rs 15,000 crore less on the provision this year. He has made the same calculation for fertiliser and even food subsidy. In all these cases he is banking on the use of smart card or cash transfers to make the poor better off. These will obviously mean ensuring timely delivery of services. This is what he means by his comment “for a result oriented economic management system”. In subsequent interviews he has characterised it as reforms in governance. Earlier budgets had begun to walk this road, but the matching infrastructure was still not in place. This is where Mr Mukherjee will score.

Because he has been able to keep his expenditure under control, the Minister has been able to avoid additional resource mobilisation efforts. He has given some goodies in direct taxes and balanced it through the indirect taxes. In the process, his housekeeping numbers are looking impressive.

After two years of stress the Indian economy is now back again on the road to fiscal consolidation. This helps industry avoid the competition with the government to buy credit, which in turn means a lower interest rate regime for the economy that will keep prices down.

The current issue of Yojana brings to you the details of the Budget 2011-12, along with views of experts and analysts on the same. □



HOW WILL THE BUDGET IMPACT

Taxpayers

- **Higher Tax** exemption limit of Rs. 1.80 lakh for men and a new category of senior citizens
- **Provision for** Tax-free infrastructure bonds extended by one more year
- **New Income-Tax** return form called *sugam* to be introduced for small business

Consumers

- **Private Hospital** and diagnostics to cost 5% more; domestic and international air travel costlier by Rs. 50 and Rs. 250
- **Dressing-up** to cost 10% more with excise on branded clothes

- **Eating out** where liquor is served to get 3% costlier; staying in hotels to get 5% dearer

Investors

- **Opportunity to** invest in public issues of public sector units courtesy Rs. 40,000-crore disinvestment
- **Foreign Retail** investors set to enter Indian equity market through mutual funds

- **Tax Treatment** of debt and money market funds put on a par with fixed deposits

Business

- **Tax Holiday** for IT companies finally ends MAT imposed on Special Economic Zones

- **130 Items** brought into excise duty net for the first time with the imposition of 1% duty

- **Corporate Tax** surcharge reduced by 2.5% to 5% MAT raised by 0.5% to 18.5%

Economy

- **Poor users** of kerosene, cooking gas & fertilisers to get subsidies, in cash, by March 2012

- **Oil Duty** structure to be reviewed in view of West Asia; petrol prices to be revised

- **Boost to** infrastructure through a record hike in public funding, more private funding too

FOR YOU

COSTLIER



Air Travel will be expensive

High-end health care, some vaccines to cost more



Branded Jewellery and Stationery to become dearer

Hotels, Luxury accommodation will be dearer



Lawyers fees to cost more



Laptops, PCs, printers & fax machines to cost less

Air Conditioners to cost less



CHEAPER

Mobile phones and Hybrid car kits will be cheaper



Diapers, sanitary napkins to cost less

Agricultural Machinery will be cheaper



Aggressive Pursuit of Fresh Reforms Called For

R C Rajamani



Looking holistically at the document, the message the Survey strives to convey is unmistakable. It wants the government to work towards inclusive growth, whatever be the costs involved in the short term

THE ECONOMIC Survey 2010-11, as other such surveys before, did indicate significant clues about what to expect in the following general budget. With a clear bias towards reforms, the Survey has urged aggressive pursuit of fresh reforms to achieve targets, primary among them being reaching double digit GDP growth before long.

The Survey has advised the government to carry out nearly a dozen reforms pertaining to various sectors of the economy and stressed that action in this regard would be necessary to achieve the 9 per cent GDP expansion projected for 2011-12 and further acceleration in economic growth in the years to come.

Commending to the government a 'Reform Agenda', the Survey, tabled by Finance

Minister Pranab Mukherjee in Parliament on February 25, notes that policy reforms are required to bring about better convergence of schemes to avoid duplication and leakages and to ensure that the intended benefits reach the targeted groups. Among other things, the survey has called for speeding up environment clearance for infrastructure projects, early introduction of Goods and Service Tax and second Green Revolution.

In a prediction that is in line with the advance estimates of the Central Statistics Organisation (CSO), the survey has said the growth for the current fiscal 2010-11 would be 8.6 per cent. However, it has cautioned against the adverse effects of inflation and the fall in factory output in the coming months. The Survey has also pointed out that there is some uncertainty over the economic

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conditions in Europe and the US, and that a serious crisis in any of the major industrialised nations will affect the Indian economy adversely. But it also notes that a second dip recession is a “very low” probability event.

On inflation, the Survey has noted that 2010-11 has been a “difficult year” although the overall trend of inflation has been downwards. Inflation is expected to be 1.5 per cent higher than what it would have been, if the country was not on the growth curve, the Survey pointed out. Given the country’s objective of inclusive growth and the need to put in place supportive policy structures so that the vulnerable segments are protected from ravages of inflation, there may be reason to expect that “in the medium term we will have to live with a little higher inflation than the 3 per cent or so we used to have in earlier years”.

The Survey has also brought out the inevitable link between inclusion and inflation, suggesting that the Centre's financial inclusion efforts are to some extent having an undesired consequence of a greater inflationary propensity. “This must not deter us from pursuing financial inclusion since the overall benefit of this can be enormous. What is being pointed out is the need to be aware of all its fall-outs, and take appropriate action against possible negative side effects,” the Survey says.

Stating that there is negative relation between inflation and unemployment, the Survey has highlighted that it is critical for the Government to carefully calibrate the demand management measures when bringing down inflation. “There is no known formula for doing this.”

The Survey does not appear to be too worried about the Current Account Deficit (CAD). It highlights that the CAD has widened due to robust import demand and lower invisible surplus. Calling for fiscal consolidation, it also says that a moderation in current account (balance of payments position) is likely with deceleration in imports and acceleration in exports according to the latest monthly merchandise trade data.

“The concurrent consolidation of fiscal deficits will be essential as it is expected to ease the conduct of effective monetary policy in the near future. The reduced fiscal deficits will permit greater availability of credit to sustain growth, while tighter monetary policy starts to transmit its impact in reducing inflationary pressures,” the Survey has pointed out.

Expressing concern over differences between nodal ministries like coal and power and the ministry of environment and forests on the question of protecting ecology while planning development, the survey suggested

urgent measures to “streamline land acquisition and environment clearance for infrastructure projects”. In this direction, it called for creation of a National Forest Land Bank with clear paper work and title to reduce approval time for forest clearance.

Taking due note of the contribution of agriculture sector in the overall development, especially to check food inflation, the survey suggested going for a 'second Green Revolution' with technological breakthrough in the sector. The farm growth is expected to be 5.4 per cent for the current financial year as against just 0.4 per cent in the previous fiscal. A second Green Revolution could help the farming community to devise ways to reduce dependence on monsoon, it said. "Prioritisation of targeted development of rainfed area and effective marketing links be ensured for better returns to the farmers."

However, one of the major tax reforms GST, which will combine the state and central taxes, could not be taken up amid differences between the Centre and States. Besides, there is need to explore avenues for increasing investment in infrastructure through Public Private Partnerships and occasionally exclusive private investment wherever possible, the Survey said.

Huge capacity addition in infrastructure should be planned

HIGHLIGHTS OF ECONOMIC SURVEY 2010-11

- Better convergence of Schemes to avoid duplications and leakage and to ensure benefits reach to the targeted groups.
- Private sector participation in social sectors, such as health and education in the form of public-social-private partnership could be one of the possible alternatives for supplementing the on-going efforts of the Government.
- Huge capacity addition in infrastructure in a time bound manner.
- Urgent need to streamline land acquisition and environment clearance for infrastructure projects.
- Bringing parity between the compensation package admissible under the Land Acquisition Act, 1894 and that applicable to land acquisition under the National Highways Act, 1956.
- A National Forest Land Bank, with clear paper work and titles to reduce approval time for forest clearance.
- Investment in building managerial and technical capabilities of executing agencies at par with the private sector is crucial.
- Second Green Revolution with technological break-through in agricultural sector.
- Prioritisation of targeted development of rainfed area and effective marketing links be ensured for better returns to the farmers.
- Further improvements in the Mahatma Gandhi National Rural Employment Guarantee Scheme suggested such as shifting to permanent asset building and infrastructure development activities, reducing transaction costs, better monitoring and extension of the scheme to urban areas.
- Efficient taxation of goods and services by a new GST.
- Need to explore avenues for increasing investment in infrastructure through a combination of power investment, PPPs and occasionally exclusive private investment wherever possible.

and executed in a time bound manner, the Survey suggests and calls for better convergence of the schemes to "avoid duplications and leakage and to ensure benefits reach to the targeted groups.

Progress on key infrastructure projects, especially roads, power and railways, has not been satisfactory as more than half the central projects have been delayed, resulting in high costs, the survey points out.

Of the 559 central projects costing Rs.150 crore and above, 293 were delayed by up to 36

months as on October 2010, it said. Only 14 projects were running ahead of schedule while 117 were on schedule. In the road transport and highways sector, 51 projects have reported delays of 1 to 36 months; in the power sector 20 projects have reported delays of 1 to 18 months and in the petroleum sector 16 projects have reported delays of 1 to 16 months, it said. However, the telecom sector continues to do well and most of the projects in this sector were on schedule.

Other sectors that are above or close to targets are village

electrification under the Rajiv Gandhi Grameen Vidyutikaran Yojana, railway track electrification, railway gauge conversion and new and renewal of road construction under the Pradhan Mantri Gram Sadhak Yojana. The switching capacity addition and cell phone connections in the telecommunications sector have increased by 39.7 percent and 27 percent respectively.

Crude oil production has increased by 11.5 per cent and natural gas production by 19.8 per cent this fiscal. The civil aviation sector has also performed

comparatively better than the previous year, both in terms of cargo and passengers handled. The power and cement sectors have grown at comparatively lower rates. Coal sector growth has been very low at 0.6 per cent as against eight percent growth last fiscal. Lower coal sector output has impacted thermal power generation this year.

The Survey cites a new Index of Government Economic Power showing that India is now the fifth greatest global economic power after the US, China, Japan and Germany, and is well ahead of Britain or France.

There is certainly considerably worry over the fiscal deficit, but the Survey declares that India is galloping down the road to fiscal virtue. The fiscal deficit in the first three quarters of this year was just 44.8% of the level in the previous year.

The Survey says the ratio of consolidated government debt to GDP, which touched 79.3% of the GDP in 2004-05, will fall to 68.7% by 2013-14 and 65% by 2014-15. The recent revision of GDP data shows that we have underestimated true GDP for many years, and hence have overestimated the fiscal deficit. This, plus high inflation this year (nominal GDP will rise 20.3% against the expected 12.5%), means that the budget estimate of a fiscal deficit of 5.5% of GDP now translates into just 4.8%.

The Survey does address the twin problem of inflation and price rise, the bugbear of the government.

It analyses the contribution of supply, demand and international trends to inflation. It terms the rise in vegetable prices as temporary aberration which will soon be checked by a reversion to more normal behaviour. Going forward, it expects monetary tightening and other steps to bring down inflation. Rising oil prices pose a challenge, and the Survey says somewhat ominously that the country must adjust to the reality of expensive energy.

Higher infrastructure spending is the key to future growth. However, the Power situation looks dismal. The survey admits this when it mentions that losses of State Electricity Boards are 1% of GDP (which means Rs 76,000 crore). Unaccounted leakages of electricity (theft and transmission losses) are a whopping 35% of the electricity generated. No wonder power continues to be a constraint on growth. Cost overruns in public sector projects had come down to a reasonable 12% in March 2008, but rose to 20.7% by October 2010, thanks partly to higher steel and cement prices. Land acquisition and environmental clearance need to be streamlined to expedite infrastructure, along with standardised contracts and better designed projects.

Stressing the need for huge capacity addition in infrastructure in a time-bound manner, the Survey said there was a need to explore avenues for increasing investment in this core sector through PPPs (public-private partnerships) and occasionally exclusive private

investment, wherever possible. In the social sector, the Survey called for private sector participation in areas such as health and education in the form of 'public-social-private partnership as this could be one of the possible alternatives for supplementing the ongoing efforts of the government.

With regard to the much-acclaimed Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), the Survey suggested further improvement such as shifting to permanent asset building and infrastructure development activities, reduction in transaction costs, better monitoring and extension of the scheme to urban areas.

Looking holistically at the document, the message the survey strives to convey is unmistakable. It wants the government to work towards inclusive growth, whatever be the costs involved in the short term. Another significant message is that it is no good economics to sacrifice long-term, permanent benefit for short term comforts. Short-term sacrifices in terms of higher prices and inflation are worth making in the cause of macroeconomic fruits of not too distant a future.

However, the challenge for the government is to take appropriate measures that mitigate the short-term pains to the common man, the ultimate focus of reforms. □

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BUDGET 2011-12

DEVELOPING INFRASTRUCTURE

Announcing the General Budget 2011-12 ShriPranab Mukherjee, Finance Minister, proposed an allocation of Rs.2,14,000 crore for infrastructure sector, which is 23.3% higher than current year. This amounts to 48.5% of the Gross Budgetary support to plan expenditure. In order to give a boost to infrastructure development in railways, ports, housing and highways development, it has been proposed to allow tax-free bonds of Rs.30,000 crore to be issued by various government undertakings in the year 2011-12. This includes Indian Railway Finance Corporation - Rs.10,000crore; National Highway Authority of India- Rs.10,000 crore; HUDCO Rs.5000 crore and Ports Rs.5000 crore.

Shri Mukherjee informed that India Infrastructure Finance Company Limited (IIFCL) is expected to achieve a cumulative disbursement of Rs.25,000crore by March 31, 2012. Under the “take out financing scheme”, seven projects have been sanctioned with a debt of Rs.1500 crore. Another Rs.5000 crore will be sanctioned during 2011-12. □

FIVE-FOLD STRATEGY TO DEAL WITH BLACK MONEY

Presenting the General Budget 2011-12 ShriPranab Mukherjee, Finance Minister informed that to deal with the problem of generation and circulation of black money, the government has put into operation a five-fold strategy which consists of joining the global crusade against black money; creating an appropriate legislative framework; setting up institutions for dealing with illicit funds; developing systems for implementation and imparting skills to the manpower for effective action. He further informed that while the membership of the Financial Action Task Force (FATF) was secured in June last year, the government has also joined the Task Force on Financial Integrity and Economic Development, Eurasian Group (EAG) and Global Forum on Transparency and Exchange of Information for Tax Purposes. Discussions have also been concluded for 11 Tax Information Exchange Agreements (TIEAs) and 13 new Double Taxation Avoidance Agreements (DTAAs) along with revision of provisions of 10 existing DTAAs. The amendment in the Money Laundering Legislation in 2009 has significantly increased its scope and application. The number of cases registered under this Law has increased to over 1200 by January this year. The strength of the Enforcement Directorate has been increased three-fold to deal effectively with the increased workload. He informed that the Ministry of Finance has also commissioned a study on unaccounted income and wealth held within and outside the country. It would suggest methods to tax and repatriate this illicit money. To strengthen controls over prevention of trafficking and improve the management of narcotic drugs and psychotropic substances, it has been proposed to announce a comprehensive national policy in the near future. □

The Focus Shifts to Private Investment

Saugata Bhattacharya



The Budget has articulated a road map of actions that will progressively strengthen institutions and processes, helping to sustain India's high growth trajectory

THE 2011-12 BUDGET was presented during a particularly difficult constellation of economic circumstances. Globally rising food prices are exacerbating domestic price pressures, the need for a calibrated exit from the post financial crisis fiscal stimulus could alter a delicate balance between public and private investment, and a combination of a tightening monetary and liquidity shortage had sharply driven up cost of funds for borrowers, threatening the momentum of private investment. In addition, this was an opportunity for the Government to articulate a vision and outline a strategy roadmap to counter the perception that India's growth momentum has been slowing. One of India's strengths has been the balance between consumption and investment, which has stabilized

India's growth, even during the financial crisis. This short note looks at the Budget's attempt to leverage this balance to fuel growth, particularly through the use of revenue and expenditure levers.

The economic context is important for understanding the possible motivation of the Budget. The overriding concern for all stakeholders in sustaining India's growth story is the ability of the Government to control inflationary pressures. A second concern has been that potentially volatile portfolio capital flows were financing a high current account deficit. A third had been uncertainty about domestic funds being able to finance the magnitude of required investments in infrastructure. All of these manifest themselves in a high fiscal deficit. Allowing larger portfolio flows into longer term infrastructure debt addresses both

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the latter concerns and some part of the former (due to the effect of a Rupee, being stronger than would otherwise have been the case). The retention of a growth focus, even while addressing the above concerns - through fiscal consolidation, easing supply side constraints on agricultural growth and encouraging investments - is the defining theme of the Budget.

What are the criteria, then, to measure the effectiveness of the FY12 Budget? The Budget will be judged using multiple yardsticks – a clear strategy to manage inflation, a calibrated and appropriate exit from stimulus mode, increasing efficiencies of agricultural logistics, facilitating infrastructure finance, helping small and medium enterprises, and much more. Yet, the action that is likely to have the single largest impact on sentiment, which has become an important component of India's growth story, will be a demonstration of a commitment to fiscal consolidation.

The most effective signal of the Government's determination in containing inflation and increasing investments is a consolidation of its finances. This Budget has taken forward measures initiated in the previous one to exit its stimulus actions, even while taking care to ensure that growth impulses are not disrupted. The fiscal deficit has been contained within the limits announced last year in the Medium Term Fiscal Policy Statement. The resulting containment of the Government's

market borrowing programme will inter alia help boost private sector investment, an objective that is explicitly emphasized in the Budget speech. At the same time, a roadmap of measures that will change the delivery protocols of subsidies shows a commitment to progressively improving the quality of expenditure.

The overwhelming reaction in the popular press is that the Budget projections on expenditure are somewhat "optimistic". The proximate source of the presumed slippages will certainly be subsidy outgoes, and while the immediate prospects of the global and domestic factors, which will determine the quantum of needed subsidies, does indicate a high likelihood of slippages, there is too much near term uncertainty to be able to prognosticate on the extent of increased subsidy obligations. Crude prices, for one, might come back to more "normal" levels in a shorter time frame than is currently anticipated, some of the regulated petroleum products might be partially decontrolled, global growth might slow down in the latter half of the year with uncertain consequences for commodity prices and our export prospects. However, as in all forecasting exercises, a look at the underlying assumptions is often illuminating.

First, on the revenue side, the underlying 9 percent real GDP growth projection might turn out to be somewhat optimistic. However, the associated 14 percent nominal

GDP growth assumption used in the Budget to calculate the ratio, might turn out to be a little low, with the GDP deflator being higher than the projected 5 percent. With inflation expected to average 7 percent in FY12, and about an 8.5 percent GDP growth, we are looking at a projected 15.5 percent growth. But the fact that the higher growth will have been driven more by inflation will reduce the extent of tax revenue buoyancy, with the required monetary policy tightening serving to reduce corporate profitability.

Second, are the assumptions on expenditure. Analysts have expressed some skepticism about the budgeted 3.4 percent increase in total expenditures. However, this is the Budgeted (BE) / Revised Estimate (RE) figure. The like-to-like, BE/BE increase is 13.4 percent, compared to the corresponding number of 8.6 percent last year. This FY11 increase in expenditure has actually gone up to 19.2 percent on RE/BE basis, up by Rs 1 lakh crores.

Managing the outgoes on oil and fertilizer subsidies will obviously require some deft management. These are budgeted at levels more or less at those of FY11 BE levels, and for oil, at levels much below the RE levels. Fertilizer subsidies might relatively still be the easiest to control, with some help from a further move towards nutrient based pricing extended to urea, but even this is vulnerable to increases

in natural gas feedstock prices, coupled with the urgent need to increase agriculture productivity. Oil subsidy requirements are, of course, the most likely to increase, with crude prices likely to average USD 10-15 / bbl higher in FY12.

So, what are some measures that the Government might take to ensure that expenditure increases are covered only to the extent of increases in revenues? FY11's expenditure increase had been partially buffered by the 3G revenues and higher tax revenue collections. The prospect of a significant one-time windfall in FY12 is low, particularly from higher than budgeted disinvestment revenues, given the volatility in expected equity markets, persisting high crude prices and prospects of continuing monetary tightening.

One palliative is to increase petroleum product prices, particularly diesel and cooking gas. The Government might have to sacrifice, at least partially, on associated taxes and duties, and this will lower tax collections, if the resultant price increases are sought to be mitigated, but a gradual move to market prices is emerging as an inexorable necessity, if consumption demand increases in petroleum products are sought to be contained.

That was from the fiscal consolidation side. The Budget has proposed other measures to incentivize investment. Amongst these, a very significant step was a further liberalization of the foreign

funds inflows, which actually serves multiple objectives. Despite a heightened uncertainty about its growth prospects, India remains a promising investment destination, with significant interest in India's growth story amongst overseas investors. How best to tap into this without endangering the other risk factor that investors care about, namely external debt? Allow foreign flows into India's domestic capital markets, so that debt liabilities remain denominated in domestic currency, without generating concerns about external currency defaults. Note that this is also a step forward in capital account convertibility. Permitting the participation of non-institutional investors might significantly enlarge the potential pool, and with good marketing, enhance foreign funds flows.

The liberalisation of portfolio flows for longer term debt issued by infrastructure companies also serves to address another emerging constraint. Infrastructure remains a key driver of growth, not just in sustaining investment, but also mitigating the bottlenecks that constrain India's full potential. Given the prospect of bank loans being constrained by prudential norms of group, company and sector exposure limits, this might be a means of churning banks' asset books of loans to projects that are mature and have sufficient revenue visibility, allowing for lending to new projects. This will open up credit lines for new projects, which might otherwise have difficulty in getting bank funds.

In addition, expanding the scope of infrastructure projects to cold storage facilities will mitigate some short term bottlenecks and that to fertilizer projects will serve to increase farm productivity over the longer term.

What do we take away from the strategy that presumably has informed the Budget exercise? India's federal structure necessitates incremental measures; announcements without the necessary incentive mechanisms to co-opt state Governments will not produce the desired outcomes. Accommodation of state level concerns is more properly addressed outside the Budget, and a continuing effort in this direction will enhance the effect of the fiscal consolidation.

Finally, and very importantly, the Budget has shifted the spotlight on the role of the private sector investments. The move towards fiscal consolidation, seen in conjunction with the proposed objective-specific funds, will improve the investment incentives for the private sector. At the same time, the Budget has articulated a road map of actions that will progressively strengthen institutions and processes, helping to sustain India's high growth trajectory. In summary then, while the tone remains under-stated, the Budget has laid the foundations for a more robust growth and investment environment. □

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NATIONAL UNIVERSITY OF EDUCATIONAL PLANNING AND ADMINISTRATION

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

Web: www.nuepa.org

ADMISSION NOTICE 2011-2012

(i) M.Phil. Programme

(ii) Ph.D. Programme

(iii) Part-time Ph. D. Programme

The National University of Educational Planning and Administration (NUEPA), is engaged in capacity building and research in educational policy, planning and administration. NUEPA, which is fully funded by the Ministry of Human Resource Development, Government of India, offers M.Phil., Ph. D. and Part-time Ph. D. programmes in educational policy, planning and administration from a broader inter-disciplinary social science perspective. The research programmes of NUEPA cover all levels and types of education from both national and international development perspectives. NUEPA invites applications from eligible candidates for admission to its M.Phil., Ph.D. and Part-time Ph.D. programmes for the year 2011-12. While selecting the candidates for admission, NUEPA will follow all mandatory provisions in the reservation policy of the Government of India. Admissions to M.Phil., Ph.D. and Part-time Ph.D. programmes will be made purely on the basis of merit following the prescribed criteria of the University.

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

Last Date of Applications

Application should reach the Registrar, NUEPA, 17-B, Sri Aurobindo Marg, New Delhi-110016 on or before **06 May 2011**. For further details, please visit our website www.nuepa.org

Registrar

Combining Good Politics with Economics

Amitendu Palit



Budget appears to have performed reasonably well within the confines of its mandate though many might have expected some innovative measures for tackling supply shortages and price rises

IN TERMS of expectations and numbers leading up to the Budget, this was one of the best years in recent times. The pre-Budget annual Economic Survey forecast India's real GDP (Gross Domestic Product) to grow by around 9.0 per cent in 2011-12. With GDP growth rates of 8.0 per cent and 8.6 per cent in 2009-10 and 2010-11, the forecast appeared realistic. Few would have also disagreed with the Survey's assessment that the economy had not only recovered from the temporary deceleration caused by the financial crisis, but that the turnaround was 'fast and strong'. Furthermore, there was also considerable optimism about the medium term outlook given the strong capital inflows coming in from portfolio and hedge funds.

Backed by recovery in GDP growth, pick-up in savings and investment, recovery in exports, and signs of distinct improvement in government deficit indicators, most felt that the Budget could have hardly had better fundamentals. Other than inflation, which has assumed chronic proportions and refuses to be tamed by either monetary or fiscal measures, there were hardly any other macroeconomic anxieties for the Finance Minister. The main worry for the UPA Government and its managers as they went into the latest session of the Parliament and prepared for the Budget was the shadow cast by allegations of corruption and the establishment's perceived inability to address it.

The last year saw the Indian establishment getting rocked by various scandals. Scandals are not new to India. But the latest disclosures were shocking in terms of their implications on 'rising' India's main sources of

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pride such as the private corporate sector, telecommunications and the independent media. Reports flew thick and fast on the nefarious nexus between corporate lobbyists, industry and politics in manipulating business opportunities such as allocation of telecom spectrum. There were also allegations over accumulation of unaccounted resources or 'black money' by people occupying public offices. For a government about to enter the second phase of its five year tenure in office, it was crucial to demonstrate willingness to address these issues.

That the Government was looking at the Budget as an instrument for sending a positive signal on its intent to act on corruption was evident rather early during the Finance Minister's budget speech. The Finance Minister in his speech mentioned: 'Certain events in the past few months may have created an impression of drift in governance and a gap in public accountability. Even as the government is engaged in addressing specific concerns emanating from some of these events in the larger public interest and in upholding the rule of law, such an impression is misplaced. We have to seize in these developments, the opportunity to improve our regulatory standards and administrative practices. Corruption is a problem that we have to fight collectively.'

The Budget has tried to also address the growing public

concern over black money by announcing a five-point strategy for unearthing black money. The announcements made indicate that various bilateral double tax avoidance treaties have been signed with different countries and tax information exchange agreements have also been concluded. These arrangements are expected to eliminate the incentives for unrecorded and unauthorised transfer of money from outside the country. The Budget also spelt out clearly that the capacities of the Enforcement Directorate have been strengthened for addressing money laundering complaints. This again is a critical factor in addressing concerns over black money because the Enforcement Directorate is the key national agency in handling money laundering offences and has been handicapped in personnel and modernisation for taking on the innovative forms of laundering. It is also encouraging to note that the Finance Ministry is commissioning a study on unaccounted income and wealth in the country. A national policy on examining different ways for controlling the growing traffic in narcotics is also on the anvil according to the Budget. A Group of Ministers is soon expected to study various issues on corruption. And finally, as the Budget also indicated, India has been actively engaging various international forums engaged in preventing money laundering and financial integrity. Since money

laundering, illicit financial flows, and generation of unaccounted wealth, are all part of the vicious nexus of institutions and agencies taking advantage of loopholes in laws and regulations in a globalised world, unless India is a part of global agencies at work on these issues, it will find it difficult to handle the problem.

While the action plan for controlling black money is expected to send out a positive signal on corruption, announcing transfer of cash subsidies to the poor is expected to do the same on delivery of public services. This has been a long-pending demand of economists and public policy practitioners and experts. Subsidies provided through the Budget on refined petroleum products (e.g. kerosene and Liquefied Petroleum Gas (LPG)) have been criticised for their inability to reach the targeted beneficiaries. Furthermore, providing subsidies through the budget and making fertilisers and refined products available through open channels has had the effect of these being enjoyed by even the not-so-needy. Providing direct cash subsidy to the poor for availing these commodities will serve two purposes. First, only the poor are expected to benefit from the facility as intermediaries will be removed. Second, the subsidy bill in the Budget will be reduced leading to a reduction in revenue and fiscal deficits of the Government. The subsidies, however, will

probably remain 'off-budget' items and would be financed from the Government exchequer thereby continuing to remain financial commitments of the Government. The effectiveness of the system will depend upon accurate identification of people below the poverty line. This is not easy in a huge country like India. The Government's long-term plan may be to identify the targeted people for subsidies on the basis of the unique identity numbers being prepared. The task force set up on cash transfer of subsidies certainly has its task cut out in preparing the modalities of an effective system. But the 'Adhaar' numbers that have been announced to be rolled out from October 2011 can in the long run turn out to be useful allies in achieving the objective.

A few other initiatives announced can make differences to the access of the poor to basic needs. These include the announcement to introduce the National Food Security Bill (NFSB) in the Parliament during the current year, indexing wage rates under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to consumer price indices for agricultural labour, introducing pre-matric scholarships for students belonging to scheduled castes and tribes and expanding the scope of the 'Rashtriya Swasthya Bima Yojana' (RSBY) – the state health insurance scheme. Like in the earlier years, the

Budget retained the emphasis on agricultural credit and rural infrastructure through the 'Bharat Nirman' programme.

From an economic perspective, the Budget was well-placed to maintain the growth momentum and continue fiscal consolidation. Riding on the buoyant economic activity encouraging a positive outlook for revenue collections, the Budget has projected increase in both tax and non-tax receipts. Higher tax receipts are to accrue from all taxes but largely from excise and service tax collections, which should materialise given that collections are improving due to improved tax buoyancy. Better revenue collections and prudent expenditure management is expected to maintain fiscal consolidation, which has seen revenue deficit declining to 3.4 per cent in the revised estimates of 2010-11. The Budget expects effective revenue deficit to decline to 1.8 per cent of GDP in 2011-12. Fiscal deficit is projected to decline to 4.6 per cent of GDP in 2011-12 from 5.1 per cent in revised estimates of 2010-11. While these targets are promising and indicate that the Government is back on the track of fiscal consolidation, after the rather worrying departure in 2008-09 and 2009-10, the eventual lowering the fiscal deficit will depend heavily upon mobilisation of capital receipts through sale of equity in public sector undertakings. The track record of the Government

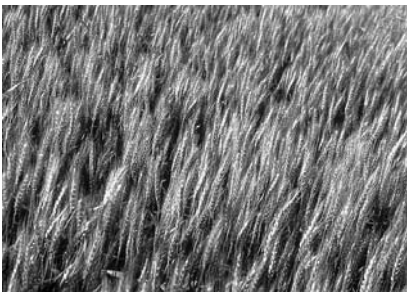
has not been particularly good in this respect. Unless public sector equities are sold off in a planned manner, revenue receipts may not be adequate, since unlike the last year, receipts from 3G telecom auctions are not going to materialise this year. However, the positive response received by equity offers for government undertakings last year should be an encouraging factor for the government.

On the economic front, there may be some disappointment over the delay in introducing Goods and Services Tax (GST). There will be cheer though over the proposed operationalisation of the Direct Taxes Code (DTC) from April 1, 2012. The Budget appears to have performed reasonably well within the confines of its mandate though many might have expected some innovative measures for tackling supply shortages and price rises. On the political front, the Budget has made an attempt to answer criticism on growth of black money and corruption. In view of the impending state elections and the discontent among people over high prices and bad governance, it has tried to placate people by avoiding sensitive measures like cutting subsidies and by extending income tax reliefs. Hopefully these will reaffirm that good economics is not necessarily bad politics. □

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Agriculture in the Union Budget

M S Swaminathan



While the Finance Minister has emphasized the need for reaping a demographic dividend from our youthful population, there is no strategy or programme for attracting and retaining youth in farming

THE BUDGET comes in the backdrop of an emerging global food crisis, caused partly by extreme weather events in some major food producing countries including China, and partly, by escalating petroleum price arising from the battle for democracy in the Middle East. It also comes in the wake of continuing food inflation. Fortunately, 2010-11 has been a reasonably good year in India with food grain production reaching a level of 233 million tonnes, although it falls short of the 235 million tonnes achieved during 2008-09. According to the Economic Survey (2010-11), the agriculture sector needs to grow at 8.5% during 2011-12, if we are to achieve the 11th Five Year Plan target of 4% in this sector. During last year, the agriculture

and allied sectors accounted for 14.2% of GDP, although nearly 60% of the population still depend on this sector for employment. Public investment in farm infrastructure including grain storage facilities and post harvest technology is still very low.

The Economic Survey therefore stresses the need for more investment in agriculture and rural infrastructure as well as for right strategies, policies and interventions. Also, special attention is required for improving the production and productivity of pulses, oilseeds, fruits and vegetables. Pointing out that the country has not witnessed any big technological breakthrough since the green revolution of the nineteen sixties, the Economic Survey stresses that the food

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safety net for each and every of over a billion citizens requires enhanced agricultural production and productivity in the form of a second green revolution. In other words, our food security has to be based on home grown food.

The last budget of ShriPranab Mukherjee included special production efforts in Eastern India, described by the National Commission on Farmers as the “sleeping giant of Indian agriculture”, organization of 60,000 pulses and oilseeds villages, initiation of a *Mahila Kisan Shashaktikaran Pariyojana*, and several other steps in the areas of credit, fertilizer subsidy and infrastructure development. Unfortunately, most of these programmes are yet to be implemented properly and are yet to have an impact.

The major components of the 2011-12 budget relating to farming include bringing green revolution to the eastern region, integrated development of 60,000 pulses villages in rain-fed areas, promotion of oil palm, increasing the production of fruits and vegetables and the promotion of nutritious cereals like *bajra*, *jowar*, *ragi* and other millets, and initiation of a National Mission for protein supplements through dairy farming, piggery, goat rearing and fisheries in selected blocks. Provision has also been made for accelerated fodder

development programme and the promotion of organic farming methods. The target of credit flow to farmers has been increased to 4,75,000 crore and since so far most of the credit went to companies and not to farmers, Shri Mukherjee is planning to advice banks to step up direct lending to small and marginal farmers. Also the effective rate of interest to farmers who repay the crop loans on time will be 4%, as suggested by the National Commission on Farmers in 2006. Provision has also been made for more mega-food parks, for warehousing and storage and cold chains. It is proposed to attract private investment in this sector. The Finance Minister has also announced that a National Food Security Bill will be introduced in Parliament this year, to address the widespread prevalence of under and malnutrition particularly among women and children. It is also proposed to make some of the subsidies like the one relating to fertilizers and kerosene paid to the farmers directly. The excise duty has also been reduced in the case of equipments for drip irrigation. A welcome step is the creation of the Women Self-help Groups’ Fund with an outlay of Rs500 crore. If this is linked to the MahilaKisanProgramme, it will have an impact on rural income.

The National Food Security Act announced by the Finance

Minister, when enacted by Parliament hopefully before the end of this year **will mark the brightest jewel in the crown of Indian democracy**. The Act based on the following principles will help to stimulate both consumption by the undernourished and production by farmers.

- A life cycle approach with special attention to the first 1000 days of a child’s life
- Enlarged food basket which includes nutritious millets
- Enabling provisions which can bring about convergence among factors responsible for food availability, access and absorption (ie, clean drinking water, sanitation and primary health care)
- A frontal attack on micro-nutrient deficiencies such as iron, iodine, zinc, vitamin A and Vitamin B 12 by providing horticultural remedies for nutritional maladies; in particular the combination of millets and *moringa* (drumstick) will help to provide all the needed macro and micro-nutrients.
- An efficient and transparent implementation system with a grievance redressal mechanism.

During nearly 60 years of my experience in Indian agriculture, I have observed that the best way of increasing the productivity,

profitability and sustainability of small holdings is opportunity for assured and remunerative marketing. The enlargement of the PDS to include nutritious millets and subsequently also pulses would give a great impetus for the enhanced production of these essential food items by our farmers.

On the whole the budget contains several good proposals but there are a few pressing issues which merit attention. While the Finance Minister emphasized the need for reaping a demographic dividend from our youthful population, there is no strategy or programme for attracting and retaining youth in farming. Most of the farm graduates seek employment in the organized sector and are not interested in going back to villages. The major deficiency of this budget is that it has not addressed two of the goals of the National Policy for Farmers placed in Parliament in November 2007. This policy calls for an income orientation to farming and the measurement of agricultural growth in terms of growth rate in the real income of farm families. Also it calls for steps for YuvaKisans to take to farming as a profession through an integrated action plan involving higher farm productivity and larger income from non-farm activities particularly through the provision of services which can confer the power and economy of scale to small producers.

The National Commission on Farmers stressed the need for attracting and retaining educated youth in farming. The National Policy for Farmers, placed in Parliament in November 2007, includes the following goal — “to introduce measures which can help to attract and retain youth in farming and processing of farm products for higher value addition, by making farming intellectually stimulating and economically rewarding”. **At present, we are deriving very little demographic dividend in agriculture.** On the other hand, the pressure of population on land is increasing and the average size of a farm holding is going down to below one hectare. Farmers are getting indebted and the temptation to sell prime farmland for non-farm purposes is growing. Over 45 per cent of farmers interviewed by the National Sample Survey Organisation wanted to quit farming. Under these conditions, how are we going to persuade educated youth, including farm graduates, to stay in villages and take to agriculture as a profession? How can youth earn a decent living in villages and help shape the future of our agriculture? This will require a three-pronged strategy.

- (a) Improve the productivity and profitability of small holdings through appropriate land use policies, technologies and

market linkages; develop for this purpose a “4C approach”, i.e., Conservation, Cultivation, Consumption and Commerce.

Enlarge the scope for the growth of agro-processing, agro-industries and agri-business and establish a “Farm to Home” chain in production, processing and marketing.

Promote opportunities for the services sector to expand in a manner that will trigger the technological and economic upgradation of farm operations.

Some years ago, the Government of India launched a programme to enable farm graduates to start agri-clinics and agri-business centres. This programme is yet to attract the interest of educated youth to the degree originally expected. It is hence time that the programme is restructured based on the lessons learnt. Ideally, a group of four to five farm graduates, who have specialised in agriculture, animal husbandry, fisheries, agri-business and home science, could jointly launch an agri-clinic-cum-agri-business centre in every block of the State. Agri-clinics will provide the services needed during the production phase of farming, while the agri-business centre will cater to the needs of farm families during the post-harvest phase of agriculture.

Thus, farm women and men can be assisted during the entire crop cycle, starting with sowing and extending up to value addition and marketing. The multi-disciplinary expertise available within the group of young entrepreneurs will help them to serve farm families in a holistic manner. The home science graduate can pay particular attention to nutrition and food safety and processing and help a group of farm women to start a food processing park. The group should also assist farm families to achieve economy and power of scale both during the production and post-harvest phases of farming. Such an integrated centre can be named “**Agricultural Transformation Centre**”.

Opportunities for young entrepreneurs are several. Climate resilient agriculture is another area that needs attention. In dry farming areas, methods of rainwater harvesting and storage, aquifer recharge and watershed management as well as the improvement of soil physics, chemistry and microbiology, need to be spread widely. The cultivation of fertiliser trees which can enrich soil fertility and help to improve soil carbon sequestration and storage, can be promoted under the Green India Mission as well as the Mahatma Gandhi National Rural Employment

Guarantee programme. **A few fertiliser trees, a jalkund (water harvesting pond) and a biogas plant in every farm will help to improve enormously the productivity and profitability of dryland farming.** In addition, they will contribute to climate change mitigation.

The “yuvakisans” or young farmers can also help women’s self-help groups to manufacture and sell the biological software essential for sustainable agriculture. These will include biofertilisers, biopesticides and vermiculture. The Fisheries graduate can promote both inland and marine aquaculture, using low external input sustainable aquaculture (Leisa) techniques. Feed and seed are the important requirements for successful aquaculture and trained youth can promote their production at the local level. They can train rural families in induced breeding of fish and spread quality and food safety literacy.

Similar opportunities exist in the fields of animal husbandry. Improved technologies of small-scale poultry and dairy farming can be introduced. Codex alimentarius standards of food safety can be popularised in the case of perishable commodities. For this purpose, the young farmers should establish GyanChaupals or Village Knowledge Centres.

Such centres will be based on the integrated use of the internet, FM Radio and mobile telephony.

In the services sector designed to meet the demand driven needs of farming families, an important one is soil and water quality testing. Young farmers can organise mobile soil-cum-water quality testing work and go from village to village in the area of their operation and issue a **Farm Health Passbook** to every family. Farm Health Passbook will contain information on soil health, water quality, and crop and animal diseases, so that the farm family has access to integrated information on all aspects of Farm Health. Very effective and reliable soil and water quality testing kits are now available. This will help rural families to utilise in an effective manner the nutrient based subsidy introduced by the government from April 1, 2010. Similarly young educated youth could help rural communities to organise gene-seed-grain-water banks, thereby linking conservation, cultivation, consumption and commerce in a mutually reinforcing manner. If educated youth choose to live in villages and launch the new agriculture movement, based on the integrated application of science and social wisdom, our untapped demographic dividend will become our greatest strength. □

(E-mail : chairman@mssrf.res.in)

GIVING A THRUST TO AGRICULTURE

- Removal of production and distribution bottlenecks for items like fruits and vegetables, milk, meat, poultry and fish to be the focus of attention this year.
- Allocation under Rashtriya Krishi Vikas Yojana (RKVY) increased from Rs 6,755 crore to Rs 7,860 crore.
- Bringing Green Revolution to Eastern Region-Rs 400 crore allocated to improve rice based cropping system in this region,
- Allocation of Rs 300 crore to promote 60,000 pulses villages in rainfed areas.
- Promotion of Oil Palm-Allocation of Rs 300 crore to bring 60,000 hectares under oil palm plantations. Initiative to yield about 3 lakh Metric tonnes of palm oil annually in five years.
- Initiative on Vegetable Clusters-Allocation of Rs 300 crore for implementation of vegetable initiative to provide quality vegetable at competitive prices.
- Nutri-cereals-Allocation of Rs 300 crore to promote higher production of Bajra, Jowar, Ragi and other millets, which are highly nutritious and have several medicinal properties.
- National Mission for Protein Supplement - Allocation of Rs 300 crore to promote animal based protein production through livestock development, dairy farming, piggery, goat rearing and fisheries.
- Accelerated Fodder Development Programme-Allocation of Rs 300 crore for Accelerated Fodder Development Programme to benefit farmers in 25,000 villages.
- National Mission for Sustainable Agriculture -Government to promote organic farming methods, combining modern technology with traditional farming practices.
- Agriculture Credit- Credit flow for farmers raised from Rs 3,75,000 crore to Rs 4,75,000 crore in 2011-12.
- Interest subvention proposed to be enhanced from 2 per cent to 3 per cent for providing short-term crop loans to farmers who repay their crop loan on time.
- In view of enhanced target for flow of agriculture credit, capital base of NABARD to be strengthened by Rs 3,000 crore in phased manner.
- Rs 10,000 crore to be contributed to NABARD's Short-term Rural Credit fund for 2011-12.
- Mega Food Parks-Approval being given to set up 15 more Mega Food Parks during 2011-12.
- Storage Capacity and Cold Chains-Augmentation of storage capacity through private entrepreneurs and warehousing corporations has been fast tracked.
- Capital investment in creation of modern storage capacity will be eligible for viability gap funding of the Finance Ministry.
- Agriculture Produce Marketing Act- In view of recent episode of inflation, need for State Governments to review and enforce a reformed Agriculture Produce Marketing Act.

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Cost of Tackling Conflicting Priorities

Pinaki Chakraborty



In 2011-12, key to fiscal consolidation would be the revenue performance. Expenditure contraction especially in rural development and in agriculture can have serious negative growth implications

UNLIKE LAST two years, one major advantage of budget 2011-12 is the buoyant macroeconomic growth. The estimated growth of GDP at 8.7 percent for 2010-11 is commendable. The expected growth in 2011-12 is 9.25 percent. The challenge is to sustain high growth and to enhance it in the long run. The fiscal policy stance in this year's budget is clear. It signals at a lower fiscal deficit to ensure higher growth. How that works in real situation one needs to see as the fiscal year progresses. A close look at the budget numbers reveal that the foundation of fiscal consolidation for the year 2011-12 is based on an ambitious revenue target and heavy compression of expenditure. However, when one looks at the revenue side, the year 2011-12 appears to be tough in

terms of central finances as there is no windfall this time from the auction of 2G spectrums. In fact, the non-tax revenue in absolute term would be only Rs. 125435 crore as against Rs. 220146 crore in 2010-11 (RE) a fall of Rs. 94713 crore in absolute term. The other cause of worry is the ambitious tax revenue target. The net tax revenue is expected to increase to the order of Rs. 10772 crore for the central government implying a growth of 17.88 percent over the RE of 2010-11. These revenue side numbers imply that the fiscal balance profile would critically depend on the revenue mobilization as there is little scope for further reduction in expenditure. This budget also has a disinvestment target of Rs. 40,000 crore, if not realized fully, the deficit will increase by the equivalent amount. Without going into the

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merit of the use of disinvestment proceed to reduce fiscal deficit, going by the past experience of disinvestment, the target of Rs. 40,000 crore again looks ambitious.

Given these basic constraints, the key objectives of the budget as stated by the Finance Minister are inclusive growth, controlling of inflation and fiscal consolidation. However, simultaneous achievement of these three objectives is difficult. These objectives can be in conflict with each other depending on their interplay in a dynamic macroeconomic context. For example, in the face of sluggish revenue growth, if one were to achieve fiscal consolidation, it can only be done by cutting down expenditure. The budget 2011-12 has precisely done the same. The aggregate government expenditure increased by mere Rs. 41,153 crore compared to the revised estimates of 2010-11. This increase is only 3.38 percent higher than the previous year. What does this mean for allocation in critical areas of spending?

As evident from Table 1, the general services expenditure which is non-developmental in nature has declined sharply from 7.25 percent of GDP in 2008-09 to 6.32 percent in 2011-12 (BE). This implies an increase in fiscal space to the order of almost 1 percent of GDP for the government to spend on

development, but that does not seem to be the case when one looks at the structure of government expenditure. The social services expenditure is also expected to fall from 1.58 percent of GDP in 2008-09 to 1.27 percent in 2011-12 (BE). The economic services expenditure is also expected to decline sharply from 8.31 percent to 5.78 percent during the same period with the sharp decline in agriculture and allied activities from 2.49 percent to 1.34 percent. The expenditure on rural development is also expected to fall from 0.75 percent to 0.51 percent during the same period. One of the most worrying features of this budget is the fact that despite lot of discussions on enhancing agricultural growth at the rate of 4 percent in a sustained manner, the public investment in agriculture seems to be declining sharply. If this happens, it may not be possible to achieve the growth target and create gainful employment in agriculture and in rural economy.

Another related issue is allocation for NREGA. It is now well known that NREGA has made a major positive impact in rural economy by creating employment and making rural assets through public employment programme, even if we ignore the second round multiplier effect of public employment programme. Also in the face of globalization, inclusion and social protection

agenda is critically important. Various right based approaches to development including NREGA are a reflection of the concern of the government to protect the poor and vulnerable from the shock of globalization. Unfortunately, in this year's budget the allocation for NREGA has not been increased. Although there are arguments that with buoyant growth, the demand for NREGA should come down and thus, this decline in allocation is a reflection of gainful employment in rural economy and lower demand for NREGA jobs. One is really not certain if this is acceptable unless backed by solid evidence of growth of gainful employment in rural economy in India in recent years.

The announcement that government would introduce direct transfer of subsidies for LPG, kerosene and fertilizer to the poor on a pilot basis can have serious implementation challenges and this can get further compounded with the error of exclusions unless backed by technology and proper identification of intended beneficiaries. However, this is a welcome step as most of the subsidies don't reach the intended beneficiaries and also their incidence is very regressive (Pinaki Chakraborty, Anit N. Mukherjee and H.K. Amarnath (2010) "Interstate Distribution of Central Expenditure and Subsidies" Working Paper No.

Table 1: Key Sectoral Allocation**(As a percent to GDP)**

	2008-09	2009-10	2010-11 (BE)	2010-11 (RE)	2011-12 (BE)
GENERAL SERVICES	7.25	7.44	6.43	6.67	6.32
SOCIAL SERVICES	1.58	1.55	1.40	1.49	1.27
ECONOMIC SERVICES	8.31	6.42	5.60	6.64	5.78
Agriculture and Allied Activities	2.49	1.79	1.37	1.59	1.34
Rural Development	0.75	0.58	0.58	0.58	0.51
Irrigation Flood Control	0.01	0.01	0.01	0.01	0.01
Energy	1.56	0.54	0.18	0.61	0.45
Transport	2.15	2.16	1.96	2.11	2.00
TOTAL DISBURSEMENTS	19.49	17.68	15.49	16.94	15.59

66, NIPFP.). Government did not spell out a clear strategy to control inflation. The increase in agriculture allocation is meager viz-a-viz the public investment requirement in agriculture. In the face of increasing inflation, the need of the hour is to increase the supply response from agriculture to meet the increasing domestic demand. This cannot be done without making adequate public investment in agriculture and allied activities including storage and warehousing.

To conclude, it needs to be emphasised that although, expenditure contraction needs to be viewed as a strategy to control fiscal deficit, such a policy resulted in lower allocation in key sectors like agriculture and rural development. What could have been the alternative? Possibly, the fiscal consolidation could have been achieved by rolling back the fiscal stimulus provided to boost growth during the post global financial crisis period of 2008-09 and 2009-10. As a substantial

part of the stimulus was through various indirect tax concessions and some are irreversible stimulus, at least reverting back to the pre-crisis level of indirect tax rate could have mopped up additional resource without compromising fiscal prudence. Instead the expenditure compression route was followed resulting in sharp fall in expenditure in critical sectors which can have adverse impact on growth. □

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BANKING FACILITIES TO BE PROVIDED TO 73,000 HABITATIONS OF OVER 2000 POPULATION DURING 2011-12

The target of providing banking facilities to all 73,000 habitations having a population of over 2,000 will be completed during the ensuing financial year using appropriate technologies. 20,000 villages will be covered by the banks during this year i.e. 2010-11 and the remaining will be covered during 2011-12. A multi-media campaign, “Swabhimaan”, has been launched to inform, educate and motivate people to open bank accounts. □

Frittering Away Scarce Resources

G Srinivasan



It is time that the various well-meaning reports calling for systemic reforms of the Indian Railway were taken out from the shelf and tried out for toning up the system

THE RAIL Budget for the next fiscal, presented to Parliament on February 25 by the Union Rail Minister Mamata Banerjee spared both the passengers and the freight loading industries from any fresh impost. This was widely expected in the run-up to the Rail Budget as the Trinamool Congress leader is faced with Assembly election in her home state where her party has substantial stakes. Even as the implications of not raising fare, passenger and freight remain yet to be deciphered in ample measure, the Railway Minister on her part claimed that the Indian Railways’ “tough times are now over” with the pressures being exerted from discharging one-time Sixth Pay Commission arrears having receded and there is now a return of buoyancy from revenues.

Using the opportunity to provide comfort to the travelling public, the Minister unveiled a slew of amenities for them. E-ticket booking charges have now been halved to Rs 5 for non-air conditioned and Rs 10 for AC travel. While 58-year old women can now avail themselves of senior citizen benefits against the extant eligibility age of 60, men above 60 years would be entitled to 40 per cent fare concessions, as opposed to 30 per cent earlier. For user-industries of railways who complain of shortage of wagons, the Minister has announced a move to procure 18,000 wagons in 2011-12 from Texmaco and Titagarh Wagons, over and above the record 16,500 wagon being procured this fiscal, against 13,068 and 8,295 wagons in the preceding two years. Steel makers could derive comfort from the IR’s new thrust on building 1300 km of new

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HIGHLIGHTS OF RAILWAY BUDGET 2011-12

- No hike in passenger fare and freight rates.
- Rs 9,583 crore for new lines,
- 1300 km new lines, 867 km doubling of lines & 1017 km gauge conversion targeted in 2011-12
- A new portal for e-ticketing to be launched shortly. Booking charges will be cheaper with a charge of only Rs. 10 for AC classes and Rs. 5 for others.
- 236 more stations to be upgraded as Adarsh Stations.
- Two new passenger terminals in Kerala and one each in U.P. and West Bengal proposed.
- Feasibility study to raise speed of passenger trains to 160-200 kmph to be undertaken.
- Anti Collision Device sanctioned to cover eight zonal railways.
- GPS-based 'Fog Safe' Device to be deployed.
- All-India Security Helpline on a single number set up.
- A Bridge Factory in J & K and a state-of-the-art Institute for Tunnel and Bridge Engineering is proposed at Jammu.
- A Diesel Locomotive Centre will be set-up in Manipur
- A scheme for socially desirable projects, 'Pradhan Mantri Rail Vikas Yojana' with non-lapsable fund, proposed.
- 10,000 shelter units proposed for track side dwellers in Mumbai, Sealdah, Siliguri, Tiruchirapalli on pilot basis.
- Concession to physically handicapped persons to be extended on Rajdhani and Shatabdi trains.
- Concession of 50% to press correspondents with family increased to twice a year.
- Medical facilities extended to dependent parents of the Railway employees.
- Scholarship for girl child of Group-D railway employees increased to Rs. 1200 a month.
- 20 additional hostels for children of railway employees to be set up.
- Recruitment for 1.75 lakh vacancies of Group 'C' and 'D' including backlog of SC/ST, initiated; 16,000 ex-servicemen to be inducted by March 2011
- Separate sports cadre planned.
- 2011-12 declared 'Year of Green Energy' for Railways- Use of solar energy at LC gates and stations, windmill at ICF Chennai, use of bio-diesel, CNG and LNG in locos and workshops, free supply of 14 lakh CFLs to railway households

rail lines—up from the 700 km in 2010-11 and just 357 km in the earlier year. The Railways would double its outlay on construction of new lines from Rs 4,990.85 crore to a budgeted Rs 8433.62 crore in the next fiscal.

For private investors, the IR proposes to float Rs 10,000 crore of tax-free bonds from the Indian

Railway Finance Corporation (IRFC) in the next fiscal. The IRFC is tasked to raise a record Rs 20,594.38 crore, against Rs 8975.46 crore in 2010-11. For the next fiscal year, the Railway Minister has set an ambitious target of freight tonnage of 993 million tonnes (mt), which is 69 mt tonnes more than what the system

would be loading this fiscal. The Railways anticipate a 7.6 per cent rise in overall freight throughput, in line with the economy's growth of 8 to 9 per cent.

With gross traffic receipts estimated at Rs 1,06,239 crore— (for the first time crossing the one lakh crore rupees mark) and total working expenses of Rs

96,450 crore, the IR will be left with a surplus of Rs 5,258.41 crore in 2011-12. The operating ratio, which is a measure of its profitability, is also set to improve to 91.1 per cent from 92.1 per cent in 2010-11 and the worst level of 95.3 per cent in 2009-10. The impact of the post-budgetary factors of Rs 5700 crore coupled with a reduced loading target of 924 mt have had their impact on the Railways' performance in the current year.

The Annual Plan for 2011-12 has been pegged at Rs 57,634 crore, for the final year of the 11th Five-Year Plan (2007-12). Against a projected outlay of Rs 2.51 lakh crore, the railways have so far spent Rs 1.43 lakh crore. Even with the enhanced outlay for the next fiscal which is the final year of the 11th Plan, the Railways might fall short of the target. Disconcertingly the shortfall would spread across all three components of the Plan outlay—internal resources, extra budgetary resources (borrowing and public-private partnerships) and gross budgetary backing. The inability to adjust price to cost by being complacent over the years has cost the system dear. Even as passenger fare is cross-subsidised by the freight earnings, the passenger segment has not been touched for the last eight years purely on populist considerations. At a time when the Railways are offering a host of value-added services for high-end consumers such as non-stop

Duronto Expresses, no conscious attempt has been made to align passenger fares to cost of providing services over the years. Even in the case of non-suburban services which are grossly subsidised, the Railways has not raised the fares at all but cut down the online booking charges. No wonder, the system is saddled with a loss of more than Rs 17,098 crore (revised estimate for the current fiscal) in running the non-suburban coaching services. In a similar manner, the fare structure for EMU services could have been rejigged, particularly when there is a renewed stress on providing additional EMU services in the metropolitan cities. The Budget has unveiled 47 additional services for Mumbai, 34 new services in Kolkata metro, 50 for Kolkata suburban, 9 additional services in Chennai and 6-9 for Secunderabad.

Critics have highlighted the fact that a cursory glance at the explanatory memorandum of the Rail Budget reveals that the system gets 65 paise from goods traffic and 26 paise from passenger traffic, making the twin services to account for 91 paise of every rupee the system earns, with the balance nine paise being contributed by other coach earnings, sundry other earnings and miscellaneous receipts each at three paise. With fuel charges accounting for 20 paise, a major portion of other expenditure entailing 59 paise goes to staff wage and allowance and pension fund. In other words,

Depreciation Reserve Fund (DRF) which keeps the rolling stock going gets a measly two paise out of every single rupee the system earns! It is small wonder that allocation for maintenance of rolling stocks for the next fiscal is pegged at Rs 5,221 crore against Rs 5,024 crore revised figure for the current fiscal. The same dismal record is revealed in track renewals where the budgeted amount for the current fiscal at Rs 408 crore stood revised at Rs 329.50 crore, while for the next fiscal it is budgeted at Rs 330 crore. Given the fact that rail networks across the country run at 63,974 route km and the system carries 20 million passengers and 2.44 mt of freight each day, this small allocation for track renewals is too gross an error to be let off as it involves the safety and security of both travelling public and the freight users, budget analysts argued.

On the whole, the Rail Budget has missed a golden chance to tighten the belt and put in place a credible expenditure management policy, instead of frittering away scarce resources in populist schemes and fancy projects that would not do any long-term good to the system. It is time that the various well-meaning reports calling for systemic reforms of the Indian Railway were taken out from the shelf and tried out for toning up the system, making it efficient and productive both to the users as also to the authorities. □

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Budgeting for Health and Education

Urmi Goswami



A higher spend on both education and health are absolutely essential if the government is serious about inclusive and sustained growth

THE BUDGETARY allocation for two key development indicators—education and health—increased marginally in the Union Budget 2011. However, the increases are far too small to provide any cheer and effect any real changes in the two crucial sectors.

The continued low share of education and health in the overall government spend raises important questions. The first- is the increase commensurate to the increase in population and its growing need? Second, how would the government actualize inclusive and sustainable growth in the face of continued low priority to education and health? Far from the promised 6 per cent, total public spending on education is yet to cross the 3.5 per cent mark. In 2000-01, the total public expenditure on education (that is

centre and states combined) was 3.94 per cent of GDP. It is at 3.39 per cent of GDP in 2008-09.

Even as GDP increased by 37 per cent, the union government's total expenditure as a proportion of GDP is projected to fall from 15.4 per cent in the revised estimates for Budget 2010-11 to 14 per cent in the Budget 2011. This decline is most clear in the spend on education and health. The expenditure on social services (which is more than just education and health) in the Union budget as a proportion of GDP has dropped from 2.1 per cent in Budget 2010-11 (revised estimates) to 1.8 per cent in Budget 2011. Even if the revised estimates for Budget 2011 experience an upward revision, the concern is that share of spend in the social sector will not increase in a substantial manner.

The Union government's total allocation on education stands at

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0.71 per cent of GDP in Budget 2011-12. This is a marginal increase from 2010-11 Budget's revised estimates which put the share of education at 0.69 per cent. The real increase in education has been much smaller than the claims made by the finance minister. If we simply consider the increase in the education sector's flagship elementary education programme, Sarva Shiksha Abhiyan, the increase is just Rs 1,0970 crore from the current year. In his Budget speech, finance minister Pranab Mukherjee said that allocation had been hiked by 40 per cent. But then Mukherjee had used the budget estimates for the current year which was Rs 15,000 crore to make this point. However, the fact is that actual spend on Sarva Shiksha Abhiyan was Rs 19,000 crore in the current year. This makes the allocation for the financial year, Rs 21,000 crore, a mere Rs 2,000 crore hike. In actual matter then the increase appears to be no more than an adjustment for inflation. This is a matter of concern as the Sarva Shiksha Abhiyan forms the backbone of the constitutionally mandated free and compulsory education for children between the age groups of eight and fourteen. The Right to Education, now a fundamental right, was notified in April 2010. This is for all practical purposes the first year of its roll out.

Another cause of concern is the increased dependence of this elementary education programme on the 2 per cent cess levied in 2004-05. The share of cess

in financing the Sarva Shiksha Abhiyan has been going up. In the current year, it is less than 50 per cent of the total spend but for 2011-12, in the budget estimates itself proceeds from the cess, Rs 11992 crore, account for more than half of the total expenditure on the programme. With the expenditure on elementary education not showing signs of stabilizing, the dependence on the levy to ensure that the government can meet its constitutional commitment should raise concerns. This over reliance on the education cess along with an increased push for private participation through the public-private participation raises an important question. This could be argued as signs of withdrawal by the government from provisioning for a key development indicator. This needs to be checked. Inclusive and sustained growth that the government is pushing on paper can only be actualized if spend in education, a key development indicator, is sustained if the government doesn't under provision or outsource.

Another key area which requires further investment, especially in light of the Right to Education Act, is teacher training. The Act mandates all teachers need to complete and meet training requirements within three years of the legislation being in force. However, budgetary allocation for strengthening teacher training institutes is constant at Rs 450 crore. It needs to be said though in the current year, the ministry

was able to utilize only Rs 328 crore of the allocated Rs 450. The low level of spend, just 46 per cent of the Eleventh Plan allocation, could explain the finance minister's allocation in Budget 2011. Nonetheless, given that teachers are a weak link in the elementary education segment, it would be heartening to see a higher allocation and a roadmap for improving both quality and quantity of teachers in the Budget.

Mukherjee announced a centrally sponsored scheme for the vocationalisation of secondary education. This is an important announcement, as the government is trying to ramp up the secondary education sector and address the issue of employability. The programme is currently under design. How effective this special attention from the finance minister would be will depend on the nature of the design of the programme. This should be seen along with the higher provisioning for the Rashtriya Madhyamik Shiksha Abhiyan.

The introduction of the scheme for students belonging to the Scheduled Caste community in the form of a pre-matric scholarship, is a good move. The scheme has been allocated Rs 196 crore. The increase in outlay for providing quality education in madarasas, infrastructure development in minority institutions, and construction of girls hostels are expected to have a good impact.

The share of health (that is the share of the union ministry for health and family welfare) in the Union Budget increased from 2.1 per cent in the current year to 2.4 per cent in 2011-12. But the increase in its share of the GDP was negligible from 0.32 per cent in the current year to 0.34 in 2011-12. The total public expenditure on health is around 1 per cent of GDP, a far cry from the 3 per cent that the UPA government had set as target in 2004.

One area of concern in this sector is rural health. Allocation under the National Rural Health Mission has increased by 19 per cent. However given the requirement of additional funds to augment the rural health infrastructure, fill in vacancies of doctors, auxiliary nurse midwives, paramedics, the increase is not adequate. Neither does there appear to be any proactive measure to push through the plan of ensuring the promised upgrade of health services in every district. According to the National Rural health Mission's progress report only 27 per cent of the primary health care centres are fully functional—just 6,239 of the total of 23,391 primary health care centres. There is a 16 per cent shortage in the requirement of doctors at these centres. The gaps in the country's rural health infrastructure are a major issue given that health is a key indicator for development. It is hoped that the increase in the human

resources for health, from Rs 187 crore in 2010-11 to Rs 348 crore in 2011-12 will address at least the gap in health personnel.

Key public health programmes have also been given the short shrift. Once again, given the nature of the country's demographics, the higher incidence of population in the below poverty line segment, a robust public health programme is essential.

Over the last two years, allocation for various national disease programmes declined by 14 per cent. Though in Budget 2011, allocation for some of these programmes has inched towards their 2009-10 levels, this is of little significance as both population pressures on existing infrastructure systems and the incidence of these diseases have also increased.

The national Family Health Survey found that the coverage of universal immunization programme was just 43.5 per cent of the population. In this context, reducing the budget for routine immunization (for six diseases) from Rs 618 crore in 2009-10 to Rs 511 crore in the current budget is a cause of worry. The programme is meant to reach out to the 26 million children who are born every year. Add to that the fact that India's global share of under-five death is at 21 per cent. Clearly, the growth story that Mukherjee sought to sustain and bet on is far from inclusive.

There are anomalies in the public health allocation as well. While funds for the national Integrated Disease Surveillance Programme has been increased just marginally by Rs 50 lakh, the money to tackle the diseases being tracked has been reduced.

Budget cut, compared to 2009-10 levels has hit the National TB control programme as well. This despite the fact that tuberculosis continues to be a major public health problem in the country. Budget 2011 seems to ignore the increase in incidence and geographical spread of vector borne diseases such as malaria, dengue, chikungunya and Japanese encephalitis. The budget for the national Vector borne Disease Control Programme has been reduced from Rs 568 crore to Rs 436 crore.

The low level of funds for public health is an indicator for another pillar of the government's "sustainable and sustained" growth aim. Environment is a key public health concern. The lack of investment in public health rollout whether it is through key programmes or health infrastructure will also hinder the need for greater environmental accountability from the people.


Mukherjee announced the extension of the Rashtriya Swasthya Bima Yojana to cover the unorganized sector workers in hazardous mining and associated industries like slate, slate pencil,

dolomite, mica and asbestos. This is a good measure. But even as he announced this extension, the allocation for the scheme was cut drastically from Rs 446 crore in the revised estimates for Budget 2010-11 to Rs 280 crore in Budget 2011. This makes the welcome move to bring more poor people within the healthcare net, nothing more than rhetoric.

The inadequate provisioning for education and health needs to be seen in the context of concerns about the resource mobilization efforts of the government. The tax -GDP ratio, that is the gross tax revenues of the centre as a proportion of the GDP, shows a small increase from 10 per cent in the revised estimates for Budget 2010-11 to 10.4 per cent in Budget 2011. The projections in the Medium Term Fiscal Policy Statement indicates that the tax-GDP ratio would increase to 11.3 per cent in 2013-14. This basically means that the tax base of the economy would be stagnant. This raises serious concerns for provisioning in the social sector.

Finance minister Pranab Mukherjee's Budget speech referred to India's "demographic dividend" compared to developed countries as "challenge and opportunity". Census projections for 2011 put the total population of five to twenty-nine year olds at 57 crore. Mukherjee said that in 2025, over 70 per cent of the country's population will be of working age. If the government is really interested in leveraging this demographic dividend it needs to move beyond rhetoric. A higher spend on both education and health are absolutely essential if the government is serious about inclusive and sustained growth. Improving the quality of the two key development indicators will create the requisite pressure to ensure that the high economic growth is both inclusive and sustainable. □

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YE-3/11/8

Tax Proposals



The imposition of MAT partially changes the taxation powers in favour of the finance ministry and will also serve a big revenue earner

THE TAX changes introduced by finance minister Pranab Mukherjee in Budget 2011-12 are all meant to be congruent with the introduction of the Direct Tax Code in April 2012 and possibly also the Goods and Services Tax, which is tentatively slotted for the same time. While Mukherjee could not give any specific time line for the introduction of GST as several states are still not willing to give up their sovereign right to tax in favour of the centre, he said the constitutional amendment bill to create the facilitating conditions for the introduction of GST will be introduced in Parliament this year.

Since this approach was already clear before the budget, no interest groups expected any radical changes in the tax laws. The other point of interest was whether the minister will hike the median rate of excise tax to the pre-financial crisis level.

The pre crisis level of central excise duty was close to 14%. Since the current rate was 10%, industry felt the finance minister could ratchet it up to at least 12% to indicate the government was now totally out of stimulus measures for the economy. But as the growth signals in the economy for the industrial sector is mixed, with the monthly index of industrial production moving up and down, Mukherjee opted to continue with the same rate.

This has been seen as a big relief measure from the budget. The other benefit from the budget has been the reduction in surcharge for companies. For domestic companies it will be 5% of the applicable tax rate from 7.5% till now, while foreign companies will pay at 2% instead of at 2.5%. The finance minister has balanced these with introduction of minimum alternate tax to special economic zone developers and industrial units and extension of service tax to more sectors.

In what follows we will enumerate the key direct and indirect tax proposals, pausing to understand the implications of the most significant ones.

Key direct tax proposals

Basic exemption limit is marginally increased to benefit individual tax payers. The rate at which the first incidence of tax will set in will now be Rs 1,80,000 instead of Rs 1,60,000. The maximum benefit for the taxpayer from the proposal will be about Rs 2,000 per year.

The other income tax assessee friendly measure introduced says employer contribution towards pension scheme shall be excluded from the limit of Rs 1 lakh provided under Section 80CCE. Specific deductions are now allowable to the employer on contributions towards the New Pension Scheme upto 10 percent of the salary of the employee. The additional deduction of Rs 20,000 for investment in long term infrastructure bonds allowed last year will be extended for one more year.

There is no change in corporate tax rate except for a reduction in the surcharge on tax from 7.5 percent to 5 percent in case of domestic companies and from 2.5 percent to 2 percent in case of foreign companies.

But the rate of MAT has got increased from 18 percent to 18.5 percent. It has also been extended to limited liability partnerships, SEZ developers and units operating in SEZ. This

was one of the major bone of contention between the finance and the commerce ministry. From 2005 when the SEZ act was passed by the commerce ministry, units had enjoyed a total tax free existence. The imposition of MAT partially changes the taxation powers in favour of the finance ministry and will also serve a big revenue earner. The revenue department has estimated the tax potential of the move at nearly Rs 16,000 crore.

No wonder in post budget discussions with the finance ministry, industry has flagged this tax as their biggest concern. Mr Mukherjee has also promised to examine the issue afresh. If accepted this will mean passing an amendment in the Finance Bill before the end of this month.

Simultaneously the dividend distribution tax exemption has got withdrawn for SEZ developers. Dividends received by Indian companies from their foreign subsidiaries during 2011-12 will be taxed at a concessional rate of 15 percent on a gross basis.

To promote the development of infrastructure, the income of notified Infrastructure Debt Funds have been made exempt from tax. Interest received by non-residents from such funds will be taxed at a lower rate of 5 percent. The move follows the plan to set up such fund that will canalise investments from abroad as long term money.

Benefit of investment-linked deduction has also got extended to businesses engaged in the

production of fertilisers and affordable housing projects. For the power sector tax holiday for undertakings engaged in the power sector, the commencement date for availing the relief has got pulled back to 31 March 2012. This means more mega power projects will get the benefit this year. Through a sunset clause, tax holiday for undertakings engaged in commercial production of mineral oil will not be available for blocks licensed after 31 March 2011.

Weighted deduction increased from 175 percent to 200 percent for contributions made to specified institutions for approved scientific research programmes. The budget also introduced the following anti-avoidance measures for transactions with persons in countries which do not effectively exchange information with India—basically anti-black money operations.

a) Transfer pricing provisions will be applicable to such transactions. Disallowance of the deduction of interest and other expenses incurred if prescribed authorizations or documents are not submitted. In addition, for any sum received from a person in such jurisdictions, the tax payer has to explain to the government the source from where she or he got the money in the hands.

In case of failure to explain, the amount received shall be deemed to be an income of the assessed. For payment of any sum or income or amount

on which tax is deductible a withholding tax at the rate of 30 percent will be levied.

- b) On procedural issues the changes made include extension of due date of filing ROI to 30 November for cases involving transfer pricing provisions. Collection of information on requests received from tax authorities outside India in terms of Tax Information Exchange Agreements.

Besides, an exemption has been held out to especially salaried tax payers who have no other source of income, that they need not file return of income.

Key indirect tax proposals

The peak rate for excise, customs and service tax were retained at the existing levels. Further as we said earlier, no new date was announced for implementation of GST but a constitutional amendment bill for GST would be tabled in Parliament in the current session.

On some products a four percent excise duty has been increased to 5 percent (such as prepared foodstuffs, paper and articles of paper, textile intermediaries and textile goods, medical equipment etc.)

All items that attract basic customs duty of 2 percent and 3 percent will now attract a uniform rate of 2.5 percent duty.

In service tax new categories brought in are hotel accommodations above Rs 1,000 per day, air conditioned restaurants

with licenses to serve liquor and some categories of hospitals and diagnostic test centres, with specified abatements.

Some services whose scope has been expanded are legal services including those provided by individuals to entities and vice versa as well as representation and arbitration services provided to business entities.

A contentious move is rise in air travel services where service tax is now raised by Rs 50 and Rs 150 on domestic and international economy travel respectively. The scope of life insurance service tax is to be expanded to cover all services including in relation to management of investments.

To reduce litigation a point of taxation rule will be introduced from 1 April 2011, to define the point in time when services shall be deemed to have been provided. Thus the point of taxing services is being changed from cash basis to accrual basis. The rules will also specify what makes an event a taxable event and where applicable rates for a new service is introduced or advance payment has been received.

Some other changes are

- 1) In Export and Import Rules for certain services as well as service tax refund scheme for SEZs.
- 2) Under the CENVAT credit scheme, like those in definition of 'input services' to restrict its scope. As a result credit of service tax paid on services such as

construction services, works contract services, rent-a-cab services, outdoor catering, etc. would not be available. Further, an omnibus clause that allowed full credit on 17 specified services in case of non-taxable operations has been deleted. The rate of maximum VAT/ sales tax levied on 'declared goods' (coal, cotton, cotton yarn, crude oil, hides and skins, iron and steel, jute, LPG for domestic use and oil seeds, etc.) under the central sales tax act to be enhanced from 4 percent to 5 percent.

To make life easier for bigger export houses, which means reduction in transaction costs, several changes are proposed on the tax administration front including facility of self assessment introduced for import/export clearances.

Simultaneously as a penal provision, the rate of interest in case of short/ delayed payment of customs/ excise duty and service tax will be increased from 13 percent to 18 percent.

Mr Mukherjee has estimated that his measures on direct tax will net a loss of Rs 11,500 crore, while those on indirect tax will provide for a gain of Rs 11,300 crore. This means his net loss of resource will be Rs 200 crore in fiscal 2011-12. In other words to keep a tight fiscal ship he has kept the rebates and levies equally balanced too. □

नमो तस्म भगवतो अरहतो सम्मासम्बुद्धस्स

SESSION : JUNE

GENERAL STUDIES

- ➔ Rajnish Tomar : Geography, Indian Polity.
- ➔ Dr. Awanish kr. : Science and Technology.
- ➔ Dr. Udaybhan singh : Economy, Social Problem.
- ➔ Dr. Mukesh Kr. Verma : Indain History
- ➔ A.K. JAIN : International Relation, Statistics.
- ➔ Prakash R. : Science and Technology.

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20th JUNE

**Rajendra
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Sugarcane Bud Chipper and Others



The uniqueness of the device lies in the floor mounted arrangement, equipped with a semi circular knife edge to surgically cut out the buds in a high impact cutting operation sequence with clean finish and no damage to the cane

ROSHANLAL VISHWAKARMA, 43 years of age is a prolific innovator from Mekh village in Narsighpur district of Madhya Pradesh. Son of Sri Dhani Ram Vishwakarma, a farmer, he has continued with the Vishwakarma tradition evolving into a master craftsman and skilled technician. He repairs farm implements and equipment and develops innovative products at his workshop in his house equipped with drilling, welding and grinding machines. Apart from his craft, he has a passion for painting.

Roshanlal completed his schooling in Government Middle School at Mekh and passed his Higher Secondary examinations from Karakbel in 1986 in the second division. Being a good student, he took admission in Government College at Narsinghpur for his graduation. Family circumstances and being the only son among three sisters cut short his education. He had to drop out of college and start helping his father on their farm.

Genesis of innovation

It was the year 2005. Roshanlal was facing difficulties with sugarcane during the planting season. Existing sowing method by deploying sugarcane sets was laborious, time consuming and costly. The alternative method of planting individual saplings was equally laborious and hampered by lack of availability of saplings in large numbers.

Over the years, the innovator developed a friendship with Mr V V Maurya, the agricultural engineer stationed at Agricultural Engineering Research Station, Narsighpur. Mr Maurya became his formal guide who did liaison work with institutions and vendors and showcased his innovations at local fairs.

Having observed the sowing of potatoes, Roshanlal wondered if it was not possible to sow the buds of sugarcane similarly. He discussed this with Mr Maurya. Finding no suitable machine in existing prior art, Mr Maurya challenged his friend Roshanlal to make a machine that can remove buds from

the sugarcane for the plantation purpose so as to minimize losses as well as save time, money and seeds.

Taking up the challenge, Roshanlal started developing the bud chipper along with other implements including the sugarcane leaf stripper and set cutter. He started experimenting with various work posture configurations, knife shapes and developed a spring loaded high arm action and a reciprocating workload action.

The laborious, slow and inefficient process of removal of buds using hand tools was replaced by his efficient floor based unit. He built the unit so that it could handle any cane size and the user could sit and work for hours. Experimenting with various cutting shapes, he finally developed a u-shaped cutting profile which cut the bud in one swift movement of the spring loaded handle without damaging the rest of the cane stalk.

He took more than two years developing the innovation. While toying with the idea of a table top version instead of existing floor based version, he realised that the design would become more complex to feed the cane at the exact height when used by various users. Secondly, he noticed that rural users were more comfortable with floor based model than table top handling. He also started developing a folding type bud chipper which however was not accepted by the local users and he discontinued the model.

Innovation details

The sugarcane bud-chipper consists of a surface plate, holding stand, reciprocating assembly, actuating lever with adjustable

screws, connector, U shaped cutting knife bolted with a spring stopper projecting downward into a matching groove, supporting studs and spiral spring for generating thrust. The operation and use of this machine costing only Rs 600 is guaranteed for five years.

The uniqueness of the device lies in the floor mounted arrangement, equipped with a semi circular knife edge to surgically cut out the buds in a high impact cutting operation sequence with clean finish and no damage to the cane.

The user feeds the sugarcane longitudinally through the unit with the left hand and then aligns the bud just below the blade placed vertically in the central axis of the unit. Now, the user would lift his right arm, grip and pull down the long spring loaded handle in a sweeping arc. First, he pulls down the handle to make a notch separating the bud from the cane axis and then, in a second handle action, he delivers a heavy downward cut with sharp impact action which spews out the bud.

The user then lifts the blade up and uses the left hand to advance the next bud along the cane length. The user can quickly turn the cane 180 degree after the first cut to expose the bud on the other side for the next notch and cut. He repeats the process till all the spaced out buds have been cut from the cane.

Two small guideposts in the front of the unit below the cutting blade act as a safety barrier while handling the cut buds coming out of the unit. With the buds removed, the finished cane is also ready for further processing with minimum loss or wastage.

Thus, by pressing the handle, the unit removes the bud from the

node of the sugarcane, which is then used for planting. The scope of this equipment lies beyond just removing buds from sugarcane. It can be used more broadly as grafting equipment wherein buds of large plants can be removed.

Key features

- A single person can use this machine to remove over 100 sugarcane buds per hour. The unit can also be used to cut small pieces of sugarcane. The unit is flexible and can handle various sugarcane sizes and diameters.
- The floor mounted unit allows the user to be comfortably seated on the ground and continuously feed the sugarcane with the left hand, while swinging the right arm in a smooth arc to cut the sugarcane buds using the ergonomic spring loaded handle.
- The semi circular cutting blade with effective cutting action delivers clean and complete cut in a two step notch and cut operation. It does not need any power or fuel to run it.
- The entire unit has minimal footprint, weighs a few kilograms and can be transported anywhere as required.
- The robust spring loaded handle, is provided with a rubber grip and has an angled form and wider arc, provides a huge mechanical advantage.
- The high impact cutting action with outstretched arm and high shoulder slinging action generates the desired fast impact force for clean cutting.

As per CIAE (Central Institute of Agricultural Engineering, Bhopal)

the technique is considered novel though they have suggested some ergonomic feasibility study. Slightly different kinds of chippers are reported from Tamil Nadu but this one seems low cost and efficient.

He has also been supported under the Micro Venture Innovation Fund at NIF for test marketing and commercialization of his innovation. Roshanlal is a serial innovator and has improvised or innovated various devices and implements like sugarcane set cutter, sugarcane harvesting tool, traveling iron, automatic spray pump, timer for three-phase motor etc.

Product Application

Other machines available nationally for processing sugarcane include those driven by motorized systems developed by CAIE Bhopal and for cutting mulberry systems by CSRTI Mysore. While these units deliver higher capacities, they are heavier in weight, need electricity for running. They are more expensive in the range of 7000 to 10,000 Rupees and cannot be transported to any site in the cane field.

The manual mulberry stem cutting machine developed by TNAU Coimbatore uses a table top configuration with stems placed at 45 degree and a spring loaded cutting blade operated with long handle. This unit weighs 26 kgs and costs over 2500 Rupees.

Roshanlal received micro venture MVIF funding of Rs 23,000 from National Innovation Foundation in 2007, which helped him to expand his production and sell over 250 bud chipper units to customers in various states at a cost of Rs 600.

Many sugarcane farmers in the region have switched over to using the bud chipper. The patent application for the innovation have been filed by NIF in the name of the innovator with the patent application no: 1501/MUM2008.

Recognition and Awards

Roshanlal received an award from National Innovation Foundation in November 18, 2009. The award was conferred by the former DG, CSIR and Chairperson of NIF Dr R.A. Mashelkar. □

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Promoting Sports in Panchayats

*Injet Srinivas
C Chinnappa*



Preference given to schools would help in realizing the long standing objective of integrating physical education and sports with formal education

SPORT PLAYS a crucial role in the physical fitness and well being of people, apart from contributing to social inclusiveness, gender equality and youth development. India, to become a leading country in the world of sports, needs a strong network of sports infrastructure up to the grassroots level; organized competitions at all levels; integration of sports and physical education with the formal educational system; and development of a sporting culture. Towards this endeavor, Government of India introduced a nation-wide rural sports programme called ‘Panchayat Yuva Krida Aur Khel Abhiyan’ (PYKKA) in the year 2008-09. It is a Centrally Sponsored Scheme (CSS), being implemented through State Governments/ UT administrators. The objective is to create a network of basic sports infrastructure throughout

the country; provide universal access to sports in rural areas and promote a sports culture, harness available and potential sporting talent among rural youth, through a well designed competition structure starting from the block level.

The implementation agency at the village/block panchayat level is sports club or youth club of Nehru Yuva Kendra or state sport/ youth club or other NGO involved in sports/youth activity/Self-Help Group and or Panchayati Raj Institution (PRI).

Aims

- Creation of basic sports infrastructure in 2.50 lakh village panchayats and 6,400 block panchayats (and its equivalent units in the country), in a phased manner, over a period of 10 years, with annual coverage of 10% for normal states, and 20%

The authors are respectively Joint Secretary and Deputy Secretary, PYKKA Mission Directorate, Govt of India

for border states and special category states, including North- Eastern states;

- Providing 100% central assistance to States/UTs for holding annual rural sports competitions at block, district, state and national level;
- Extending financial support for conducting National Women Championship, Inter-School competitions and North East Games.

Funding pattern

Infrastructure Grant: Development of basic sports infrastructure in village/block panchayats: Details are shown in Table 1.

For setting up of PYKKA centres, the average population size of panchayats will be taken as 4600, with relaxation for sparsely populated areas. Panchayats can be clubbed for arriving at the required population figure.

Annual Competitions (100% central grant): Quantum of grant-in-aid for holding competitions at various levels is given in Table 2.

North East Games: These games are for encouraging/promoting traditional and tribal sports. Funding norms are shown in Table 3.

The funding patter for Inter-school Sports Competitions and

Table 1 – Infrastructure Grant

S. No.	Component	Village Panchayat	Block Panchayat
1.	One-time Capital Grant for leveling of playfields, etc. (in the ratio of 75:25 between centre and states; and 90:10 in the case of special category states / North- Eastern states. (100% central grant)	Rs 1 lakh	Rs 5 lakh
2.	Annual Acquisition Grant for 5 (five) years, for sports kit/equipment.	Rs 10,000/-	Rs 20,000/-
3.	Annual Operational Grant for 5 (five) years, for maintenance expenses, including honorarium to kridashrees.	Rs12,000/-	Rs 24,000/-

Table 2 – Annual Competition Grant

4.2.1	PYKKA Rural Competitions	Funding pattern
i.	Block Level Competitions	Rs 50,000/- @ Rs10,000/- per discipline for 5 disciplines + Rs 45,000/- prize money for the first three winning village panchayat.
ii.	District Level Competitions	Rs 2 lakh @ Rs 20,000/- per discipline for 10 disciplines + Rs 90,000/- prize money for the first three winning block panchayat.
iii.	State Level Competitions	Rs 10 lakh for state@ Rs 1 lakh per discipline for 10 disciplines; Rs 5 lakh for UT @ Rs 50,000/- per discipline, for 10 disciplines. Note: 20% of total amount will be utilized for award of prizes.
iv.	National Level Competitions	Rs 70 lakh (Rs 3.50 lakh per discipline for 20 disciplines) to host state. Note: Rs50,000/- out of Rs 3.50 lakh per discipline is earmarked for award of prizes.

Table 3 : North East Games

4.2.2.1 North East Games		Funding pattern
(i)	District Level	Rs 50,000/-
(ii)	State Level	Rs 6 lakh @ Rs 75,000/- per discipline for 8 disciplines.
(iii)	National Level	Rs 55.90 lakh

National Sports Festival for Women are shown in tables 4 and 5.

Kridashree (community coach/sports volunteer)

Kridashree is an honorary sports volunteer at panchayat/block level, engaged to manage the sports facilities and also to

act as a motivator. He/She could be an active or ex-sportsperson or a youth showing keen interest in sports, or a retired serviceman/physical education instructor.

Plan outlay and Budget allocation

A plan outlay of Rs 1,500

crore has been earmarked in the Eleventh Five Year Plan for the PYKKA scheme. The budgetary allocations for the scheme may be seen in Table 6.

Most of the states have set up PYKKA Cells, Executive Committees at state, district and

Table 4 Inter-school Sports Competitions

4.2.3.1 Inter-school Competitions		Funding pattern
(i)	District Level	Rs 1 lakh @ Rs 10,000/- per discipline for 10 disciplines
(ii)	State Level	Rs 3 lakh @ Rs 30,000/- per discipline for 10 disciplines
(iii)	National Level	Rs 35 lakh (@Rs 3.50 lakh per discipline for 10 disciplines) + cash award of Rs 1 lakh and rolling trophy to the best sports performing school.

Table 5 National Sports Festival for Women

4.2.3.2 Women Competitions		Funding pattern
(i)	District level	Rs 1.20 lakh @ Rs 10,000/- per discipline for 12 disciplines.
(ii)	State Level	Rs 6 lakh for State @Rs 50,000/- per discipline for 12 disciplines; Rs 3 lakh for UT @ Rs 25,000/- per discipline for 12 disciplines.
(iii)	National Level	Rs 42 lakh @ Rs 3.50 lakh per discipline for 12 disciplines.

Table 6

Sl. No.	Year	Budget allocation Core Rupees	Budget utilization		
			Infrastructure component	Competitions	Total
(i)	2008-09	92.00	83.85	8.15	92.00
(ii)	2009-10	135.00	105.00	30.00	135.00
(iii)	2010-11*	413.00	130.24*	55.09*	185.33*
	Total	640.00	319.09*	93.24*	412.33*

Figures up to 31st August, 2010.

Table 7 : Status of approvals

						(₹ in crore)
Sl. No.	Year	Number of proposals (of states) approved	Number of Village Panchayats approved	Number of Block Panchayats approved	Admissible grant approved	Amount released
(i)	2008-09	24	22,385	601	246.22	83.85@
(ii)	2009-10	9	4,434	249	54.87	105.00#
(iii)	2010-11*	9	4,279	139	55.07	130.24#
	Total	42	31,098	989	356.16	319.09

@ Figure is less vis-à-vis approved figure, due to less budget allocation in 2008-09.

includes release of grants approved for the previous year(s) (i.e. 2008-09; 2009-10).

* upto 31st August, 2010.

block level; identified PYKKA implementing agencies; and engaged Kridashrees (community coaches) for managing the PYKKA centres;

Convergence of PYKKA with other Central and State schemes

PYKKA scheme encourages convergence with different Central and State schemes for meeting its objectives. The scheme recommends convergence approach in terms of resource mobilization by village/block panchayats through own resources or from other sources like State Government contribution, MLALAD scheme, MPLAD scheme, Backward Region Grant Fund, MGNREGA assistance, private contributions, etc. The scheme specifically envisages that funding from Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) should be tapped for undertaking labour intensive work such as leveling of playing fields, etc. Moreover, Ministry of Rural development has agreed in principle to provide assistance for construction of 'Mini Stadia' in villages across the country.

PYKKA centres have been set-up mostly at schools in panchayats for benefits of school children and also for use as community sports facilities beyond school hours. This is an endeavor towards achieving integration of physical education and sports with formal education system, besides promoting mass participation in sports. Strong linkages are also being created with the school sports by promoting inter-school competitions and women competitions.

Capacity Building

Detailed Project Report (DPR): Implementation of PYKKA scheme would largely depend upon the planning that goes into the preparation and implementation of action including the design and effectiveness of the delivery mechanism. The Detailed Project Report (DPR) of PYKKA with 5 year perspective plans and annual plans will be prepared by the States/UTs either in-house or by engaging a suitable consultancy agency. In order to support States/UTs in preparation of DPR, one-time financial assistance of Rs 10 lakh for each State and Rs 5 lakh for each UT is being provided. So far, 18 States have availed a total assistance of Rs 135 lakh for the purpose. Four States (Himachal Pradesh, Karnataka, Mizoram and Nagaland) have already submitted the DPRs.

PYKKA-MIS: It was formally launched in November, 2009. and enables online submission of proposals by States/UTs, tracking of proposals and conveying of approvals. It also seeks to achieve online monitoring of financial and physical progress and preparation of comprehensive data base on playing fields, competitions and participants at all levels. The website (www.pykka.gov.in) inter-alia provides citizens participation by enlisting their suggestions, sharing their success stories in the sports domain, etc. Public domain of PYKKA website is now fully functional.

PYKKA Resource Centre (PRC) has been set up at LNUPE, Gwalior (M.P) in November, 2009 for achieving the following

components connected with the implementation of PYKKA Scheme: Capacity building; Standardization; Monitoring and evaluation; Documentation; International Cooperation; and Sharing of best practices.

Training of Master Trainers and Kridashrees:

Comprehensive 'Manuals for training of Master Trainers' were prepared and circulated to all concerned; two weeks training programme is organized for 600 state officials/persons in each financial year at Laxmibai National University of Physical Education (LNUPE), Gwalior (M.P). Special training materials have been prepared in 20 different games and sports identified under PYKKA scheme. Rs. 35.25 lakh was utilized for training of 577 officials in 2009-10. This year (2010-11) Rs. 47.00 lakh has been released to LNUPE, Gwalior (M.P) for training of 600 officials. State officials/persons trained at LNUPE would in turn train 20,000 kridashrees in a year in States//UTs; One week training programme for kridashrees is organized in States/UTs with full financial support from the Mission Directorate. Rs 2.92 crore was provided to 22 States for training of 20,336 Kridashrees in 2009-10. So far, 12,354 kridashrees have been trained.

Workshops for District Sports Officers (DSOs) and other state officials involved in the implementation of PYKKA scheme are being conducted periodically at State Hqs.. Such workshops were held so far in Orissa, Tamil Nadu, Karnataka, Kerala, Arunachal Pradesh, Sikkim and Bihar.

Knowledge Partners of PYKKA:

UNICEF is associated with the PYKKA Resource Centre (PRC) in the areas of training, monitoring, and advocacy besides co-opting with the states in the implementation of the scheme. It has done pioneering work in the states of Andhra Pradesh, Assam, Chhattisgarh, Maharashtra and West Bengal for setting up model PYKKA centres.

Magic Bus (a registered NGO) is also developing two pilot PYKKA centres in the Sangli district of Maharashtra and Medak district of Andhra Pradesh..

Isha Foundation, Coimbatore, Tamilnadu is conducting yoga classes for Master Trainers and community coaches (kridashrees) as part of their training programme.

Monitoring

Mission Directorate officials make regular visits to States/UTs and oversee the development of playfields and setting up of PYKKA centres at village and block panchayats. Mission Directorate is in the process of engaging interested Arjuna awardees (of retired sportspersons) as honorary PYKKA Observers, for monitoring the implementation of PYKKA scheme including training of kridashrees in States/UTs.

New initiatives under PYKKA

States/UTs have been allowed to avail admissible infrastructure grant for the un-availed year(s) from 2008-09 and avail infrastructure grant on pro-rata basis for the previous year(s) from 2008-09 onwards for village panchayats,

having population exceeding national average; utilize Rs 2,000/- and Rs 4,000/- respectively for administrative expenses from the annual operational grant admissible for village/block panchayat; and avail 100% grant (for UTs) having no legislature and getting full budgetary support from the Centre.

Admissible grant was earlier provided to States/UTs in two instalments. From now onwards, the same is provided in one instalment to speed up the implementation of the scheme.

Annual acquisition, operational and competitions grants for block, district and state level competitions were earlier released to the States/UTs through Sports Authority of India (SAI). From 2010-11 onwards, these grants are released to States/UTs directly by the Mission Directorate to avoid unnecessary delay;

From 2010-11, age limit for participation in district, state and national level competitions has been reduced to 16 years from 18 years. Block level competitions will be open to all with separate events for those with less than 16 years of age.

Award of merit certificate in the block & district level competitions has been introduced for the first time; Like-wise, award of participation and merit certificates for participants in the state and national level competitions has also been introduced;

Earlier, national level PYKKA competitions for twenty sports disciplines was held in four groups. From this year onwards, the same

will be held in six groups. This will facilitate smaller States and UTs also to host national level PYKKA competitions;

Funding norms for national level North East Games has been standardized at a higher level (Rs 55.90 lakh).

States have been asked to associate Members of Parliament (M.Ps) in the District level PYKKA Executive Committees for effective monitoring of PYKKA Scheme.

Outcomes envisaged

All village and block panchayats (and their equivalent units) would have earmarked/protected playing fields; Preference given to schools would help in realizing the long standing objective of integrating physical education and sports with formal education; four million plus youth, expected to participate in the annual rural sports competitions, will provide a huge base to identify and nurture young talent; the scheme provides for linking talent identification schemes of SAI and States to spot and nurture young sporting talent. The scheme is expected to help in producing over 2 lakh community sports instructors over a period of 10 years, who will help in promoting a strong sports culture in the country. Finally, mass participation in sports would contribute significantly to youth development (leadership qualities, health and fitness), community development (social inclusiveness; reduction in crime), national pride, international cooperation and in furthering economic development in the area of sports activities. □

(E-mail : c.chinnappa@nic.in)

NORTH EAST DIARY

SPECIAL ALLOCATION FOR NORTH EAST

In order to boost development in the North Eastern Region (NER) and Special Category States, the allocation for special assistance has been almost doubled to Rs 8,000 crore, in the Union Budget for 2011-2012.

The Government has doubled the special allocation to North Eastern States, hiking it to Rs. 8,000 crore, out of which Rs 5,400 crore has been earmarked as untied Special Central Assistance.

Assam would also benefit from the proposal to bring 'Green Revolution to Eastern Region'. The Finance Minister has allotted Rs 400 crore for improvement in rice-based cropping system of Assam, West Bengal Orissa, Bihar Jharkhand, Eastern Uttar Pradesh and Chhattisgarh.

The Finance Minister kept up the level of Central Assistance to the North Eastern States. The untied fund which was announced by the FM is in keeping with a proposal to create a new head under Non Lapsable Pool of Central Resources (NLCPR). The proposed fund is separate from the NLCPR and would be available to Central line ministries for execution of projects covering more than one state in the region. The modalities for the new scheme would now be worked out. □

RAIL DEVELOPMENT FUND FOR NE

The Cabinet Committee on Infrastructure (CCI) has sanctioned the creation of a non-lapsable North East Region Rail Development Fund (NERRDF) to ensure adequate and timely funding of ongoing national projects in the North East.

The CCI headed by the Prime Minister approved the proposal paving the way for smooth execution of the 11 national projects that have suffered uncertainties on account of resources crunch of the Railway Ministry.

The total throw forward of these national projects as on April 1, last was of the order of Rs 17,005 crore. According to the projection, Ministry of Railways would contribute Rs 4251.25 crore, while Ministry of Finance would provide Rs 12,753.75 crore. All the projects are targeted for completion between December 2013-2015.

Though Railways have committed to complete the projects in a time-bound manner, it cited non availability of funds and the law and order situation, as some of the prime reasons that have hit the projects.

A high-level Project Monitoring Group has also been set up in the Ministry of Railways. Besides, the Ministry DoNER also reviews the progress of the projects.

The Railways would set a group to recommend suitable criteria for selecting national projects in the future. The Cabinet Committee on Economic Affairs (CCEA) had in 2006, first cleared Bogibeel rail-cum-road bridge and Rangia-Murkongselek Gauge conversion projects as national projects. It was subsequently decided that a uniform funding pattern would be extended to all other national projects in the region. □

Financing Healthcare in India

Mukta S Adi



Improved services of and access to government health facilities will have to continue as a major thrust area of the policy makers. At the same time it is necessary to regulate the expansion of the private sector health care market

HEALTH CARE can absorb a very large quantity of investments from the government and individuals and yet leave millions of people, especially the poor who suffer from a high disease burden, inadequately covered, resulting in the vicious cycle of unproductive investment. Merely investing more in health is unlikely to improve the health status of the population. It is essential that policies and strategies are developed to promote equitable access to preventive and curative services so that there is an improvement in health indices, generating the virtuous cycle of productive investment.

Health and Medicare as Economic Goods

Should health care be counted as consumption good or an investment good? To the extent

that it keeps a person in the optimal state of mental, physical and social well-being, and to the extent that the recipient of this care enjoys this well-being, health has to be considered as a consumption good and an end in itself. But to the extent that this optimum state of well-being raises the productivity of the person, health can be considered as a means of production or capital good. Hence it becomes extremely difficult to put health in either category. Health is normally considered as capital good and expenditures on health as investment. Henry E. Sigerist (Panchamukhi, 1980) aptly summarizes the approach towards this problem. "Sickness not only creates suffering but is an economic loss. The sick man cannot work and therefore loses his wages. Illness frequently disables a man permanently or for a long time. He becomes unemployable, and the

The author is Professor of Economics, Karnataka University Dharwad.

result may be that the whole family drops in the social scale. Thus, illness creates poverty, which in turn creates more illness. Sickness, however, affects economically not only the sick man and his family but society as well, in that it deprives it of the diseased citizen's labour temporarily or permanently. In every country thousands of people die prematurely every year, from diseases that could have been prevented or cured. Every such case is a capital loss to the nation".

A further question related to the above discussion is whether health is a private good or a public good? It is difficult to provide a categorical answer to this question, because health, in its different aspects, is a little of both. However, since health is a necessity for social welfare, it becomes imperative for the state to provide for it through collective payment (public budget), in addition to the private sector. Thus, it can be called as merit want good (Musgrave and Musgrave 1985), as it is considered meritorious from the point of view of social well-being.

The presence of externalities and information asymmetries make state intervention necessary in the healthcare sector, especially in the area of public health. Such intervention can take the form of price subsidies or direct public provision of services. There are also problems of "incentive incompatibility", in which the interests of the patients and

the health care provider do not coincide. This creates the need for government intervention in the form of regulation. Such regulation can take the form of licensing of health care providers, limits on advertising, insistence on some preoperational norms that prohibit low quality, etc. Therefore both for ensuring efficiency and equity, public provision of health care becomes necessary.

International Experience

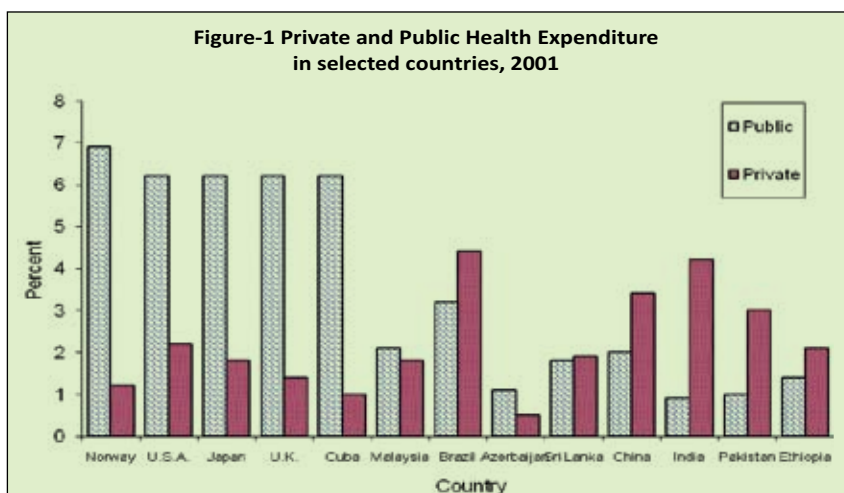
In most developed countries, public financing which accounts for around 80% per cent of all health expenditure, whether through state revenues and/or social insurance, has been the critical component in realizing universal access with equity. In contrast, in most developing countries the reverse is true i.e. 70-80 percent

of health expenditure is met by individuals from their private resources. Health expenditure is highly unequal across the globe. As is to be expected, developed countries spend the most on health per person. OECD countries accounted for less than 20 percent of the world's population in 2000 but were responsible for almost 90 percent of the world's health spending. Therefore 80 percent of the world's population spent only 10 percent of total expenditure on health. Similarly, health expenditure, both in terms of percentage of GDP spent on health and per capita health expenditure, is much higher in the developed countries, as evident from Table-1. As expected, this huge difference in health spending is reflected in the two most important health

Table-1 Health Expenditure and Health Indicators in selected countries 2001

HDI Rank	Country	Health Expt as % of GDP		Per Capita Expt on Health (PPP in \$)	Out of Pocket Expt. On % of put Expt.	Life Expectancy at birth	IMR per 1000 live births	Per Capita GDP (\$)
		Public	Pvt.					
1	Norway	6.9	1.2	2920	96.8	78.7	4	36974
7	U.S.A.	6.2	2.2	4887	76.5	76.9	7	34946
9	Japan	6.2	1.8	2131	74.9	81.3	3	32540
13	U.K.	6.2	1.4	1989	55.3	77.9	6	24186
52	Cuba	6.2	1	229	76.8	76.5	7	2234
58	Malaysia	2.1	1.8	345	92.8	72.8	8	3748
65	Brazil	3.2	4.4	573	64.1	67.8	31	2888
89	Azerbaijan	1.1	0.5	48	97.7	71.8	77	679
99	Sri Lanka	1.8	1.9	122	95	72.3	17	849
104	China	2	3.4	224	95.4	70.6	31	918
127	India	0.9	4.2	80	100	63.3	67	462
144	Pakistan	1	3	85	100	60.4	84	401
169	Ethiopia	1.4	2.1	14	84.7	45.7	116	93

Source: Compiled from World Health Report 2003.



indicators – life expectancy at birth and infant mortality rate.

The more significant fact to be noted from Table-1 and Figure-3 is the much higher ratio of public health spending to private spending in the developed countries. By contrast, in middle and low developed countries, either private expenditure dominates or there is very little difference between the shares of private and public expenditure, although in general both tend to be low.

Health Expenditure in India

According to the WHO, total health expenditure includes all expenditure whose primary purpose is to restore, improve and maintain health for nation and for individuals during a defined time period. As per this definition health expenditure includes spending on curative health care services, disease prevention and reproductive and child health programmes, health promotion, administration of health services, medical education training and research and capital investment for health purposes.

The total health expenditure in India for the year 2001-02 was Rs. 1,057,341 million rupees which accounted for 4.6 percent of its GDP. Of the total expenditure, 20.3

percent was public/government expenditure, 77.4 percent was private expenditure and remaining 2.3 percent external support. Overall, the per capita health expenditure for the year 2001-02 was Rs. 1021 =00 which is displayed in Table-2 and Fig-2.

Sources of Financing Health Care

The statement in Table-3 gives the details of sources that financed health care expenditure, incurred in India for the year 2001-02. It can be seen that Central Government contributed Rs. 67,185 million (6.4 percent) while the contribution

Table-2: Total Health Expenditure in India, 2001-02

	Expenditure	Expenditure in Rs.000s	Per Capita Expenditure. (in Rs)	Dist of expenditure (%)	The expenditure as a % of GDP
1.	Public expenditure	214,391,018	207	20.3	0.94
2.	Private expenditure	818,104,032	790	77.4	3.58
3.	External support	24,846,646	24	2.3	0.11
	Total Health Expenditure	1,057,341,696	1021	100.0	4.63

As per new series (base: 1999-2000) of National Accounts Statistics, CSO dated 28 Feb, 2006.

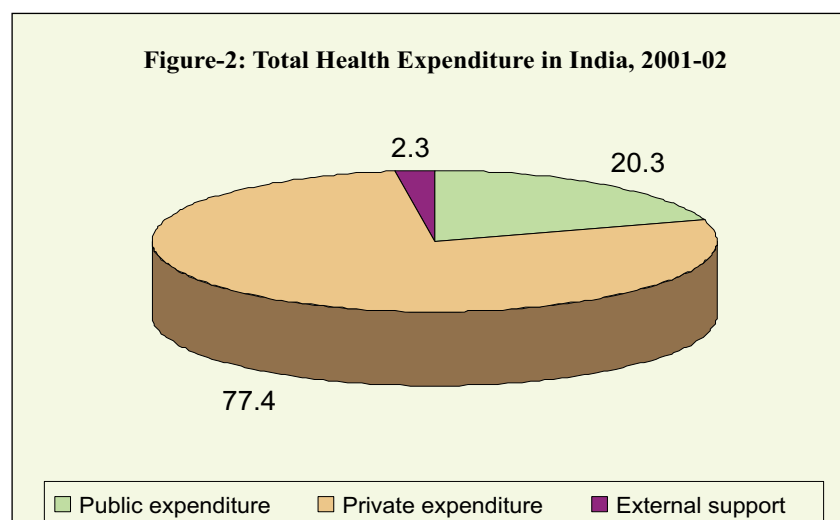


Table-3 Health Expenditure by Financing Sources, 2001-02

Financing Source	Expenditure. In Rs. Millions	% Distribution
Central Government	67,185	6.4
State Government	132,708	12.6
Urban local bodies & Panchayat Raj Institutions	14,497	1.3
Households	760,939	72.0
Firms	56,365	5.3
NGOS	800	0.1
External Support	24,847	2.3
Total Health Expenditure	1,057,341	100.00

Source: National Health Accounts India, 2001-02

of State Governments and local governments was Rs. 132, 709 million (12.6 percent) and Rs. 14,496 million (1.3 percent) respectively.

Health Expenditure by States and Union Territories

Table-4 show the pattern of health expenditure by states and UTs of India

It is well known that health expenditure in India is dominated by private spending. To a large extent this is a reflection of the inadequate public spending that has been a constant, unfortunate feature of India's development in the past half century. More recent estimates suggest that the role of households has increased even more substantially in the most recent period. According to the Report of the National Commission on Macro Economics and Health, 2005, households undertook nearly three-fourths of all the health spending in the country. Public spending was only 22 percent, and all other sources accounted for less than 5

percent. The exceptionally high burden placed upon households in the Indian context reflects the inadequate quantity and quality of public health service delivery.

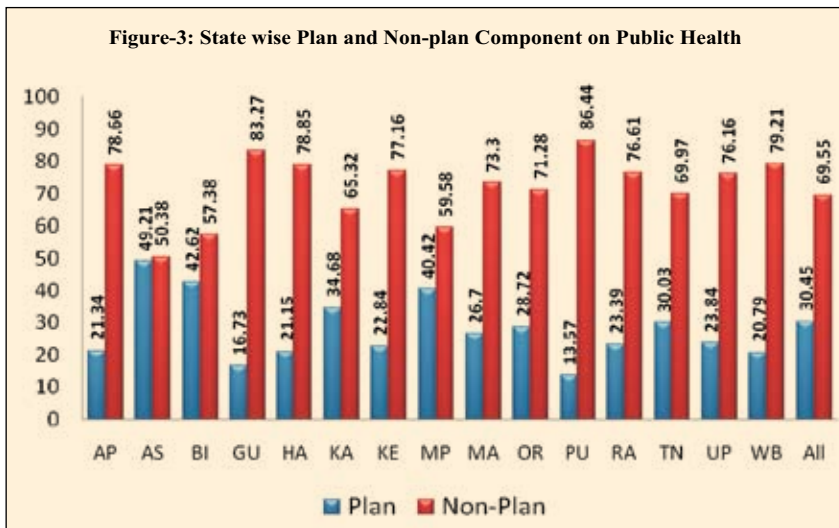
Plan versus Non-plan Expenditure

Within government health spending in 2002, total plan expenditure comprised about 30.45 per cent and with non-plan spending about 69.55 per cent. Non-plan dominate at the state

Table -4: Healthcare Spending in India, 2004-05

State	Per capita expenditure (Rs)	Percent spent by		
		Household	Public	Other
Andhra Pradesh	1118	73.4	19.4	7.2
Arunachal Pradesh	4365	86.5	13.5	0
Assam	1347	80.8	17.8	1.4
Bihar	1497	96.2	83.0	1.5
Delhi	1177	56.4	40.5	3.1
Goa	4564	79.2	17.5	3.3
Gujarat	1187	77.5	15.8	6.7
Haryana	1786	85.0	10.6	4.4
Himachal Pradesh	3927	86.0	12.4	1.6
Jammu & Kashmir	2032	77.3	20.7	2.0
Karnataka	997	70.4	23.2	6.4
Kerala	2952	86.3	10.8	2.9
Madhya Pradesh	1200	83.4	13.6	1.3
Maharashtra	1576	73.3	22.1	4.6
Manipur	2068	81.2	17.2	1.6
Meghalaya	664	36.5	58.4	5.2
Mizoram	1027	39.4	60.6	0
Nagaland	5338	91.7	76.0	0.7
Orissa	995	79.1	18.0	2.9
Punjab	1813	76.1	18.0	5.9
Rajasthan	808	70.0	24.5	5.5
Sikkim	2240	56.9	43.1	0
Tamil Nadu	933	60.7	26.6	12.7
Tripura	1101	69.0	27.4	3.6
Uttar Pradesh	1152	84.3	13.0	2.7
West Bengal	1188	78.4	17.3	4.3
Union Territories	598	85.1	8.8	6.1
All India	1377	73.5	22.0	4.5

Source: Report of National Commission on Macro Economics and health, Government of India, 2005.



level and plan dominate at the centre. It is the state governments that are the principal owners and managers of the public sector service delivery system and states have the main responsibility for recurrent cost support. However, the central government, through plan financing, is the principal actor in making investment decisions for new infrastructure programmes. Fig-3 shows that non-plan expenditure is always higher than the plan expenditure. In the non-plan head, Punjab (86.44 per cent), Gujarat (83.27 per cent), West Bengal (79.21 per cent) and Andhra Pradesh (78.66 per cent) have the highest share among all the states, which shows more expenditure on staff salaries and maintenance.

It is also significant that a greater proportion is taken up by revenue expenditure (essentially, the payment of salaries) rather than capital expenditure for creating much – needed basic physical infrastructure. The ratio of Central Government spending to total State Government spending is currently around 1:2.

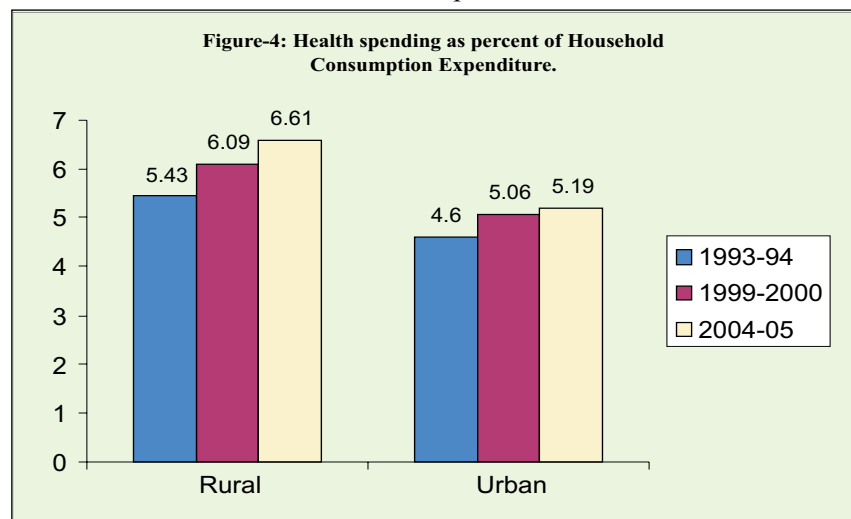
Household Expenditure on Health

There has been a trend of gradually increasing household expenditure on healthcare. Fig-4 reveals that spending on health has been gradually increasing as a proportion of total household consumption expenditure both in urban and rural households.

The burden on citizens is particularly high because, even as households bear the brunt of aggregate health spending in the country, systems of affordable health insurance are non-existent

or poorly developed. And, as noted earlier, employers (both public and private) account for relatively little in-terms of spending on health, and in any case with more than 90 percent of Indian workers having “informal” or “unorganized” status, there are few possibilities of ensuring that employers bear atleast part of the costs of medical treatment.

The increase in household expenditure on health is to be specially noted in rural areas, where health now accounts for nearly 7 percent of total household consumption expenditure. This trend may be the outcome of the biased nature of the public investment in India favouring the urban areas. Rural areas across the country have public health services that largely focus on preventive and promotive aspects. Thus, immunization for children and pregnant women, antenatal care, surveillance of selected diseases and family planning services constitute the key focus of the primary health care system provided for rural India. The



Source: NSSO Surveys of Consumption Expenditures 50th, 55th and 61st Rounds.

component for ambulatory curative services is grossly inadequate under the primary health care system. In contrast, the focus in urban health care is largely curative, with dispensaries and hospitals taking away most of the health resources. Since India lacks a national health accounting system, disaggregation of public spending across rural and urban areas, for the country as a whole, is difficult to compile.

The rural-urban distribution of resources at one level favours urban health facilities with over 60 % percent of allocations for urban areas where 40 percent of the population resides. But, more important, at another level the service mix of health care in the two regions differs significantly. Rural areas get only half the resources urban areas get on a per capita basis and within this low allocation only 4 percent is for medical care and a little over 1 percent for capital expenditure. The rest is on the preventive and promotive programmes. In contrast, in urban areas, resource distribution shows a good mix of

curative, preventive and promotive services, with curative services comprising nearly half the urban health budget (Duggal, 2006).

This probably reflects three separate trends (Chandreshekhar and Ghosh, 2006). Firstly the greater valuation placed on health such that even poor households are willing to spend and incur debt to ensure minimal health care; secondly the worsening quality and spread of and therefore the reduced access to, reliable public health services; and finally the increase in user charges and other effective charges forced upon consumers even in the public health system, as government run hospitals and clinics that are starved of public funds resort to making citizens pay more for medicines, diagnostic procedures and surgical aids.

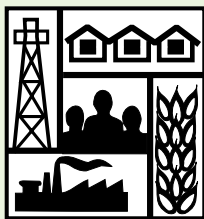
As a result, there has been a 30 percent decline in the use of public health care facilities. Of this, two – thirds of users are purely out-of-pocket users and 70 percent of them are poor. The tragedy in India is that, those who have the capacity to buy health

care from the market most often get health care without having to pay for it directly, and those who are below the poverty line or living at subsistence levels are forced to make direct payments. (Duggal, 2006).

Conclusion

At present the services provided by our government are inadequate both in quality and quantity, and hence forces the poor to incur considerable expenditure on private health care which they can ill afford. In future, it is absolutely essential to arrest and reverse these trends. Since India's level of government health spending is quite low in absolute terms as well as in comparison to some other Asian countries, increasing of the same is inevitable. Improved services of and access to government health facilities will have to continue as a major thrust area of the policy makers. At the same time it is necessary to regulate the expansion of the private sector health care market. □

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BUDGET 2011-12

PROPOSED FINANCIAL SECTOR LEGISLATIVE REFORMS

The Union Government is committed to take the process of financial sector reforms further and proposes to move the following legislations in the financial sector.

- i. The Insurance Laws (Amendment) Bill, 2008;
- ii. The Life Insurance Corporation (Amendment) Bill, 2009;
- iii. The revised Pension Fund Regulatory and Development Authority Bill, first introduced in 2005;
- iv. Banking Laws Amendment Bill, 2011;
- v. Bill on Factoring and Assignment of Receivables;
- vi. The State Bank of India (Subsidiary Banks Laws) Amendment Bill, 2009; and
- vii. Bill to amend RDBFI Act 1993 and SARFAESI Act 2002.

Amendments are also proposed to the Banking Regulation Act to give some additional licenses to the private sector players. Discussion by way of inviting feedback from the public on the paper issued in this context by the Reserve Bank of India (RBI) in August 2010 is complete. RBI is planning to issue the guidelines for banking licenses before close of this financial year. □

SPECIAL GRANTS TO UNIVERSITIES AND ACADEMIC INSTITUTIONS

The Union Finance Minister Shri Pranab Mukherjee has proposed special grants to recognize excellence in universities and academic institutions in the Union Budget 2011-12. The following institutions / universities will be given special grants during the course of 2011-12 :

- i. Rs. 50 crore each to upcoming centres of Aligarh Muslim University at Murshidabad in West Bengal and Malappuram in Kerala;
- ii. Rs. 100 crore as one-time grant to the Kerala Veterinary and Animal Sciences University at Pookode, Kerala;
- iii. Rs. 10 crore each for setting up Kolkata and Allahabad Centres of Mahatma Gandhi Antarrashtriya Hindi Vishwavidyalaya, Wardha;
- iv. Rs. 200 crore as one time grant to IIT, Kharagpur;
- v. Rs. 20 crore for Rajiv Gandhi National Institute of Youth Development, Sriperumbudur, Tamil Nadu;
- vi. Rs. 20 crore for IIM, Kolkata, to set up its Financial Research and Trading Laboratory;
- vii. Rs. 200 crore for Maulana Azad Education Foundation;
- viii. Rs. 10 crore for Centre for Development Economics and Ratan Tata Library, Delhi School of Economics, Delhi; and
- ix. Rs. 10 crore for Madras School of Economics. □

Traditional Medicines for Sustainable Health Care and Community Development

Annie Abraham S



The successful implementation of all these measures requires a stable supply of medicinal plants and that can be ensured only through their domestication and conservation of forest ecosystems

WHO HAS defined Traditional Medicine (TM) as the knowledge, skills and practices based on the theories, beliefs and experiences indigenous to different cultures, used in the maintenance of health and in the prevention, diagnosis, improvement or treatment of physical and mental illness. TM cover a wide variety of therapies and practices which vary from country to country and region to region. WHO has further described traditional healthcare systems as holistic in the sense that these view man in his totality, within a wide ecological spectrum and emphasize that ill health or disease is a result of alienation from nature. The use of TM in the prevention, diagnosis and treatment of an extensive range of diseases has been increasing in the last two decades both in developing and developed countries. A sustainable healthcare

system requires chronic disease prevention and effective treatment of illnesses at affordable costs. In this regard, TM play a crucial role because of its efficiency in improving the immunity of the users and being cost effective. The WHO in 1978 recognized the use of medicinal plants for prophylactic, curative, palliative and diagnostic purposes, and recommended that they find a place in public health policies. Following this, many African, Latin American and South East Asian countries took initiative in developing the traditional medicines and have integrated their traditional medicine programme with the public health care systems.

In India, TM includes Ayurveda, Unani, Sidha and Homeopathy (AYUSH). With about 8000 different species of medicinal plants, TMs are the sole means of health care for about 65 per cent of the Indian population. WHO places this figure

The author is Assistant Professor, Department of Corporate Economics, Women's Christian College, Chennai.

at 70 per cent. Despite this India has not made sufficient efforts in conserving her indigenous knowledge and promoting traditional medicines, except for some initiatives like UNDP's collaboration with Foundation for Revitalisation of Local Health Traditions (FRLHT) to popularize TM through PHCs in Karnataka and maintain database on the healing capacities of medicinal plants. Any effort to preserve and popularize traditional knowledge should focus on a) the clinical evidence to support the efficacy and safety of the TM, b) making TM affordable and available, and c) rationalization through licensing. This paper attempts to study the prospects of integrating TM with the Public Healthcare System in India and see how this can contribute to community development. The study is based on case studies from Kerala where there is sizeable private investment in ayurvedic medicines, and uses a sample of twenty important medicinal plants.

A Case Study of Kerala

Kerala has a well developed public healthcare system and social infrastructure. Despite the popularization of modern medicines by the Govt. through healthcare centres, TM continues to be popular in rural Kerala, as far as primary healthcare is concerned. Kerala is one of India's largest producers of traditional medicines with about 1700 manufacturing units of ayurvedic medicine registered with Government. Kerala is endowed with a variety of medicinal plants. The southern stretch of Western Ghats is a world

bio-diversity 'Hot Spot'. These facts suggest that a healthcare system which does not give due consideration to TM cannot be sustainable.

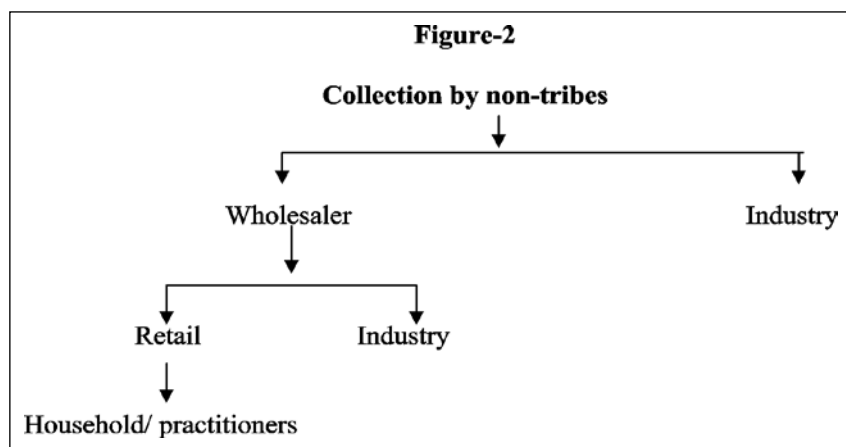
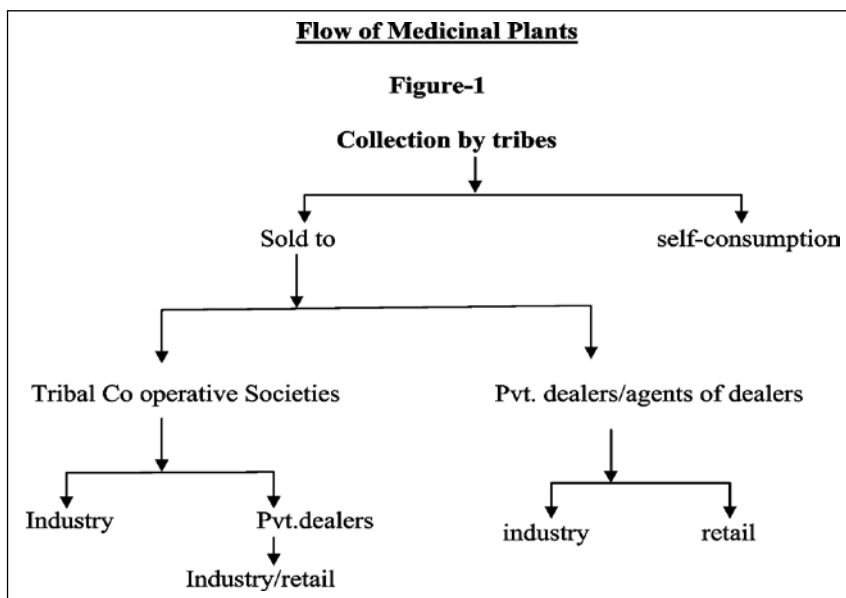
Survey conducted among the tribal people of Kerala revealed that eighty-four per cent of the respondents use raw medicinal plants collected by them for treating minor illnesses such as fever, cough, indigestion, body pain etc. In cases of serious diseases, where they have to approach any medical practitioners, 73 per cent approach the health centres established by the Government, where modern medicines are prescribed. Fifteen percent rely on Ayurvedic medicines and only 8 per cent approach the tribal *vaidyans*. As a result the useful know-how of the tribes which could keep the cost of healthcare low is being eroded.

Developmental Role of Medicinal Plants

Medicinal plants and other forest resources are the sole source of income for the forest dwellers. Sustainable utilization and promotion of medicinal plant based activities could lead to community development. The growing interest in natural medicines has triggered a set of linkages in the transaction of medicinal plants. There are backward linkages in the form of collection and domestication of commercially important plants as well as forward linkages in the form of growing demand for TM among urban people. Right now, the monopoly right to collect medicinal plants and other non wood forest products

in the state is conferred on the Scheduled Tribes (STs) of Kerala. The collected materials are to be marketed through the Tribal Co operative Societies. (figure.1) The forest department allots forest ranges to each society and fixes the maximum quantity of each Non Wood Forest Product (NWFP) that can be collected from a range. The societies in turn give permit-cards or identity cards to the members. A large quantity of NWFPs are illegally collected by non-tribals and sold to private traders. (Fig 2) This often results in competition and over-exploitation. Manufacturing units often prefer to buy from these traders because they can supply all required items- even non forest products - that the unit may require and they are ready to supply on credit unlike the gatherers who need immediate payment. So the gatherers are often forced to sell their produce to the traders at a lower rate. All these factors make the private dealers very important players in the field. The growing use of medicinal plants thus provides livelihood, employment and source of income to many. However, to protect the interest of the forest dwellers, it is necessary to check the exploitation by the private dealers.

The manufacturing units and the middlemen employ people, mostly females, in collecting medicinal plants from non-forest areas such as wastelands, homesteads, etc. The landowners who are not aware of the medicinal value of the plants consider them as weeds and do not charge the collectors for it. In this way, casual employment is generated.



Forward business linkage exists in the case of finished medicines also. The ayurvedic medicines are sold through agencies and the number of agencies is growing. At present, the industry has more than 2500 agencies. This has generated a lot of indirect employment.

Still another kind of linkage existing in the sector is the manufacturing units making use of the services of the traditional healers. The tribal *vaidyans* help the manufacturers in ascertaining whether the plants are the right ones and in determining their quality levels. This is however, true only in the case of small units;

most of the medium and large units have experts employed for the purpose. Export of traditional medicines by some big units can also be considered as forward business linkage. Kottackal Arya Vaidya Sala even has branches in other states and has agencies in Malaysia and Singapore.

The Problem of Sustainability and Domestication

The problem of sustainability starts with a demand-supply gap. The manufacturers claim that it has become very difficult to ensure timely supply of raw materials and the shortage is

bound to worsen in the future. The fact is that many of the plants used by the industry are endangered and even after over-harvesting the forest resources it is not possible to meet the current level of demand. Plants such as *Saraca asoka* (Asokam), *Conscinium fenestratum* (Maramanjil), *Aegle marmalos* (Koovalam), *Sida cordifolia* (Bala), *Embllica officinalis* (Gooseberry), *Tinospora cordifolia* (Amruth) and *Asperagus recemosa* (Sathaveri) which were abundant, have now become rare. Evidently, the industry is relying on adulteration. Such practice affects the efficacy of the medicines and in the long run it will affect the popularity of traditional medicines.

Under the circumstances, widespread cultivation of these plants needs to be undertaken, which would also involve conservation of their wild stock. However, of the 400 plant species used for production of medicines by the Indian industry, less than 20 are currently under cultivation in the country. In Kerala too, despite the growth of the ayurvedic medicine sector, widespread cultivation of these species is not taking place. Domestication is the sole solution for the problem of sustainability. In the broadest sense, domestication is the process of increasing human inter-action with these medicinal plants. The first stage is the collection of wild medicinal plants from the forests for consumption and for income generation. The second stage is active cultivation of these plants. In the third stage, breeding and manipulation of the genetic traits of the plants take place.

Domestication of medicinal plants has a number of advantages: It can ensure a consistent, predictable and stable supply of raw materials required by the industry. Plants with desirable genetic traits can be developed. Moreover, the families which cultivate widely used medicinal plants can use these plants for their own healthcare and even generate income.

Generally cultivation of medicinal plants by micro farms is very cost-effective, provided the farmers are able to sell the produce. (Table 1) The costs are very low in tiny holdings because in those cases hired

labour is not used. Since area under cultivation is very small, the plants get enough care even if planted closely. Insecticide cannot be applied on these plants because they are to form part of medicines. The problem arises when farmers fail to find a market for their produce. This problem can be tackled through formation of self-help groups for collective marketing and through entering into contracts with the pharmaceutical companies. Cultivation of medicinal plants in the home gardens and in micro holdings where land cannot be put into alternative commercial use is highly profitable. Women in the

household can spend their leisure time in the medicinal plants and earn some additional income for the family without much cost. Growing these plants along the boundaries of agricultural farms is also found to be cost-effective because commercially usable land is not employed.

Apart from the sustainability aspect, domestication of medicinal plants, if popularised, has the advantages of enhancing rural income, empowerment of women, saving a heritage of human knowledge, contributing to conservation of bio-diversity and improving the output from plantations.

Table no 1 Profitability of cultivation of medicinal plants

	Name of the plant	Land occupation	Type of cultivation	Costs (C)	Net income (Y)	Profitability (Y/C) x 100
A	<i>Atalotakam Adhathoda zylanica</i> (13)	Own/forest land	Mono-cropping	1277	213	16.7
	-do- (8)	Leased land	-do-	1393.5	226.5	16.5
B	<i>Kattu Padavalam Trichosanthes cucumeriana</i> (4)	Own/forest land	-do-	1585	305	19.2
	-do- (1)	Leased land	-do-	1655	375	22.7
C	<i>Koduveli Plumbago zylanica</i> (2)	Leased land	Inter-cropping	335	215	64.2
D	<i>Shatavari Asparagus racemosus</i> (20)	Own land	-do-	335	97	28.9
	-do- (7)	Leased land	-do-	395	89	22.5
E	<i>Kacholam Kaempferia galanga</i> Linn (30)	Own/forest land	-do-	634	536	84.5
F	<i>Karinkurinji Nilgiranthus ciliatus</i> (3)	Own/forest land	Mono cropping	580	190	32.7
G	<i>Cherula Aerva lanata</i> ,(Linn) Juss (2)	Own land	Mono cropping	80	24	30
H	<i>Thippali Piper longum</i> (12)	Own land	Inter-cropping	890	85	9.5
I	<i>Chittamrutu Tinospora cordifolia</i> (2)	Own land	Mono-cropping	1275	245	19.2
	-do- (6)	Leased land	Inter-cropping	500	130	26

Source: Survey Data

*No. of farmers growing the plant

Integrating TM with Public Healthcare system

With majority of population depending on TM, the rise in the cost of TM should be checked and accessibility should be enhanced to ensure sustainable healthcare means. Integrating TM with public healthcare system is crucial to the development of a holistic health system. In this regard it is important to consider the following issues.

1. Safety and efficacy of TM
2. Cost of healthcare
3. IPR issues
4. Conservation issues

Safety and efficacy of TM

The chemical properties of the plants used in the TM should be clinically checked and there should be stringent regulatory framework to support the system. Many people believe that traditional medicines are natural, they are safe or they carry no health risk. However, the fact is that any medicine, herbal or otherwise has the potential to cause side-effects, which may even be undesirable. WHO has set global guidelines towards evaluating the safety and efficacy of TM. Bringing TM under public health system would make the government more alert on the issue of patient safety. Apart from that, there should be a law to check adulteration of plants used. Controlled harvesting from the natural habitat coupled with domestication of plants is the remedy for scarcity of medicinal

plants which often prompts adulteration.

Cost of healthcare

The growing cost of imported medicines calls for the need to develop indigenous medicine system and making it available to people at affordable rates. This could be done by encouraging R&D in the field and by ensuring the availability of plants used in these medicines.

IPR issues

Patent Protection may also serve to promote the use of traditional knowledge for preventive and curative health care, or to block unauthorized appropriation by foreign countries. Peru passed a law in July 1999 which bans the non value-added export of some botanical species with known healing properties, which had become the target of massive extraction by foreign laboratories. India also could follow the example and design laws to protect our plants and knowledge.

Conservation issues

Wild populations of numerous species are overexploited around the globe, the demand created by the traditional medicine being one of the causes of the overexploitation. Under the impact of industrialization and urbanization, western medicine has displaced indigenous medical systems in many areas, in the process leaving many without any health care. Traditional medicinal knowledge is rapidly disappearing, owing to cultural

change and declining access -in both urban and rural areas- to sources of natural medicinal products. Most villages in the world are no longer surrounded by the natural habitat that formerly served as a medicine cupboard, and bodies of folk knowledge that have accumulated and been honed for thousands of years are disappearing at an alarming rate. The interdependence between the sustainability of the environment and the sustainability of the human species needs full recognition.

Suggestions

All these issues point to the need for a well defined regulatory framework, which would be addressed only if TM became part of public healthcare system. The construction of regulatory measures will increasingly require the involvement of stakeholders, who must be made aware of the need for the conservation of the natural resource as a guarantee for its sustainable exploitation. In that same direction, informed participation of holders of traditional medical knowledge in decision making processes may further foster the much needed co-operation to ensure the equitable sharing of the benefits arising from the utilization of traditional knowledge, innovations and practices. The successful implementation of all these measures requires a stable supply of medicinal plants and that can be ensured only through their domestication and conservation of forest ecosystems. □

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FORM IV

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Signature of Publisher

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- Rs 200 crore proposed to be allocated from National Clean Energy Fund to begin the implementation of the ten year Green India Mission.
- Rs 200 crore proposed to be allocated from National Clean Energy Fund for launching Environmental Remediation Programmes.
- Special allocation of Rs 200 crore proposed to be provided for clean-up of some important lakes and rivers other than Ganga. Several projects under the National Ganga River Basin Authority have already been approved in 2010-11.

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Restoring Vitality to Soil

Ratan Mani Lal



Efforts made by a team of experts to increase awareness among farmers about organic farming and use of organic and bioresources have led to exciting results

THE GAINS of the green revolution could be severely affected if sustained efforts are not made to check the degradation of soil and restore its vitality. A successful project has made farmers realize this with happy results.

The growing degradation of soil on account of unbalanced use of fertilizers and excessive use of irrigation is increasingly becoming a cause for concern to agricultural scientists. In fact this concern dominated the proceedings of the recently-concluded National Agriculture Science Congress in Lucknow where scientists said the deterioration in soil health has led to a reduction of crop yield and also poor plant health which has adverse impact on animal and human health. The gains of the Green Revolution could be severely affected if urgent and continuous

efforts were not made to restore the soil's vitality.

Efforts made by a team of experts to increase awareness among farmers about organic farming and use of organic and bioresources have led to exciting results, raising hopes that the answer to soil degradation might be found the organic way.

A project run by the Institute of Rural Development of the Department of Social Work, Lucknow University, has successfully led to an increased yield by farmers and improvement in soil quality. As part of the Integrated Pest Management (IPM) and Integrated Nutrition Management (INM) programme under the project, farmers were encouraged to grow organic vegetables and there lies a most unusual success story. Organic farming is now being encouraged

The writer is a senior journalist.



Farmers were Introduced to Various High Value Vegetables

to correct the damage caused by chemicals. This involves use of natural resources and prohibits the use of chemicals except for few nutritional supplements. The soil is freed of chemicals in several crop cycles and biofertilisers and biocontrol measures are adopted. Hybrid and GM seeds are also prohibited in organic farming. The farmer has to ensure that not only his own but the surrounding area of his farm and irrigation water remains chemical free. There is stringent monitoring by certified agencies who give internationally recognized certification to the farm and farm produce.

There is growing focus on use of organic food which is chemical free, safe and healthy. Organic farming rejuvenates the soil, refreshes the environment and is safe for the farmers and consumers' health. Organic farming is being promoted but the small farmers of U.P. having limited resources find it difficult to fulfill the stringent conditions for organic farming.

In Integrated Pest Management (IPM), the pest population is kept below the economic threshold level and is monitored by various techniques. Pest control is done by various methods used in organic farming. Chemical pesticides if necessary are used only at the vegetative stage and not after flower and fruit setting so the produce which is harvested is chemical free, safe and healthy.

Integrated Nutrition Management (INM) involves soil testing regularly and ensuring proper nutrition to the crop by combining the use of chemicals, organic fertilizers and microbial growth promoting agents. The dependency on urea is reduced by using Neem coated urea and soil is enriched by using various microbes. Prolonged practice of such methods gradually reduces the need for chemical fertilizers and in due course the farmers are able to take the vegetable crops without the use of chemicals.

The principal investigator of the project was Prof. R.B.S. Verma, professor of Social Work while the co-principal investigators were Prof P.N. Sharma, former professor in Botany, Dr Gurnam Singh, Project Officer, department of Social Work and Dr (Mrs) Rashmi Roy Choudhury, retired professor of Botany.

As far as soil improvement is concerned, initial field testing showed that small and medium farmers had the most nutrient-depleted soil while marginal farmers had better fertilized fields. Interestingly, the small farmers used DAP (di-ammonium phosphate), urea only and some compost, whereas medium farmers routinely used chemical fertilizers such as urea, DAP, zinc, NPK and also farm yard manure or compost. On the other hand, marginal farmers who cannot afford much inputs, do not give adequate chemical fertilizers. The soil of all categories of farmers was low in phosphate, although the farmers used DAP regularly. This means the phosphate is bound to the soil particles and is not available to plants. This could be corrected by the use of phosphate solubilising bacteria to release the bound phosphate and make it available to the plants.

Nitrogen deficiency occurred in soil of small farmers although urea was used for cereal crops. This could be corrected with the use of neem-coated urea. The use of low-grade compost as bio-fertilizer does not maintain the fertility of

soil. It was suggested that better value-added manure was urgently needed to maintain soil fertility. In most cases, growing of the next crop was not recommended but the farmers could not afford to follow this advice, and although urea and DAP are used, these remain inadequate and the fertility of the soil continued to decrease with each crop grown on this soil. It also appeared that the regular use of some form of bio-fertilizer had made the soil adequate in micro-nutrients, which is a positive factor.

To sustain soil fertility, corrective measures were undertaken and farmers were trained to use microbe mediated manure and neem coated

urea from their local resources. These products resulted in an increase in microbial content in the soil resulting in sustained fertility benefiting the crops.

Training in growing ordinary as well as high-value vegetable crops was given.

In all, there were 482 trained beneficiaries in various villages in Lucknow district, such as Bhikhampur, Bhauli, Parvatpur and Manpur. The farmers were introduced to various high value vegetables which have a niche market and bring in handsome profit. The vegetables selected were capsicum of several coloured varieties, broccoli, red cabbage,

cherry tomato, sweet corn and, among ordinary vegetables, *bhindi*, bottle gourd, brinjal and cucumber were cultivated with biocontrol measures. In addition, some farmers also went on to grow medicinal plants, such as turmeric and *aloe vera*, and training was given to them for its processing and eventual marketing. Farmers competent in growing ordinary corn were motivated to grow American Sweet Corn of white and yellow varieties. The harvested crop was marketed and the farmers earned a profit of 300% as compared with ordinary corn. More farmers were keen to grow the sweet corn in the coming seasons. □

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DO YOU KNOW?

NATIONAL KNOWLEDGE NETWORK

What is the National Knowledge Network ?

The **National Knowledge Network (NKN)** is a major step towards building a knowledge society without boundary. It is a multi-gigabit, unified, high speed network that aims to connect over 1500 institutions like universities, research institutions, libraries, laboratories, healthcare and agricultural institutions, nuclear, space and defence research agencies in the country. Such a connectivity will allow free flow of data / information/ knowledge and allow researchers, students, scientists and other stakeholders from diverse fields to access and use the same with ease. This initiative is expected to help build quality institutions in the country and improve the level and quality of research by making it multidisciplinary and collaborative. It will also help create a pool of highly qualified and trained professionals. Besides these, the NKN is also expected to facilitate advanced distance education in specialized fields such as engineering, science, medicine etc, an ultra high speed backbone for e-Governance and integration of different sectoral networks in the field of research, education, health, commerce and governance.

The Government approved the establishment of the National Knowledge Network (NKN) in March 2010, at an outlay of Rs.5990 crore. A High Level

Committee (HLC) has been set up for establishment of NKN, under the Chairmanship of the Principal Scientific Advisor to GoI. National Informatics Centre has been designated as the implementing agency and the action plan has been developed by the Technical Advisory Committee (TAC) set up by the HLC.

What are the main features of NKN ?

The NKN will consist of an ultra-high speed Core (multiples of 10Gbps and upwards), and over 1500 nodes. It is scalable to higher speed and more nodes also. The Core shall be complemented with a distribution layer at appropriate speeds. The participating institutions can directly or through distribution layer connect to the National Knowledge Network at speeds of 100 Mbps /1 Gbps. The architecture of the network aims to provide reliability, availability and scalability.

NKN enables creation of Virtual Private Networks (VPN) for special interest groups. It also provides international connectivity to its users for global collaborative research. Presently, NKN is connected to Trans Eurasia Information Network (TEIN3). Similar connectivity to GLORIAD network is in the pipeline.

What are the expected application areas of NKN ?

Countrywide Virtual Classroom

The NKN is a platform for

delivering effective distance education where teachers and students can interact in real time. The network enables co-sharing of information such as classroom lectures, presentations and handouts among different institutions.

Collaborative Research

The NKN enables collaboration among researchers from different entities like GLORIAD, TEIN3, GARUDA, CERN etc. NKN also enables sharing of scientific databases and remote access to advanced research facilities.

Virtual Library

The virtual library involving sharing of journals, books and research papers across different institutions, is a natural application for NKN.

Sharing of Computing Resources

High-performance computing is critical for national security, industrial productivity, and advances in science and engineering. The network enables a large number of institutions to access high-performance computing to conduct advanced research in areas such as weather monitoring, earthquake engineering and other computationally intensive fields.

Grid Computing

The NKN has the capability to handle high bandwidth with low latency and provision to overlay grid computing. Some of the grid based applications are climate change/global warming, science projects like Large Hadron Collider (LHC) and ITER. The NKN can be the platform to realize many such innovative applications.

Network Technology Test-bed

NKN provides test-bed for testing and validation of services before they are made available to the production network. NKN also provides an opportunity to test new hardware & software, vendor interoperability etc.

e-Governance

NKN acts as a super highway for integrating e- Governance infrastructure such as government data centres and networks. NKN provides bulk data transfer facility required for e-Governance applications.

What is the current status of NKN ?

The initial phase of NKN was inaugurated by H.E. Smt. Pratibha Patil, Hon'ble President of India on April 9, 2009. Its Logo and website (www.nkn.in) were inaugurated by Shri Kapil Sibal Hon'ble Minister for Communications & Information Technology on February 5th, 2011.

A core Backbone consisting of 18 Points of Presence (PoPs) has been established with 2.5 Gbps capacity. A total 96 number of Institutions have been connected to National Knowledge Network and 15 virtual classrooms have been setup. Total 102 links and 50 core links have been commissioned and made operational. Trans Eurasia Information Network (TEIN3) links is integrated with National Knowledge Network. MoU has been signed between the National Knowledge Network (NKN), Tata Institute of Fundamental Research (TIFR) and GLORIAD (The Global Ring Network for Advanced Applications Development). □

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Craft Tourism: Road to Economic Development

Rekha Gupta



Promoting niche genres and creating specialized products can help greatly to attract more tourists and ensure higher spend per tourist, thereby increasing the share of tourism in a region's economy

PURCHASING SMALL articles as souvenirs has been an essential part of the tourist experience since the very beginning of travel activities. Travellers or tourists like to take back home the memories of the place they have visited. They also buy souvenirs for their friends and relatives. This provides the impetus for the emergence and development of local craft centres and souvenir shops in almost all places of tourist interest around the world.

The important relationship between handicrafts and tourism is well known and well recognized. Governments usually take steps to reap the benefits resulting from the synergy between the two, but in the context of a focused approach for economic development of the local areas where these handicrafts are

practiced, this makes an interesting subject for study. Besides this, with the focus on various aspects of tourism like cultural-tourism, eco-tourism, medical-tourism etc., this dimension of tourism development—the Craftourism or Craft Tourism needs to be given some thought. An attempt has been made here to analyse the interface between tourism and handicrafts so as to promote 'craftourism' as the future road to development of the economy.

Tourism—the fastest growing industry

Travel has always been a fascination for mankind. From the very beginning of his developmental history, man has been travelling from place to place for various reasons – both out of necessity and curiosity. Modern tourism has emerged as a strong economic force

The author is Additional Director, Department of Tourism, Government of Rajasthan.

with tremendous impacts on the society and culture, both in the host and guest environments.

The forecasts made by such premier organizations like World Tourism Organisation (WTO), World Tourism and Travel Council (WTTC), United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP), Pacific Asia Travel Association (PATA), Economic Intelligence Unit (EIU) as well as the predictions of majority of tourism scholars all point to a sustained boom in international tourism which will have ever greater influence not only on world economy but on the geo-politics as well.

This fast growing and yet smokeless industry is widely appreciated as an effective means of earning foreign exchange and providing tremendous employment opportunities. Besides supporting the protection, preservation and conservation of natural and cultural heritage of the country, this industry leads to modernization of infrastructure and improvement in health and hygiene conditions in a country. It helps in the activation of latent entrepreneurship while motivating-rediscovery and revival of lost traditions of art and craft. Its expansion is acting as a catalyst in the growth of all sectors of the economy, and is proving to be an agent of holistic development of destinations. In fact, UN in one of its resolutions,

as early as in the year 1963, acknowledged the vital role that tourism plays in creating international understanding and world peace. The fact that one out of every nine persons working in the service sector is employed in tourism industry, speaks of the significant contribution of this mega-business in contemporary global context.

Handicrafts-the glorious past and a still better future

Handicrafts are a heritage passed down by our ancestors to us and do the country proud. The handicraft sector is a base of economic development particularly in the rural areas. It offers alternative source of income to the villagers and provides succor during periods of seasonal unemployment. In certain areas handicrafts have been an important factor in checking even migration of rural population during drought conditions. Apart from this, the crafts sector being labour intensive has a very high employment potential, that too at low capital investment which is suitable for smaller places. The returns from the sector are also pretty high despite very low cost of production. This is an added advantage from the sector. The crafts-sector depends on locally available resources. They are usually non polluting, as most units use eco-friendly material. The sector has a very high potential for export and is

capable of increasing foreign exchange earnings. Since local handicrafts are very significant for a country from a number of reasons -economic, social, cultural, and environmental- the promotion of this labour oriented industrial sector should always be in the centre of policy planning.

The relationship between tourism and handicrafts representing local culture, makes an interesting study. We come across a number of studies on this subject. One such study conducted by Pera, Lee Laren et al, for predicting souvenir purchase intentions of United States female tourists (277 in number) travelling to Mexico, suggested a sequence of significant relationships between hedonic values, world-mindedness, recreational and ethnic tourism, attitude toward souvenirs, and purchase intentions. Another such study undertaken at Takayama city in Japan by Nomura is also very significant. The purpose of that study was to identify souvenir purchase patterns of domestic Japanese tourists, focusing on Hida Takayama, a famous Japanese destination. One more similar study by Wicks was conducted in Vladimir, a popular tourist destination in Russia, in the year 2001. The objective of this project was to provide suggestions to local tourism stakeholders on how to 'improve visitor experiences,

promote local businesses, and enhance economic returns to vendors through souvenir sales. The report concluded that almost half of tourists to the Golden Ring travel for cultural reasons. Cultural travellers seek authentic, quality souvenirs that represent the area. Tourists also buy souvenirs so that they have something that symbolizes the memories they have made during their trip. It was also observed that economic gains of tourism can be extended with ease to the development of handicrafts in the form of souvenirs.

In our country too, the survey of foreign tourists' expenses on handicrafts was conducted in the year 2002, through National Productivity Council (NPC) under the sponsorship of Ministry of Tourism, Government of India. This survey also confirms the fact of significantly large quantity of purchase of Indian handicrafts by tourists. According to the findings of NPC, a foreign tourist on an average spends about Rs. 12,187 on handicrafts. These expenses of tourists have macro-economic implications. The per capita expenditure on handicrafts, as found from the survey data, when multiplied by the actual number of tourists visiting India every year would yield the total annual expenditure on handicrafts by all the foreign tourists. Total expenditure on handicrafts by all the foreign tourists has been estimated at Rs. 29,851.54 million in 2001. This

constitutes about 18% of the total estimated value of production of handicraft items in India in 2001-02. The handicrafts industry in India occupies an important place in the national economic scene. The ultimate outcome of the survey was to facilitate construction of the Craft Tourism Index for India as has been suggested by the UNESCO.

Looking at the importance of the subject, the UNWTO held an International Conference on Tourism and Handicrafts in Tehran in 2006 with specific focus on the linkage between tourism and handicrafts. One of the objectives of the conference was to "recognize the importance of local handicrafts in tourism development and reciprocally, the importance of tourism as an agent for the protection and preservation of traditional crafts, methods of production and culture." The UNWTO was firmly convinced that the sale of handicrafts to tourists can foster the continuity of local traditions and contribute significantly to poverty alleviation, through its ability to create jobs, socio-economic opportunities, and an enhanced quality of life in local communities. Money spent on crafts spreads instantly and undiluted into the local community.

Suggestions

In view of these studies and developments it is highly necessary that crafts should be

recognized as one of the major sectors in any country particularly in and around places of tourist interest. Both government and local people must change their attitude towards crafts and stop thinking that it is an area in which benefits shall not match the amount of efforts put in. At the national level, an institutional framework must be created and strengthened for the handicraft industry to develop both economically and legally. It goes without saying that the development of handicrafts requires trained craftsmen to produce useful and authentic objects that can distinctly represent the traditions and culture of the place of their origin. The goal should be to create distinctive handicraft products that can be immediately recognized throughout the world as belonging to a particular place or nation.

Some of the recommendations that emerged from the study conducted by Vladimir State University deserve special mention, for these could be applicable to any nation for the improvement of handicrafts sector. Take for example the recommendation that states the importance of the authenticity of Souvenirs. "Finding authentic crafts and souvenirs that truly represent the destination is essential for providing a memorable experience for tourists. In addition, providing authentic products would be a

good opportunity for tourism businesses to become successful." Another good recommendation was that the educational materials and information about the cultural history of tourist destination and about locally made souvenirs should be made freely available to tourists. These would certainly help tourists identify with the location and give them an insight into the historical importance of the place.

Beside these, some other recommendations were relating to the establishment of souvenir market-place at suitable locations, taking visitors to artisans workshops and encouraging

their participation in souvenir production, extending business hours of souvenir shops to suit the convenience of visitors and improving the quality of souvenir design, packaging, and delivery. These recommendations also deserve active consideration of agencies controlling the production and marketing of handicrafts.

Finally it can be said that tourism is getting increasingly specialized, with niche segments demanding specialized products. Promoting niche genres and creating specialized products can help greatly to attract more tourists and ensure higher spend

per tourist, thereby increasing the share of tourism in a region's economy. Thus both handicrafts and tourism are complementary to each other. Therefore, in the concept of 'CRAFTTOURISM' we can focus on (a) promotion of the traditional handicrafts of the region, (b) making the handicrafts-rich regions tourist friendly (c) developing these regions by creating facilities that can attract tourists and (d) developing authentic souvenir shops for branded crafts in and around popular tourist centres. □

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JOB PLAN FOR THE VALLEY

The Prime Minister- appointed expert group, led by chairman of the PM's Economic Advisory Council C. Rangarajan, has developed a comprehensive plan to engage the youth in Jammu and Kashmir. The panel's report, which was submitted to the Prime Minister's Office and recently has recommended a string of employment generating schemes worth Rs 2,100 crore, "promising to improve the life of youth in the Valley".

The panel has recommended a two pronged strategy to create jobs for the youth in the state. It has also stressed for the setting up of a skill employment and empowerment scheme for J& K at a cost of Rs 257 crore. It envisages placement- linked and market- driven skill training of 50,000 to one lakh youth over the next three to five years. It noted that the disturbed environment and the lack of private sector initiative have eroded the skill base of the youth. The training could be executed in public private partnership (PPP) mode.

Besides, there would be a special industry initiative in PPP mode for J& K for enhancing the skills and employability of 40,000 youth in five years. This initiative is proposed to be implemented with the private sector bearing 50 per cent of the training cost and the government bearing the balance expenses.

A special training programme by Infosys Technology in collaboration with IIT Bangalore is proposed, about Rs 500 crore will be allocated for the scheme. The group was constituted by the PM last August at the peak of the summer unrest in the state which claimed over 100 lives.

The panel pushed for an increasing access to education for the Valley's youth. A special scholarship scheme would benefit 25,000 students over a period of 5 years. The scholarships will be for general, engineering and medical studies. They will cover full tuition fee, hostel fee, cost of books and other incidentals. Rs 1,200 crore would be allocated for this scheme.

Other initiatives include "persuading private schools and educational institutions to accommodate children from the state. The report also recommended setting up of two placement centres by

Indira Gandhi National Open University each in Srinagar and Jammu to provide counselling to job aspirants. □

RAIL FACTORY IN JAMMU AND KASHMIR

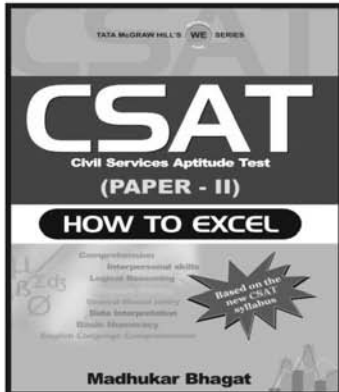
The announcement of a railway bridge factory in J&K by the Railways Minister in the Railway Budget has delighted Kashmiris for whom the move spells employment. With the highest number of railway bridges-around 1,000- spread over 345 km of railway tracks in the state, the factory presents job opportunity not only for unskilled Kashmiris but also for middle class youth with technical education.

What's in the rail budget for J&K

- Bridge factory for Jammu & Kashmir
- State-of-the-art Institute for Tunnel and Bridge Engineering at Jammu
- A new train will link Jammu Tawi with Banda
- Surveys for Baramulla-Kupwara, Jammu-Poonch via Akhnoor-Rajouri, Kathua-Basohili-Bhaderwah-Kishtwar rail lines to be completed. □



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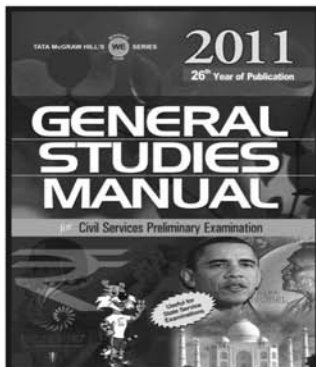


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BUDGET 2011-12

EFFORTS TO IMPROVE GOVERNANCE

UID Mission

- 20 lakh Aadhaar numbers have already been given. From 1st October, 2011 ten lakh Aadhaar numbers will be generated per day. The stage is set for using Aadhaar for improving service delivery, accountability and transparency in the implementation of various schemes.

IT Initiatives

- Various IT initiatives have been taken for efficient tax administration. These include e-filing and e-payment of taxes, adoption of 'Sevottam' concept by CBEC and CBDT, web based facility for tax payers to track the resolution of refunds and credit for pre-paid taxes and augmentation of processing capacity.
- Under Mission Mode Projects for computerization of commercial taxes in states announced last year, funds have been released to 31 projects. This will allow States to align with roll out of GST.
- Bill to amend the Indian Stamp Act proposed to be introduced shortly.
- A new scheme with an outlay of Rs300 crore to be launched to provide assistance to States to modernise their stamp and registration administration and roll out e-stamping in all the districts in the next three years.
- A new simplified return form 'Sugam' to be introduced to reduce the compliance burden of small tax payers falling within presumptive taxation.
- Three more benches of Settlement Commission to be set up to fast track the disposal of cases.
- Steps initiated to reduce litigation and focus attention on high revenue cases.

Corruption

- Group of Ministers constituted to consider measures for tackling corruption.
- Recommendations to be made in a time bound manner.

Performance Monitoring and Evaluation System

- In pursuance of recommendations of Second Administrative Reforms Commission, 62 departments covered under Performance Monitoring and Evaluation System (PMES) to assess their effectiveness.

TAGUP

- Recommendations of Technology Advisory Group for Unique Projects (TAGUP) submitted and accepted in principle.

HIGHLIGHTS OF RAILWAY BUDGET 2011-12

- No hike in passenger fare and freight rates.
- Rs 9,583 crore for new lines.
- 1300 km new lines, 867 km doubling of lines & 1017 km gauge conversion targeted in 2011-12
- A new portal for e-ticketing to be launched shortly. Booking charges will be cheaper with a charge of only Rs. 10 for AC classes and Rs. 5 for others.
- 236 more stations to be upgraded as Adarsh Stations.
- Two new passenger terminals in Kerala and one each in U.P. and West Bengal proposed.
- Feasibility study to raise speed of passenger trains to 160-200 kmph to be undertaken.
- Anti Collision Device sanctioned to cover eight zonal railways.
- GPS-based 'Fog Safe' Device to be deployed.
- The eligibility criteria for manning level crossings have been lowered from 6,000 train vehicle units to 3,000 TVUs.
- All-India Security Helpline one a single number set up.
- A Bridge Factory in J & K and a state-of-the-art Institute for Tunnel and Bridge Engineering is proposed at Jammu.
- A Diesel Locomotive Centre will be set-up in Manipur
- A scheme for socially desirable projects, 'Pradhan Mantri Rail Vikas Yojana' with non-lapsable fund, proposed.
- 10,000 shelter units proposed for track side dwellers in Mumbai, Sealdah, Siliguri, Tiruchirapalli on pilot basis.
- Concession to physically handicapped persons to be extended on Rajdhani and Shatabdi trains.
- Concession of 50% to press correspondents with family increased to twice a year.
- Medical facilities extended to dependent parents of the Railway employees.
- Scholarship for girl child of Group-D railway employees increased to Rs. 1200 a month.
- 20 additional hostels for children of railway employees to be set up.
- Recruitment for 1.75 lakh vacancies of Group 'C' and 'D' including to fill up backlog of SC/ST, initiated; 16,000 ex-servicemen to be inducted by March 2011
- Separate sports cadre planned.
- 2011-12 declared 'Year of Green Energy' for Railways.

AGENDA FOR GROWTH, STABILITY

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • 2011-12 GDP growth seen at 9%, plus or minus 0.2% | <ul style="list-style-type: none"> • Phased FDI in retail will help farmers, buyers | <ul style="list-style-type: none"> • Growth is broadbased with agriculture rebound |
| <ul style="list-style-type: none"> • Agri growth at 5.4% in 2010-11, services at 9.6% | <ul style="list-style-type: none"> • Need to cut stamp duties to aid corp bond market | <ul style="list-style-type: none"> • Food inflation seems driven by demand |
| <ul style="list-style-type: none"> • Fiscal deficit @ 4.8%, revdeficit@3.5% in 2010-11 | <ul style="list-style-type: none"> • Bank licences for industrial houses | <ul style="list-style-type: none"> • Non-food manufacturing inflation remains sticky |
| <ul style="list-style-type: none"> • Fears of moderation of BoP's invisible surpluses | <ul style="list-style-type: none"> • Step up private, public investment in farm sector | <ul style="list-style-type: none"> • Need to streamline land acquisitions, green nods |

Highest-Ever Plan Outlay of Rs. 57,630 Crore Proposed

Senior Citizens' Concession to be Hiked from 30% to 40%

Pan-India Multi-Purpose Smart Card 'Go India' Coming

Women to Get Senior Citizen Concession from 58 years of age

THE ECONOMY AND THE ROAD AHEAD

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Economy to grow at least 9% next year, and at higher rates in medium-to-long-term | <ul style="list-style-type: none"> • Further increase in interest rates likely | <ul style="list-style-type: none"> • Contradicts RBI on 'teaser rates', says innovation has helped expand market |
| <ul style="list-style-type: none"> • High savings and investment- due to rising income levels and demographic factors-to support further growth | <ul style="list-style-type: none"> • Two type of bank licences suggested for new entrants-one for basic banking, another for commercial ops | <ul style="list-style-type: none"> • Direct cash transfers may help check leakage of subsidy |
| <ul style="list-style-type: none"> • Inflation is a dominant concern, but here to stay-at least 1.5 per-centage points higher due to strong growth | <ul style="list-style-type: none"> • Environment added as a chapter for the first time, but the message is: green shouldn't stifle growth | <ul style="list-style-type: none"> • Supports Bill to boost pensions business wants govt to push New Pension Scheme |

