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An Approach to the Twelfth Five Year Plan (2012-17) Faster, Sustainable and More Inclusive Growth

An Overview

The Indian economy on the eve of the Twelfth Plan is characterised by strong macro fundamentals and good performance over the Eleventh Plan period, though clouded by some slowdown in growth in the current year with continuing concern about inflation and a sudden increase in uncertainty about the global economy. The objective of the Eleventh Plan was faster and inclusive growth and the initiatives taken in the Eleventh Plan period have resulted in substantial progress towards both objectives. Inevitably, there are some weaknesses that need to be addressed and new challenges that need to be faced. Some of the challenges themselves emanate from the economy's transition to a higher and more inclusive growth path, the structural changes that come with it and the expectations it generates. There are external challenges also arising from the fact that the global economic environment is much less favourable than it was at the start of the Eleventh Plan. These challenges call for renewed efforts on multiple fronts, learning from the experience gained, and keeping in mind global developments.

In preparing the Approach Paper, the Planning Commission consulted much more widely than ever before recognising the fact that citizens are now better informed and also keen to engage. Over 950 civil society organisations across the country have provided inputs; business associations, including those representing small enterprises have been consulted; modern electronic and social media are being used to enable citizens to give suggestions. All State Governments, as well as local representative institutions and unions, have been consulted through five regional consultations.

Experience with Growth

The Eleventh Five Year Plan (2007-08 to 2011-12) had aimed at achieving faster and more inclusive growth. Rapid GDP growth, targeted at 9.0 per cent per annum, was regarded necessary for two reasons:

first, to generate the income and employment opportunities that were needed for improving living standards for the bulk of the population; and second, to generate the resources needed for financing social sector programmes, aimed at reducing poverty and enabling inclusiveness.

The economy has performed well on the growth front, averaging 8.2 per cent in the first four years. Growth in 2011-12, the final year of the Eleventh Plan was originally projected at around 9.0 per cent continuing the strong rebound from the crisis, which saw an 8.5 per cent growth in 2010-11. Instead, the economy actually slowed down somewhat in 2011-12 compared to the previous year – a phenomenon common to all major economies reflecting the fact that 2010 was a rebound from depressed levels in 2009. Growth in 2011-12 is likely to be around 8.0 per cent. The economy is therefore, likely to achieve an average GDP growth of around 8.2 per cent over the Eleventh Plan period, which is lower than the 9.0 per cent targeted originally, but higher than the 7.8 per cent achieved in the Tenth Plan. This implies a nearly 35 per cent increase in per-capita GDP during this period. It has also led to a substantial increase

Approach to the Twelfth Five Year Plan

in government revenues, both at the Centre and the States, resulting in a significant step-up of resources for the programmes aimed at inclusiveness. A healthy increase in aggregate savings and investment rates, particularly in the private sector, testifies to the strength of our economy as it enters the Twelfth Plan period.

The acceleration in the growth in the Eleventh Plan period compared with the Tenth Plan is modest, but it is nevertheless a good performance, given the fact that a severe global economic crisis depressed growth in two of these five years, and also that in the year 2009 India had the weakest monsoon in three decades. The slowdown in 2011-12 is a matter of concern, but can be reversed if the investment climate is turned around and fiscal discipline is strengthened.

Inclusiveness

The progress towards inclusiveness is more difficult to assess, because inclusiveness is a multidimensional concept. Inclusive growth should result in lower incidence of poverty, broad-based and significant improvement in health outcomes, universal access for children to school, increased access to higher education and improved standards of education, including skill development. It should also be reflected in better opportunities for both wage employment and livelihood, and in improvement in provision of basic amenities like water, electricity, roads, sanitation and housing. Particular attention needs to be paid to the needs of the SC/ST and OBC population. Women and children constitute a group which accounts for 70% of the population and deserves special attention in terms of the reach of relevant schemes in many sectors. Minorities and other excluded groups also need special programmes to bring them into the mainstream. To achieve inclusiveness in all these dimensions requires multiple interventions, and success depends not only on introducing new policies and government programmes, but on institutional and attitudinal changes brought about, which take time. A comprehensive assessment of outcomes on all these fronts during the Eleventh Plan is not possible at this point, because the data for recent years is still not available. However, available evidence suggests that there have been significant gains on many of these fronts, even though there are shortfalls in some areas on which further work is needed.

An important consequence of the focus on inclusion during the Eleventh Plan has been heightened awareness about inclusiveness and empowerment amongst people. A greater desire to access information about the rights and entitlements made available by law and policy, and eagerness to demand accountability from the public delivery systems augurs well for the future.

Inter-State and Inter-Sectoral Variations

One important feature of the growth experienced in the Eleventh Plan, which is relevant for inclusiveness, is that high rates of economic growth have been more broadly shared than ever before across the States. While most States have shown sustained high rates of growth, several of the economically weaker States have demonstrated an improvement in their growth rates. Amongst them are Bihar, Orissa, Assam, Rajasthan, Chhattisgarh, adhya Pradesh, Uttarakhand and to some extent Uttar Pradesh.¹ According to the available data, no State has averaged GSDP growth of less than 6.0 per cent during the Eleventh Plan period.

The improvement in this formerly low growth and low income States is evident in many cases over the Tenth Plan period, and in some others, more so over the Eleventh Plan period. It should be emphasized that those States which picked up over the Tenth Plan period, have continued to perform better in the Eleventh Plan. However, some formerly higher income and high growth States have shown slightly weaker growth over the Eleventh Plan period, most prominent of which are Karnataka and Tamil Nadu.

While the economically-weaker states are catching up in growth rates, there is growing concern about the backwardness of individual districts, several of which are located in States that are otherwise doing well. Many of these districts are also affected by Left-wing Extremism. The Backward Regions Grant Fund (BRGF) and various other regional initiatives have been specially designed to address this problem.

Progress in Reducing Poverty

Reducing poverty is a key element in our inclusive growth strategy and there is some progress in that regard. According to previous official poverty estimates, the per centage of the population living below the poverty line had declined by 8.5 per centage points between 1993-04 and 2004-05. Since the appropriateness of the poverty line was questioned in some quarters, the Government appointed an Expert Committee under the Chairmanship of the late Prof. Suresh Tendulkar. The **Tendulkar Committee** recommended a recalibration of the rural poverty line to make it more comparable with the urban poverty line, which it found to be appropriate. The application of the Tendulkar Committee poverty line provides a higher estimate of rural poverty and therefore also of total poverty, but if the new method is applied

to the earlier years, as it should be, it shows that the per centage of the population in poverty declined from 45 per cent in 1993-94 to 37 per cent in 2004-05. Thus, poverty declined at roughly 0.8 per centage points per year during the 11 year period before the Eleventh Plan.

1.11 The Eleventh Plan had set a more ambitious target of achieving a decline in poverty ratio of 2 per centage points per year. While the actual performance in this regard was below this target, it was better than it was in the earlier decade. Preliminary estimates using the latest NSS survey for 2009-10 suggest that the per centage of the population in poverty declined, at a faster pace than before, by approximately one per centage point per annum, uring the five-year period 2004-05 to 2009-10. Since 2009-10 was a drought year, and poverty in that year could have increased temporarily, the underlying rate of decline is probably more than one per centage point per year. It is also possible that the pace of poverty reduction accelerated in the last two years of the Eleventh Plan period, since by then several Eleventh Plan programmes aimed at increasing inclusiveness would have begun to have a fuller impact. A summary assessment is that the pace of poverty reduction has accelerated, though it may still be short of the target. Nevertheless, it is heartening to note that looking ahead; India is well poised to meet the Millennium Development Goal target of 50 per cent reduction of poverty between 1990 and 2015.



54th Annual Grammy Awards

54th Annual Grammy Awards were held on February 12, 2012, at the Staples Center in Los Angeles being broadcast on CBS. LL Cool J hosted the show. It was the first time in seven years that the event had an official host. Nominations were announced on November 30, 2011 on prime-time television as part of "The GRAMMY Nominations Concert Live! – Countdown to Music's Biggest Night", a one-hour special broadcast live on CBS from Nokia Theatre at L.A. Live.^{[2][3]} Kanye West received the most nominations with seven. Adele, Foo Fighters, and Bruno Mars each received six nominations. Lil Wayne, Skrillex, and Radiohead all earned five nominations.

A **total of 78 awards** were presented following the Academy's decision to restructure the Grammy Award categories. Paul McCartney received the MusiCares Person of the Year award on February 10, 2012, at the Los Angeles Convention Center, two nights prior to the Grammy telecast.

On February 8, 2012, the Academy announced that the 54th Grammy Pre-Telecast Ceremony would stream live internationally. The ceremony took place at the Los Angeles Convention Center and was streamed live in its entirety internationally at Grammy's official website and CBS Television Network. The ceremony was co-hosted by Dave Koz and MC Lyte. A total of 68 awards were presented in the Pre-Telecast ceremony. The official poster was designed by Architect Frank Gehry.

The night before the awards, Whitney Houston died in Los Angeles, and show producers quickly planned a tribute, with Jennifer Hudson performing a tribute, Houston's I Will Always Love You. The awards show began with a Bruce Springsteen performance followed by an LL Cool J prayer for Whitney Houston. Adele won all of her six nominations, tying Beyoncé's record for most wins by a female artist in one night. Foo Fighters and Kanye West followed with five and four awards, respectively.

Nominees and winners

Record of the Year

winner : "Rolling in the Deep" – Adele

Paul Epworth, producer; Tom Elmhirst & Mark Rankin, engineers/mixers

Album of the Year

winner : 21 – Adele

Jim Abbiss, Adele Adkins, Paul Epworth, Rick Rubin, Fraser T. Smith, Ryan Tedder & Dan Wilson, producers; Jim Abbiss, Philip Allen, Beatriz Artola, Ian Dowling, Tom Elmhirst, Greg Fidelman, Dan Parry, Steve Price, Mark Rankin, Andrew Scheps, Fraser T. Smith & Ryan Tedder, engineers/mixers; Tom Coyne, mastering engineer

Song of the Year

winner : "Rolling in the Deep"

Adele Adkins & Paul Epworth, songwriters (Adele)

Best Pop Solo Performance

winner : "Someone Like You" – Adele



12th Five Year Plan : Demographics

The country’s total population, as recorded in Census 2011, at 1.21 billion, is slightly more than what was forecast. But the population growth rate has decelerated from 1.97 per cent per annum between 1991 and 2001, to 1.64 per cent per annum between 2001 and 2011. Notably, it declined in almost every State including those of the populous Gangetic plains. The deceleration reflects a much-needed decline in the Total Fertility Rate (TFR) which is estimated to have fallen to 2.6 per cent and is expected to decline to 2.3 per cent in the first half of the present decade. The Southern States have reached, or are close to reaching, the replacement level of fertility. Fertility levels in the northern states are also falling, but are still much higher than the replacement level.

- India has a younger population not only in comparison to advanced economies but also in relation to the large developing countries. As a result, the labour force in India is expected to increase by 32 per cent over the next 20 years, while it will decline by 4.0 per cent in industrialised countries and by nearly 5.0 per cent in China. This ‘demographic dividend’ can add to growth potential, provided two conditions are fulfilled. First, higher levels of health, education and skill development must be achieved. Second, an environment must be created in which the economy not only grows rapidly, but also enhances good quality employment/livelihood opportunities to meet the needs and aspirations of the youth.

Employment and Livelihood

- For growth to be inclusive it must create adequate livelihood opportunities and add to decent employment commensurate with the expectations of a growing labour force. As noted above, India’s young age structure offers a potential demographic dividend for growth, but this potential will be realised only if the extent and quality of education and skill development among new entrants to the workforce is greatly enhanced. One of the most remarkable things brought out by the 66th round National Sample Survey Organization (NSSO) survey on Employment (2009-10) is that the number of young people in education, and therefore, out of the workforce, has increased dramatically causing a drop in the labour participation rate.² The total number of young working-age (15-24) people who continued in educational institutions doubled from about 30 million in 2004-05 to over 60 million in 2009-10.
- The survey also shows that between 2004-05 and 2009-10, the overall labour force expanded by only 11.7 million. This was considerably lower than comparable periods earlier, and can be attributed to the much larger retention of youth in education, and also because of lower labour force participation among working-age women. Over the same period, 18 million job opportunities were created on current daily status basis. Thus, in absolute terms, unemployment came down by 6.3

million; and the unemployment rate which had increased from 6.06 per cent in 1993-94 to 7.31 per cent in 1999-2000 and further to 8.28 per cent in 2004-05, came down to 6.60 in 2009-10.

- The lower growth in the labour force is not expected to continue in future and we can assume that much larger numbers of educated youth will be joining the labour force in increasing numbers during the Twelfth Plan and in the years beyond. The clear implication of this is that the pace of job/livelihood creation must be greatly accelerated. Part of this must come from a significant boost to the manufacturing sector of the economy, such that it grows at a rate that is faster than most other parts of the economy. However, this may not be enough, in part because not all categories of manufacturing are labour intensive. Although GDP from manufacturing increased at 9.5 per cent per annum between 2004-05 and 2009-10 along with some increase in employment in the organised manufacturing sector, the survey suggests that overall employment in manufacturing actually declined during this period. The implied shake-out of labour from the un-organised manufacturing sector needs to be examined in detail and appropriate steps taken so that the obvious potential of the MSME sector as a source of jobs/livelihoods is realised fully.
- The 66th round NSSO Survey of Employment shows that the vast majority of new jobs created between 2004-05 and 2009-10 was in casual employment, mainly in construction. While such jobs are often more attractive for rural labour than casual work in agriculture, there is a potential for an accelerated pace of creation of more durable rural non-farm jobs/livelihood opportunities. Such job opportunities could come from faster expansion in agro-processing, supply chains and the increased demand for technical personnel for inputs into various aspects of farming that is undergoing steady modernisation, and also the maintenance of equipment and other elements of rural infrastructure. The service sector too has to continue to be a place for creation of decent jobs/livelihood opportunities, in both rural and urban areas.

***Note :** In the age group of 5–14 years, 89.3 per cent of children were in school in 2009-10, up from 82.4 per cent in 2004-05. Further this increase was higher for girls, rising from 79.6 per cent in 2004-05 to 87.7 per cent in 2009-10. In the 15–19 years age group, 59.5 per cent of young people were in the educational system in 2009-10 as compared to 46.2 per cent in 2004-05. Once again, the increase was more for girls, from 40.3 to 54.6 per cent. In the next higher age group of 20–24 years, 22.5 per cent of boys and 12.8 per cent of girls were still in the educational system in 2009-10 against only 14.9 and 7.6 per cent, respectively, in 2004-05.*

Agriculture

1.23 A weakness in the economic

performance thus far is that growth in the farm sector (agriculture and allied activities), though better than in the Tenth Plan, remains short of the 4.0 per cent Plan target. The farm sector has grown at an average rate of around 3.2 per cent during the first four years of the Eleventh Plan and assuming conditions remain favourable in 2011, the average farm sector growth in the Eleventh Plan period may be a little over 3.0 per cent. This is a marked improvement from the average growth of about 2.0 per cent during the Tenth Plan period. Still, with half of our population dependent on agriculture and allied activities, we need faster farm sector growth to benefit poor farmers, many of whom are women. The below target growth in this sector is one of the reasons for increase in food prices over the last two years. Global development experience, especially from the BRIC countries, reveals that one per centage point growth in agriculture is at least two to three times more effective in reducing poverty than the same magnitude of growth emanating from non-agriculture sector.

- Since agriculture is a State subject, the Centre will have to work hand in hand with the States to bring coherence in policies and strategies. Overall investment in agriculture, which had dipped to less than 10.0 per cent of agri-GDP in 2002-03 has been substantially raised and today stands at more than 21.0 per cent of agri-GDP. Higher levels of investments in agriculture, both by the public and private sector can yield much better results if the reforms are undertaken to streamline not only the incentive structures for the farmers, but also the institutional framework in which agriculture and related activities take place. Seeds and irrigation are priority areas, which can be catalysts for raising productivity on the supply side. On the demand side, there is urgent need to remove most of the controls that have denied a unified and seamless all India market for most agri-products. Finding the most effective ways of ushering in these changes must be a key priority area in the Twelfth Plan.

Health

- The Eleventh Plan had drawn attention to the fact that India’s health outcome indicators continue to be weaker than they should be, at our level of development. The Plan had therefore expressed the necessity of allocating additional resources to health and laid down monitorable targets for parameters relating to Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR), institutionalised delivery, extent of full immunisation, etc. Data on these parameters, available for the first three years of the Eleventh Plan, show some improvement. The Infant Mortality Rate (IMR) fell from 57.0 per cent in 2006 to 50.0 per cent in 2009. The per centage of deliveries in institutions increased from 54.0 per cent in 2006 to 73 per cent in 2009, while the Maternal Mortality Rate (MMR) came down by 32 points to 212 (2007-09). These are marked improvements but their rate of decline is lower than what is needed for achieving the desired targets. We must accelerate the pace of progress in this area in the Twelfth Plan.
- In the Eleventh Plan, the total public expenditure on health in India by Centre and the States was less than 1.0 per cent of GDP and it needed to be increased to 2.0 or 3.0 per cent. The process has begun and the per centage is estimated to have increased to around 1.4 per cent in 2011-12 (BE). If expenditure on drinking water and sanitation in rural areas, which are critical for better health outcomes, is included, the per centage would be higher at 1.8 per cent. Regardless, a larger allocation of resources will definitely be needed in the Twelfth Plan to achieve the objective. We should aim to increase total health expenditure as per centage of GDP to 2.5 per cent by the end of Twelfth Plan.
- It must be emphasised that financial resources are not the only constraint. Shortage of health professionals at all levels has become a serious impediment to achieving an expansion in the public provision of health services. There has been inadequate attention to improving our education and training capacities in this area. There are also problems of accountability of personnel even when these are recruited. These lacunae will take time to rectify, but the Twelfth Plan must give a special emphasis to solve this problem.

Education

- The Eleventh Plan had articulated the need for expanding educational facilities and improving quality of education, as key instruments for achieving faster and inclusive growth. There has been notable success in expanding capacity, but the challenge of improved quality still persists.
- There has been improvement in the extension of primary education, both in regard to enrolment and in reduction of dropout rates. The Right to Education (RTE) Act, which became operational in 2009, has laid a solid foundation on which we need to build. A major achievement is that most children are now in school. The ASER 2010 report shows that for the age group 6–14 years in all of rural India, the per centage of children who are not enrolled in school has dropped from 6.6 per cent in 2005 to 3.5 per cent in 2010. The proportion of girls in the age group 11–14 years who were out of school has also declined from 11.2 per cent in 2005 to 5.9 per cent in 2010. However, the absolute numbers of children who are out of school remains large. While this needs to be reduced, it is not unreasonable to state that access is now more or less universalised. We now confront the greater challenge of improving the quality of school education. This means extensive and improved teacher training, upgrading curriculum and enforcing of accountability in teachers’ attendance. As increasing number of children finish elementary school, there will be need to expand capacity in secondary and higher secondary schools. Envisaging universalisation of secondary education by 2017 should be a priority in the Twelfth Plan.
- The Eleventh Plan had outlined a threefold strategy of expansion, equity and excellence for higher education. The Central Government introduced a programme of creating new Central Universities and other institutions of higher learning in the Eleventh Plan. This effort has begun, but it will have to be continued into the Twelfth Plan period to reach its full potential. Revitalisation of the State Universities and Colleges is also critical. These universities suffer from under funding by State Governments with as many as 50.0 per cent of faculty positions unfilled, forcing frequent resort to contract teachers and an adverse impact on the quality of teaching.
- The task of achieving excellence in higher education demands academic reforms to provide greater flexibility and choice for the students, and strengthening of research activity in Universities by establishing mutually-reinforcing linkages between teaching and research. Faculty shortages need to be tackled through innovative ways such as technology-enabled learning, and collaborative information and communication technologies (ICT). As an experiment in achieving higher quality, the Government is proposing Innovation Universities which will have greater autonomy and freedom. This effort needs to be supplemented by funding Centres of Excellence in existing universities, which may yield better results in a shorter time.
- Resource constraints will make it difficult to meet the need of expanding higher education entirely through the public sector. Not all private educational institutions are of good quality and some are quite inferior. Minimum standards will have to be ensured. But free entry will, in the end, automatically weed out the poor quality institutions. Private initiatives in higher education, including viable and innovative PPP-models, will therefore, be actively promoted. The current “not-for-profit” prescription in the education sector should be re-examined in a pragmatic manner so as to ensure quality, but without losing focus on equity.

Infrastructure Development

- Inadequate infrastructure was recognised in the Eleventh Plan as a major constraint on rapid growth. The Plan had, therefore, emphasized the need for massive expansion in investment in infrastructure based on a combination of public and private investment, the latter through various forms of public-private partnerships. Substantial progress has been made in this respect. The total investment in infrastructure which includes roads, railways, ports, airports, electricity, telecommunications, oil gas pipelines and irrigation is estimated to have

increased from 5.7 per cent of GDP in the base year of the Eleventh Plan to around 8.0 per cent in the last year of the Plan. The pace of investment has been particularly buoyant in some sectors, notably telecommunications, oil and gas pipelines, while falling short of targets in electricity, railways, roads and ports. Efforts to attract private investment into infrastructure through the PPP route have met with considerable success, not only at the level of the Central Government, but also at the level of the individual States. A large number of PPP projects have taken off, and many of them are currently operational in both the Centre and the States.

- Compared to other developing countries, India has been slow to urbanise, but the pace of urbanisation is expected to accelerate over the next two decades. The 2011 Census also shows an increase in the urban population from 27.8 per cent in 2001 to 31.2 per cent in 2011, and it is likely to exceed 40.0 per cent by 2030. This would generate a heavy demand for better quality infrastructure in urban areas, especially water, sewerage, public transport and low cost housing. Since it takes time to create urban infrastructure, it is necessary to have a sufficiently long term focus on urban planning in the Twelfth Plan.
- The Twelfth Plan must continue the thrust on accelerating the pace of investment in infrastructure, as this is critical for sustaining and accelerating growth. Public investment in infrastructure will have to bear a large part of the infrastructure needs in backward and remote areas to improve connectivity and expand the much needed public services. Since resource constraints will continue to limit public investment in infrastructure in other areas, PPP-based development needs to be encouraged wherever feasible. It is necessary to review the factors which may be constraining private investment, and take steps to rectify them. PPP, with appropriate regulation and concern for equity, should also be encouraged in the social sectors, such as health and education. Several State Governments are already taking steps in this direction.

The Energy Challenge

- The energy needs of rapid growth will pose a major challenge since these requirements have to be met in an environment where domestic energy prices are constrained and world energy prices are high and likely to rise further. For the GDP to grow at 9.0 per cent, commercial energy supplies will have to grow at a rate between 6.5 and 7.0 per cent per year. Since India’s domestic energy supplies are limited, dependence upon imports will increase. Import dependence in the case of petroleum has always been high and is projected to be 80 per cent in the Twelfth Plan. Even in the case of coal, import dependence is projected to increase as the growth of thermal generation will require coal supplies which cannot be fully met from domestic mines.
- Rational energy pricing is critical for both effective demand management and a healthy supply response. It is relevant for demand management, because energy users have no incentive to economize if energy is under-priced. It is also relevant for expansion of domestic supply, because under-pricing of energy imposes a large burden on the energy producers reducing the resources that should accrue to them for financing new investments in these areas. In the longer term, we must move beyond fossil fuels to non-conventional energy. However, these new energy sources are significantly more expensive at present than fossil fuels and increased dependence on these fuels will mean higher per unit energy costs.
- The Integrated Energy Policy, which was approved in 2009, had enunciated principles of energy pricing that equalize domestic energy prices with the prices of imported energy, while allowing for targeted subsidy to the needy and poor. While we have taken some steps in this direction, our energy prices still remain significantly below the world prices. This is true for both petroleum prices (other than petrol) and coal. It is also true of electricity, since regulators, often under political pressure, are not setting tariffs to reflect normative costs. The Twelfth Plan must address the challenge of aligning domestic energy prices with the global price trends. This is not easy to do in a short time span, but it can be done

gradually over a period of time. It must be emphasized that our ability to sustain high growth in the Twelfth Plan will depend critically upon our ability to make this adjustment. The poor will need subsidy, which should be appropriately targeted, but energy prices in general cannot be de-linked from global price levels, particularly in a situation where import dependence is increasing.

Natural Resource Management – Water, Land and Forests

- Economic development will be sustainable only if it is pursued in a manner which protects the environment. With acceleration of economic growth, these pressures are expected to intensify, and we therefore, need to pay greater attention to the management of water, forests and land.
- Management of water resources poses increasingly difficult challenges that will require attention in the Twelfth Plan. The total quantity of usable fresh water annually available in India is fixed, but its demand from expanding agriculture and other sectors is increasing. Water resources in many parts of the country are under severe stress leading to excessive exploitation of ground water. There is some scope for increasing water availability. While these opportunities must be fully exploited, the real solution has to come from greater efficiency in water use.
- Agriculture accounts for 80.0 per cent of water needs at present, and there is considerable scope for increasing efficiency of water use in this area. This requires better management of water in areas of large and medium irrigation projects. It also requires putting in place more holistic aquifer management strategies. Separation of electricity feeders for agriculture and domestic use can help limit the availability of electricity for pumping ground water thus breaking the vicious cycle between free energy and excess use of groundwater. Wherever this has been done in combination with large-scale watershed programmes, there is evidence that groundwater levels have recovered.
- Normally, efficient use of scarce resources requires appropriate pricing, but pricing of water is a sensitive issue. This problem can be solved by providing ‘lifeline’ water supplies for drinking and cooking at very low prices, while charging appropriately for additional water use by domestic consumers. There is a stronger case for rational pricing reflecting the scarcity of water for commercial and industrial use. There is also a strong case for rational pricing of water for agricultural purposes. The proportion of water recycled in urban areas, and by Indian industry needs to be significantly increased. This will happen if supply for commercial purposes is appropriately priced.
- Even if we succeed in bringing about a major rationalisation of water prices, by itself, it will not lead to optimal use. For this, a rational pricing must be accompanied by regulatory measures to ration water to different agricultural users, and stronger measures to discourage pollution. Contamination of drinking water is the principal cause of health disorders, particularly amongst children. It is estimated that up to 13.0 per cent of drinking water in rural areas contains chemical contaminants including fertilizer run-offs (particularly urea and its decomposition products).
- The availability of land has become a major constraint on expansion of infrastructure, development of mineral resources, industrialisation and urbanisation. The present arrangements for acquisition of land, and also for change in land use are archaic, often unfair and non-transparent. They need a comprehensive review. A new modern law is needed to govern the acquisition of land for industrial use, infrastructure development and urbanisation. This should also contain provisions for resettlement and rehabilitation. A bill has been introduced in Parliament which seeks to put in place an appropriate and fairer legal framework. Finalisation of this legislation, with an appropriate balance between the need to protect the interests of current land owners and those dependent on it for livelihood and the broader objective of development, is critical.
- The protection and strengthening of our natural forests is another critical area. This is also linked to conservation of soil and treatment of watersheds, which have a bearing on the way we deal with our water resources, particularly drinking water. They also impact on the availability

National Action Plan for Climate Change

- National Solar Mission seeks to deploy 20,000 MW of solar electricity capacity in the country by 2020. The first phase (2010-12) is currently underway during which 1,000 MW are planned to be installed.
- National Mission for Enhanced Energy Efficiency creates new institutional mechanisms to enable the development and strengthening of energy efficiency markets. Various programmes have been initiated, including the Perform, Achieve and Trade (PAT) mechanism to promote efficiency in large industries, and the Super-Efficient Equipment Programme (SEEP) to accelerate the introduction of deployment of super-efficient appliances.
- National Mission on Sustainable Habitat promotes the introduction of sustainable transport, energy-efficient buildings, and sustainable waste management in cities.
- National Water Mission promotes the integrated management of water resources and increase water use efficiency by 20.0 per cent.
- National Mission for Sustaining the Himalayan Ecosystem establishes an observational and monitoring network for the Himalayan environment so as to assess climate impacts on the Himalayan glacier and promote community-based management of these ecosystems
- National Mission for a ‘Green India’ seeks to afforest an additional 10 million hectare of forest lands, waste lands and community lands.
- National Mission for Sustainable Agriculture focuses on enhancing productivity and resilience of agriculture so as to reduce vulnerability to extremes of weather, long dry spells, flooding and variable moisture availability.
- National Mission on Strategic Knowledge for Climate Change identifies challenges arising from climate change, promotes the development and diffusion of knowledge on responses to these challenges in the areas of health, demography, migration and livelihood of coastal communities.

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graph TD; NSM[National Solar Mission] --- NMEEF[National Mission on Enhanced Energy Efficiency]; NMEEF --- NMSEH[National Mission on Sustainable Habitat]; NMSEH --- NWM[National Water Mission]; NWM --- NMSA[National Mission for Sustainable Agriculture]; NMSA --- NMCKCC[National Mission on Strategic Knowledge for Climate Change]; NMCKCC --- NMSHE[National Mission for Sustaining the Himalayan Ecosystem]; NMSHE --- NMGI[National Mission for a Green India]; NMGI --- NSM; NSM --- NMEEF; NMEEF --- NMSEH; NMSEH --- NWM; NWM --- NMSA; NMSA --- NMCKCC; NMCKCC --- NMSHE; NMSHE --- NMGI; NMGI --- NSM
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of energy for the economy, since most of the country's coal resource lies under forest. Since rapid economic growth will require a commensurate growth in energy supply and most of our electricity generation is expected to be coal based, there are potential conflicts between protecting the forests and ensuring an adequate supply of energy to the economy. It will be necessary to evolve mechanisms through which a suitable balance can be struck between the energy requirements of development and the need for environmental protection. These issues are discussed at length later in this paper.

Implementation, Accountability and Governance

● An over-arching challenge that requires much greater attention in the Twelfth Plan is that of ensuring better implementation and improved accountability. There are four aspects of governance that are important.

● First, better governance is crucial for translating the large outlays of our flagship programmes into enduring outcomes on the ground. Interaction with stakeholders reveals that while there is general appreciation that these programmes have the right objectives, their implementation on the ground is poor. Implementation of programmes can be improved through a multi-faceted approach relying on professionalization of public service delivery, Total Quality Management, innovative use of IT and other technologies which improve monitoring and supervision. It can also be improved through greater emphasis on social mobilisation and capacity building, strengthening of local institutions, and building deeper partnerships with civil society organisations and the community to determine the needs and aspirations of the people.

● Second, implementation in many areas, particularly in infrastructure development, involving large projects, is held up for a variety of reasons. Coordination needed across different agencies to facilitate 12 Approach to the Twelfth Five Year Plan progress in project implementation is often lacking and can lead to long delays and cost over-runs. 'Project management' capabilities must be improved for the country to get better returns from public investment in infrastructure and also in the social sectors. Project management, with a view to deliver on time and within cost, is a learnable capability that can be institutionalised, as demonstrated by the development experiences of Japan, Korea, Singapore and China. A nation-wide drive to improve project management must be an integral part of the Twelfth Five Year Plan

● Third, is the broader issue of how to rid the system of corruption, which is both morally abhorrent and imposes economic costs? A number of initiatives need to be urgently pursued. Several legislative measures are needed. These include the establishment of an effective Lokpal, introduction of a law on public procurement and transparency, and the creation of a legislative framework governing the functioning of regulatory institutions so as to ensure both functional autonomy and accountability.

● Finally, to combat corruption, it is imperative to ensure speedy prosecution and trial in corruption cases. The long delays in the judicial process are an important factor behind the growing cynicism about the rule of law in our system. Reforms in the legal process need to be put in place without further delays.

The Global Context

● India's growth prospects depend largely on an ability to tackle supply side constraints in the domestic economy, but they cannot be viewed in isolation from developments in the world economy, if only because our economy is now much more globally integrated. The share of exports of goods & services in GDP has increased from 14.0 per cent in 2000-01 to 22.0 per cent in 2010-11 and India is now viewed as an important destination for FDI.

● Global economic prospects are clouded with uncertainty. The world has avoided a prolonged downturn that was feared at one stage as a possible consequence of the 2008 crisis. The industrialised countries have resumed positive growth after contracting in 2009, but growth in these countries remain anaemic with serious macro-economic imbalances and concerns about sovereign debt. Emerging markets are growing much more robustly, and India has been one of the leaders in this process. However, concern about sovereign debt and fiscal unsustainability in industrialised countries not only weakens the prospects of an early return to robust growth in these countries, but also creates uncertainty about the export markets in industrialised countries. An adverse

development globally, which affects India directly, has been the rise in oil prices, and also the prices of other commodities, including food. Economic management over the next two to three years will have to cope with this uncertainty.

● Taking a longer view, however, the changes taking place in the world economy, with a shift in economic strength towards emerging markets and especially in Asia, are inherently favourable for India.

Prospects for the Twelfth Plan

● The message emerging from this overview is that the economy has gained in strength in many dimensions and is therefore well placed to achieve faster, sustainable and more inclusive growth. Having achieved 8.2 per cent growth during the Eleventh Plan, it is reasonable to aim at 9.0 per cent growth for 14 Approach to the Twelfth Five Year Plan the Twelfth Plan. As pointed out in Chapter 2, this is a feasible target from a macro-economic perspective but it cannot be viewed as an assured outcome. Global economic conditions are very uncertain and energy prices are likely to remain high. To achieve rapid growth, the economy will have to overcome constraints posed by limited energy supplies, increase in water scarcity, shortages in infrastructure, problems of land acquisition for industrial development and infrastructure, and the complex problem of managing the urban transition associated with rapid growth. Greater efforts also need to be made in agriculture, health and education to ensure inclusion of the most excluded and sometimes invisible parts of our population.

● These difficulties suggest that a 9.0 per cent growth target for the next five years is ambitious. But it is not impossible, if we have the political will to do what is necessary. Economic reforms over the last twenty years have resulted in the citizens of India having high expectations. The Twelfth Plan has to meet the aspirations of millions of young men and women. This cannot be done by following a business-asusual approach. All sections of society – government, farmers, businesses, labour and concerned citizens – have to adopt newer, more effective ways of pursuing their activities, so that we can collectively achieve our lofty goals.

Transport

● Rapid growth needs to be supported by an efficient, reliable and safe transport system. This is especially important for an economy concerned about competitiveness. On the basis of past experience in India, and the experience in other large economies, requirements of transport services are likely to grow significantly faster than overall GDP growth. Railway freight traffic elasticity is computed to be around. Civil aviation has grown by nearly 20 per cent per annum in the Eleventh Plan. Road traffic volumes, as measured by the consumption of automotive fuel, have grown by about the same rate as overall GDP. The expansion of urban centres has triggered an enormous demand for dependable urban mass transit and several cities are seeking to emulate the experience of Delhi by building a city Metro. International trade volumes have been growing faster than GDP and will continue to do so indicating the need to build adequate capacity in the ports. Further, appropriate linkages between ports, railway and road network need to be completed.

● To meet these expanding demands large investments will be needed in roads, railways, ports and civil aviation sectors for augmentation of capacities and modernization. The public sector is expected to continue to play an important role in building transport infrastructure. However, the resources needed are much larger than the public sector can provide and public investment will therefore, have to be supplemented by private sector investments, in Public-Private Partnership (PPP) mode. This strategy was followed in the Eleventh Plan and has begun to show results in both the Centre and the State sectors. Institutional and organizational changes in some of the apex agencies involved in laying out the transportation network are also necessary. The process of corporatization of ports, restructuring of National Highways Authority of India (NHAI) and the setting up the National Expressway Authority, form part of this process. Organizational and institutional changes have to accompany large scale investments that are needed in the railways. A high level National Transport Development Policy Committee has been set up to develop a transport policy going up to 2030 which will facilitate the efficient expansion of the transportation

network in a manner that would help to minimize energy use. It would also place special attention to competitive pricing and coordination between alternative modes of transport. The resultant integrated policy framework is expected to provide the backdrop for the development of transportation in the Twelfth Plan.

Roads

● India has the second largest road network in the world totalling 4.2 million kms but most of it is of poor quality. Half the network is not paved and the National Highways account for only 2.0 percent of the total length. A start was made at giving a push to investment in roads in the Eleventh Plan. The National Highways Development Programme (NHDP)-I (Golden Quadrilateral) and NHDP-II (North-South East West links) were started before the Eleventh Plan, but were effectively built in the Eleventh Plan. Small portions remain to be completed and these will be completed in the Twelfth Plan. The more heavily trafficked part of this network has to be strengthened through conversion to six-lane roads.

● This programme, called NHDP-VI has commenced and will be progressively expanded. In order to ensure the inter-connectivity of districts, work in various phases of NHDP-III, IV, V will be progressively expanded. In addition, a new programme for construction of roads in the North East was begun in the Eleventh Plan, including the proposed Trans-Arunachal Highway. The completion of this network in the North East, along with road connectivity to Myanmar and Bangladesh will help open up this route to mutually beneficial economic cooperation with Southeast Asia.

● A master plan for 18,637 kilometres of expressways, with new alignments for both passenger and freight movements in high traffic density corridors based on 'access control toll' needs to be taken up. These roads will be either four or six lane. The proposed National Expressway Authority of India is expected to take the initiatives for both land acquisition and to get the work executed under BOT mode.

● A significant part of the existing NH consists of single-lane roads, which have suffered from a prolonged neglect. Their length is about 20,000 km, which could increase further during the Twelfth Plan on account of expansion of the NH network. These single-lane national highways would have to be upgraded and augmented to two-lane standards. Since most of these roads have low density traffic, they may not be viable on PPP basis. Experience also suggests that annuity based projects are comparatively expensive, while conventional contacts are prone to time and cost overruns. The Ministry of Road Transport and Highways is, therefore, adopting the EPC (turnkey) mode of construction. A programme for upgradation of 20,000 km to two-lane standards for EPC basis could therefore, be taken up during the Twelfth Plan for which resources would have to be mobilised through toll revenues, market borrowings and additional budgetary support.

● Taking a longer term view, the scope for expanding the National Highway beyond the present 2.0 per cent of the total network needs to be carefully considered. The Twelfth Plan should set a reasonable target for what the National Highway component of the total network should be over the next twenty years and then workout a phased programme of expanding the National Highways to achieve the objective. The expansion should be on the basis of well-defined criteria giving due weight to network capacity needs and also the need to reach underserved areas.

● In addition to the development of the National Highway network it will be essential to develop State Highways and District roads to ensure full connectivity. States must recognise that good quality roads are crucial for the competitiveness of investment in the state and the Twelfth Plan for each state Transport 41should contain an effective five year plan for the state and lower level road networks part of a longer term twenty years plan for network development. The resources needed for road development will have to be mobilised by the Centre and the States for their respective spheres. As noted earlier, the Public Private Partnership (PPP) model has been extensively used in the road sector in both the Centre and the States and it will remain an important instrument in the Twelfth Plan. Rural roads are known to be a very effective catalyst for economic transformation. Studies conducted by Planning Commission and elsewhere have shown that the

Pradhan Mantri Gram Sadak Yojana (PMGSY) roads have resulted in significant benefits to rural households because of better connectivity to markets and also easier access to health and educational facilities. All rural habitations with a population of more than 1,000 in plain and 500-1,000 in hill and tribal areas are expected to be covered by March 2012 under PMGSY. Even after a decade, a large number of villages and habitations in rural areas remain unconnected due to lack of good quality roads. It is necessary that universalisation of rural connectivity be completed during the next Plan. It can be taken up in phases with completion of on-going connectivity programmes for villages with population between 500 to 1,000 and then expanding it to smaller villages and habitations. Specifically, in hilly areas, Left Wing Extremist affected areas and other sparsely populated tribal areas, habitations with population up to 100 would need to be connected. This will further spread the benefits of PMGSY and promote inclusiveness. Lack of maintenance of roads is a major problem in India. Provision for maintenance of the National Highways comes from the non-Plan budget and typically only one-third the required amount has been provided. The introduction of toll roads on a BOT basis has helped ensure maintenance. However, the rest of the National Road Network needs maintenance and this should not suffer for want of funds. Maintenance of PMGSY is taken care of under contractual agreement. The contractors are required to maintain the roads for five years after completion. However, subsequently, the State Governments are expected to provide funding. The involvement of panchayats and other PRI agencies to ensure the maintenance of roads may be a desirable initiative. These and other alternative mechanisms will be explored to strengthen maintenance arrangements for the road network.

Railways

● Railways are very important part of any transport network especially for freight movement. They are much more energy efficient than road transport, with a much smaller carbon footprint. Indian Railways are one of the largest railways network in the world carrying 22 million passengers every day and carrying 923 million tonnes of freight a year. However, the quality of service provided leaves scope for substantial improvement in many areas. The average speed of trains is much lower than in other comparable countries. Railway safety is also an issue. The entire system is in urgent need of modernisation and this should have top priority in the Twelfth Plan.

● The railway network has to be significantly augmented to increase its freight carrying capacity. The Rolling stock must be modernised and new, higher capacity locomotives inducted. Average speeds must be significantly increased. Special attention must be paid to augmenting carrying capacity of the trunk routes which account for only 16.0 per cent of the network, but carry 50.0 per cent of the traffic. An important component of Railways modernisation has to be extensive development of safety measures. Necessary investments for this will be stepped up during the Plan.

● The development of the Western and Eastern dedicated freight corridors are iconic projects which will greatly upgrade the capacity of the system. The completion of these projects must be undertaken in a time bound manner and carefully monitored to avoid delay. Alongside, further expansion of the railway network is called for; not only its existing alignments, but also for developing access to areas hitherto not being served by the railways, such as the tribal areas, LWE districts and some of the hill regions where it is possible to build such networks.

● While the Dedicated Freight Corridor will take care of the freight requirements, there is a need to have Dedicated Passenger Corridors to ensure effective and faster passenger services and modernise passenger movement system.

● Railway modernisation will require a substantial increase in investments and in this context the financial performance of the system becomes crucial. Over the past few years there has been a steady Transport 43 deterioration of financial parameters. The current revenue model of Railways is clearly unsustainable. It leaves a very small surplus for investment and modernisation. There is an urgent need to revisit the fare structure. In view of the rising costs of inputs, a domestic fuel adjustment surcharge, which automatically adjusts the fares in accordance with the changing costs of the inputs, would be a good model to work

Promoting Energy Efficiency

The following are the main components of the Energy efficiency Mission. These programmes have resulted in avoided generation capacity of over 7,500 MW during the first four years of the Eleventh Plan.

- **Standards and Labelling of Equipment & Appliances:** Labelling has been introduced for major energy-consuming appliances, providing users with information on the energy use of a model, and its relative efficiency as compared to others. It has been made mandatory for airconditioners, refrigerators, distribution transformers and tube lights.
- **Energy Efficiency in Buildings:** A national Energy Conservation Building Code (ECBC) has been prepared for the design of new commercial buildings. Over 700 ECBC-compliant buildings are at various stages of construction. Two States have adopted ECBC, making it mandatory for all new, large-commercial buildings to comply with the Code. Performance contracting through Energy Service Companies (ESCOs) is being promoted to enable the retrofit of existing buildings so as to reduce their energy consumption.
- **Energy Efficiency in Industry:** 467 industrial units from 8 sectors have been declared as Designated Consumers. Together they account for about 35 per cent of the total energy consumption in India. Each designated consumer has been prescribed a target per centage reduction in its specific energy consumption to be achieved by 2014-15. Those who exceed their targets would receive tradable Energy Saving Certificates for their excess savings, which could be used for compliance by other designated consumers, who find it expensive to meet their targets through their own actions. A major programme to enhance energy efficiency of small and medium enterprises is also being launched, focusing on SME clusters, and the development of local consultants, equipment vendors, and financial institutions through replicable pilot projects.
- **Residential Lighting:** The penetration of energy-efficient compact fluorescent lamps (CFLs) in the domestic sector has been relatively limited because of the high costs of CFLs. The Bachat Lamp Yojana (BLY) provides CFLs to households at the cost of incandescent bulbs. Distribution Companies select qualified investors to sell high quality CFLs in their region. The investors earn carbon credits due to the lower energy use by the CFLs. The BEE has registered a country-wide Programme of Activities (POA) under the Clean Development Mechanism (CDM) which enables the quick registration of each investor-led project as a CDM project under the POAs. Currently over 20 million CFLs have already been distributed under the BLY programme.
- **Energy Efficiency in Agricultural Pumping:** Replacement of inefficient agricultural pumps by efficient pumps is enabled through the performance contracting mode. Pumps on designated feeders (which have no other loads) are evaluated for their current energy consumption, and then the existing pumps are replaced with efficient pumps by an ESCO. The resultant energy savings are evaluated, and the ESCO is paid a share of the savings. Six pilots have been launched to assess the viability of this model.

on. The operating rates, which should be between 80.0–85.0 per cent is now close to 95.0 per cent. An urgent reversal of this trend is essential. There is a need for adjustment and rationalisation of tariffs.

● Indian rail tariffs are highly skewed with much lower rates per passenger kilometre and higher rates for freight. This generates excessive demand for passenger lines and also discourages freight movement by rail. The Planning Commission has on several occasions recommended the establishment of an independent Tariff Regulation Commission for the Railways to fix tariffs in order to depoliticise the Tariff setting process. This is essential if the Railway system is to be put on a financially viable basis.

● While improved financial performance will help, it is unlikely to be able to generate the massive resources needed for railway modernisation. However, the quantum of private investment in the railways and railway related activities has an expansion potential. Private container train operators have already commenced operations and are competing with Concor. It is important to ensure that they are given a level playing field with Concor so that private investment in this area increases. Other possible areas for private investment include setting up of multi-modal logistic parks, development of manufacturing units for locomotives and railway lines connecting the rail network to privately developed ocean ports.

Ocean Ports

● The capacity of our ocean ports to deal effectively with growing international trade volumes has increased in the Eleventh Plan in part on account of private investment in the so-called minor ports, as well as in container terminals, dry-bulk and liquid handling facilities in the major ports. As a result, both berthing times and turn-around times have fallen. However, ports will meet only 50.0 per cent of the Eleventh Plan target. It is imperative that the pace of expansion of the port sector is accelerated, building on the successful experience of the past few years and increased co-operation between the publicly owned ports and private container and other terminal operators, as well as the strengthening of established private ports.

● The draught in most of our ports is not adequate for dealing with bigger ships, an important component for reducing costs. Deepening of selected ports and also intermediate off-loading terminals offer solutions that should be carried forward in the course of the Twelfth Plan. The pace of dredging has been inadequate and needs to be greatly expanded.

● The capacity for dredging of ports in the private sector needs to be further augmented and full operational flexibility given to the ports to use it. While capital dredging of ports will lead to further deepening and larger size ships will be able to use the port, maintenance dredging will ensure a continued efficient operation of current port

capacity.

● Another constraint that has emerged is the lack of capacity/availability of rail and road networks linking ports especially the new minor ports coming up in the private sector. These connectivity projects should be identified on a priority basis and implemented using private participation wherever possible. In such cases the projects will need to be facilitated including in the matter of land acquisition.

Inland Waterways

● The Inland waterways provide a clean and efficient mechanism for transportation of goods across regions where quite often road movement may not be feasible or in any case more expensive. Investments need to be promoted in this sector to develop it, particularly in the North Eastern Region and in a number of other major rivers. There is also a need to bring about legislative changes to make the creation of new waterways faster after technical assessment is made.

Civil Aviation

● The Eleventh Plan saw extensive modernisation of the airport infrastructure through a combination of public and private investment. Chennai and Kolkata airports are being modernised by the public sector along with 35 non-metro airports. The two major metro airports – Delhi and Mumbai – have been successfully modernized in the PPP mode. The new Mumbai airport is also expected to be bid out for development by the private sector. In addition, Hyderabad, Bangalore and Cochin airports offer good examples of the success of the PPP model. There is scope for utilizing this model to further upgrade the other airports.

● The expansion of the airport network has increased the basis for air connectivity enormously. Air connectivity is vitally important for bringing mid-sized towns into the business network, thereby enabling wider distribution of manufacturing and commercial service provisioning across the country.

● There are large requirements of this connectivity in North-East and Left Wing Extremism affected Districts. In addition to the mid-sized airports modernized by AAI, further expansion of the airport network should be pursued in the Twelfth Plan to meet these needs.

● In order to include a large number of potential towns for air-connectivity 'daylight landing strips' offer one solution which is cost effective insofar as it does not require expensive night landing equipment. This can help us bring many more mid-sized towns into the air-connectivity network and facilitate the transactions of industrial and commercial business across the country.

● Special efforts are needed for the modernization of navigation control with an aim to bring greater precision and enhancement of safety of passengers and cargo as well as greater efficiency in the air traffic control. The Gagan project has been

launched by the Airport Authority of India in collaboration with ISRO. It envisages global navigation satellite system which would include better ground surveillance capability for surface movement control and guidance especially useful in poor visibility conditions and is likely to be operationalized by June, 2013. The implementation of this programme is presently continuing at various airports.

- The hiving off of the Air Traffic Control from AAI has been under consideration to bring more focused approach with a view to enhance the equipment upgradation and manpower deployment in the area of air traffic control. It is appropriate that a separate entity is formed early for this purpose.

Rural Transformation

- The Census of 2011 estimates that 833 million people continue to live in rural India. A very large proportion of them are either wholly or significantly dependant on their livelihoods on farm activity – be it crop agriculture, horticulture, animal husbandry or fisheries. The expansion of income opportunities in the farm sector and a progressive absorption into non-agricultural activity is the most potent weapon for reducing poverty. Expansion of non-farm income opportunity in rural areas also has enormous potential and a great deal of this is related to farm activity – such as post-harvest operations, maintenance of farm equipment etc. There is therefore, a virtuous cycle inter-connecting the expansion of farm economic activity and that of rural non-farm income opportunities.
- The development and transformation of the rural economy requires rapid expansion of employment and income opportunities, both on farm and off farm. Growth in employment and income opportunities in the farm sector is discussed in Chapter 7. This chapter mainly deals with the development programmes that are supporting rural transformation process by improving rural infrastructure and supporting rural livelihoods. Rural transformation also requires improvements in health, education and skill development. These are dealt with in detail in separate chapters.

Improving Rural Infrastructure

- The Eleventh Plan saw an unprecedented injection of resources from the Union Budget to the rural and farm sector. This thrust forms the substance of the Bharat Nirman Programme and the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has provided a major foundational support. Over the past five years, it has provided nearly 9,000 million person days of work at a total expenditure of more than Rs 110,000 crore. MGNREGA has been highly inclusive, as is evident from the fact that the share of SC/ST families amongst beneficiaries has ranged between 51.0–56.0 per cent and 41.0–50.0 per cent of workers have been women. It has also promoted financial inclusion since over 100 million bank/post office accounts have been opened for the

poorest segments of our population who comprise of the MGNREGA workforce.

- The coverage of rural settlements under the National Rural Drinking Water Programme (NRDWP) has shown an impressive rise, with almost universal coverage being reported. Dramatic improvement has also been evident in sanitation. The coverage of rural households provided with individual latrines has improved sharply from 27.0 per cent in 2004 to 62.0 per cent presently. There is, however, a need to look at slipped back habitations, water quality issues and backlog in sanitation programmes.
- The Indira Awas Yojana (IAY) programme has provided houses to 22.5 million BPL households, while more than 3.5 million Self-Help Group (SHGs) have been formed under the Swarnjayanti Gram 60 Approach to the Twelfth Five Year Plan Swarojgar Yojana (SGSY). The coverage under the National Social Assistance Programme which provided a pension for the BPL population over 65 had increased to 21.6 million beneficiaries by 2009-10. The age of eligibility having been lowered to 60, the number of beneficiaries will expand significantly in the Twelfth Plan.
- These are impressive achievements but there is also no doubt that they can only contribute at the margin and the bulk of the income improvement for this section of the population must come from a substantial improvement in land productivity and the rising incomes that would benefit even the landless labour. It is also true that the performance of these programmes can be greatly improved. Several reforms have to be carried out in how we implement these schemes, including design improvement and incorporation of greater flexibility.
- In all these programmes, there is a case for a certain proportion of funds to be set aside for a ‘flexifund’ to promote innovation that could subsequently be mainstreamed into the programme. There is also need for greater State-specific flexibility reflecting the variations in conditions across the country. These reforms could make a major contribution to improvement in rural infrastructure which has a direct bearing on farm growth.
- The following seven major flagship programmes are operating in rural areas. (1) Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) (2) National Rural Livelihood Mission (NRLM) (3) Indira Awas Yojana (IAY) (4) National Rural Drinking Water Programme (NRDWP) and Total Sanitation Campaign (TSP) (5) Integrated Watershed Development Programme (IWDP) (6) Pradhan Mantri Grameen Sadak Yojana (PMGSY) (7) Rural electrification, including separation of agricultural feeders and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY). Of these, PMGSY has been discussed in the chapter on transportation and RGGVY in the chapter on energy. This chapter covers the remaining five programmes.

MGNREGA

- Experience thus far suggests that while MGNREGA is generating employment, the technical soundness of design and quality of works undertaken in MGNREGA falls

short of what is needed to ensure land productivity enhancement. There appear to be two critical areas in regard of MGNREGA that need to be addressed and resolved in the Twelfth Plan.

- First, the technical capacity at the local level has to be significantly enhanced. This is in regard to planning, design and quality of works, as well as of their maintenance. Planning for MGNREGA on a mini-watershed and aquifer basis would improve outcomes. To strengthen the demand-driven character of the scheme and guarantee legal entitlements, it is important to record applications for work. There is a clear case for establishing a pool of local ‘barefoot’ engineers/technical assistants who could be trained up through an appropriate mechanism, enabling them to fulfil the need for technical and managerial capacity in MGNREGA, as well as in other rural infrastructure projects
- Second, it is important that the selection of works reflects the needs, aspirations and priorities of the local people, without which the community will not necessarily have a sense of ownership of the project. The latter is a vital component of the concept of rural infrastructure creation. The training of a pool of local youth in technical skills must also incorporate their ability to act as social mobilizers and ensure the involvement of Panchayati Raj Institution (PRI) representatives at every level of the process.
- They would be guided in this process by a dedicated team of technical professionals (to be created) at each cluster of around 30 villages that broadly correspond to the boundaries of a mini-watershed and aquifer. Madhya Pradesh and Maharashtra have already initiated work in this direction.
- Delays in wage payments have emerged as the most frequently heard complaint under MGNREGA. At times payments have not been made even after nine months and workers are rarely being paid compensation for the delay. The major reason for delay is that measurements of work are not being made on time, mainly due to lack of adequate technical staff at the block level. There are also bottlenecks in the flow of funds through the system, at times because data on the Management Information System (MIS) is not being filled up on time. Better use of information technology, as in Andhra Pradesh, is worth emulating. The tightly integrated, end-to-end computer network in Andhra Pradesh identifies delay in execution of any work registered online and takes corrective action immediately. Free availability of payment information facilitates public scrutiny and transparency.
- There is a need to involve NGOs who could support gram panchayats in planning, implementing and conducting of social audits of MGNREGA works. There are good examples of such successful models across the country. There is a need to disseminate the learnings from these experiences in the field and improve the functioning of the programme.
- Rural India has a large population of artisan families, many of whom are from the minority and tribal communities. Most of these artisan farmers do not own any land and many find themselves in a difficult condition with poor access to market linkages and to remunerative livelihoods. Thought must be given as to how the MGNREGA in conjunction with the NRLM programme can help these artisan communities to obtain a decent living while at the same time conserving the base of craftsmanship, which is India’s cultural heritage.

National Rural Livelihoods Mission (NRLM)

- The experience with MGNREGA has clearly highlighted the problems that are often encountered when a programme is universalised without sufficient preparatory work and support systems being in place. This has been a problem with the SGSY scheme also. While the fast growth of the SHG-Bank Linkage (SBL) model is heartening, there are also many concerns. A large part of the problem derives from the top-down, target-driven approach that has undermined the demand-driven thrust, which was the original mandate. There are also reports of high rates of mortality in many SHGs, which has had an adverse impact on the credibility of the SBL model in the eyes of key stakeholders, including potential women members, as also bankers.
- The real power of the SBL model lies in the economies of scale created by Self Help Group (SHG) Federations (comprising 150-200 SHGs each). This is evident, for

example, in bulk purchase of inputs (seeds, fertilisers etc.) and marketing of outputs (crops, vegetables, milk, NTFPs etc). They can also provide larger loans for housing and health facilities to their members by tying up with large service or loan providers. A variety of insurance services can also be made available, including life, health, livestock and weather insurance. It has also been shown how doing business with SHG Federations can help public sector bank branches in remote rural areas become viable entities.

- Taking a cue from the lessons of the SGSY experience, the Government of India has launched the National Rural Livelihoods Mission in 2011. There is a clear understanding that the SBL programme can only be successful if it is tied up with livelihood programmes such as improved agriculture, dairying, marketing, etc. Thus, the SBL and livelihood programmes are complementary to each other and their simultaneous implementation is the key to poverty alleviation. Incomes earned through livelihood initiatives need to be saved. Of these savings, women are the best custodians. These savings must, in turn, be reinvested in livelihood options that raise incomes, setting up a virtuous cycle. The distinctive focus of the NRLM is on Federations of SHGs that become powerful units of economic empowerment, enabling the poor to radically alter the balance of power in the markets they participate in as both producers and consumers.

Indira Awaas Yojana (IAY)

- A major weakness of the Indira Awaas Yojana (IAY) has been the quality of housing. There have been complaints about weak foundations, poor roofing materials and incomplete constructions. There is a clear need for developing and popularising innovative, location-specific technologies, materials, designs and methods through a network of institutions, which could result in low-cost, environment friendly and disaster resistant houses as per local cultural preferences. Better systems for monitoring of the programme are also required.
- Part of the problem is linked to the available assistance under the IAY programme. This has been recently enhanced but it is widely felt that this enhancement may be inadequate. It is necessary to examine whether increasing the permissible loan amount even if at a slightly higher interest rate could solve the problem. This could be best achieved through the NRLM route by making it a loan product offered by SHGs. Finally, to transform IAY into a larger habitat development programme, we need to ensure domestic water, sanitation, clean fuel and electricity with housing. This calls for deeper convergence across various flagship programmes.

Sanitation and Drinking Water

- Questions of sustainability have somewhat undermined the otherwise dramatic success in the Total Sanitation Campaign (TSC). The Nirmal Gram Puraskars (NGPs) spurred competition among PRIs to hasten toilet construction, but it does not appear to have ensured sustained use. A 2008 study covering 162 NGP Gram Panchayats in six States shows that only 4.0 per cent of GPs were genuinely open defecation free. In 32.0 per cent of the GPs, more than 40.0 per cent of the people are not using the toilets built for them under TSC.
- The problem arises because TSC is becoming increasingly state-led and target-driven and often implemented without any conscious effort to create required awareness at the community level. The programme is often driven by a desire to achieve fund utilisation and not as an exercise organically linked to awareness creation and demand generation processes. Top-down IEC strategies of posters and brochures with no individual contact have proven to be ineffective. Great effort is required to sustain the gains of the adoption phase to ensure that slip-backs do not occur. A phased approach needs to be developed for achieving universalization with quality, based on a process truly driven by demand from a community that is committed to improved sanitation.
- One of the limitations of the TSC is the narrow range of technology options offered in a country with such immensely diverse geographic, hydrologic, climatic and socio-economic conditions (high water table, flood prone, rocky ground, desert/water scarce areas and extreme low temperatures). This has led Rural Transformation 63 to many problems, including non-acceptance by local communities, water pollution especially in shallow water table regions, and waste of public funds.
- It is also clear that use of toilets cannot be sustained without provision

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of water supply and many NGP villages have slipped back because the promised water supply never materialized. Equally, safe drinking water cannot be ensured without quality sanitation in place. Sanitation and drinking water programmes have to be converged at all levels of implementation. Since rural drinking water is overwhelmingly supplied by groundwater, there is an urgent need to adopt an aquifer management perspective so that the demands of irrigation do not lead to a drying up of drinking water sources.

- The separation of feeders supplying power to tube-wells from other rural feeders ensures that villages can get full day three-phase power for domestic use, schools, hospitals and village industries while farmers get around eight hours of full-voltage three-phase power according to a pre-announced schedule.
- Predictable, reliable, high-quality, even if rationed in amount is better than the earlier erratic, poor quality supply that incentivized both power theft and extensive mining of groundwater since pumps were left on to benefit from electricity when it became available .
- Drinking water supply schemes have also suffered from poor upkeep. Responsibility for operation and maintenance of water supply schemes lies with the PRIs but in many states this responsibility is poorly defined and not supported by transfer of adequate funds and trained manpower to the PRIs. PRIs and Village Water and Sanitation Committees (VWSCs) are not willing to take over completed schemes in which they were not involved at the planning and implementation stages. Inadequate water resource investigation, improper design, poor construction, substandard materials and workmanship and lack of preventive maintenance also lead to rapid deterioration of water supply schemes.

Integrated Watershed Management Programme (IWMP)

- The Eleventh Plan proposed ground breaking initiatives under the IWMP. But progress on these has been less than satisfactory. Much of the higher allocations have been absorbed by the backlog of older incomplete projects. The new projects have also been slow in incorporating the innovative elements in the new Common Guidelines. Four functional areas, namely (a) institutional development, (b) capacity building, (c) monitoring and evaluation and (d) livelihood orientation need to be an integral part of the programme from the very beginning. Each one comprises of quality and process-oriented activities, which demand a whole series of initiatives and partnerships to be put into place. These will require greater attention in the Twelfth Plan.
- Institutional building needs the involvement of local people and social mobilisation has, therefore, to be an important component of the programme. Master Trainer Organisations that are specially dedicated to this task have to be developed on an urgent basis. Likewise, empanelment of credible institutions from academia and the voluntary sector for monitoring, evaluation and social audit is necessary to infuse the

programme with accountability and quality. Finally, the distinguishing characteristic of the new IWMP approach is its emphasis on livelihoods, especially for families without any assets. There are many government and non-government organisations in India who have done pioneering work in this regard and the Department of Land Resources (DoLR) will need to facilitate partnerships of each state government with carefully selected institutions to carry this process forward with momentum.

- National Rainfed Areas Authority (NRAA) could play a major anchoring role in infusing the IWMP programme with quality. For this it needs to be greatly strengthened through inclusion of experts in social mobilisation, institution building, rural management, rural livelihoods and rural technology and people with experience in implementing watershed programmes. Civil society representatives could also form part of the governance structure of NRAA to provide a perspective, expertise and experience from the grass-roots level. The NRAA also needs to be provided as much professional autonomy as possible in its functioning.

Health, Education, Capacity Building and Technical Skills

Health and Nutrition

- Issues of health and nutrition in rural areas are extremely important for the wellbeing of the population. This issue is dealt with in detail in Chapter 9. Efforts in the following activities need to be greatly strengthened and they should be seen to form an intrinsic component of rural development.

School Education

- As in the case of health, likewise for education and skill development inputs into the rural areas that must include:
 - o Extending and improving the quality of the primary school network, as well as scaling up of secondary schools, operating on a hub and spoke arrangement, so that all villages can have adequate access.
 - o Improving the quality of education that is imparted, which has to entail active supervision of the qualification of the teachers and the quality of education
 - o Testing and training the teachers must be a priority area

Skill Development and Building Capabilities

- It is advisable to draw from the population, segments that are likely to remain in the village for provision of upgraded technical training. This is the only way to localize technical skills in the village and make it self-sustained.
 - o Creating a cadre of ‘bare foot engineers’/ technicians as mentioned above is integral to build locally resident skills for design, execution and maintenance of rural infrastructure.
 - o Imparting degree/diploma in farm technology and veterinary science (2–3 years programme) for rural youth with 10 + 2 school education. This is already being tried out in certain parts of the country and can be up-scaled nationwide.
 - o The experience with the Accredited Social Health Activist (ASHA) programme is encouraging and many of the recruits are very bright and enthusiastic.

OPINION - EDITORIALS

SYRIA ‘ACCEPTS’ ANNAN PLAN TO END STRIFE

Chitra Singh Rajput

The Syrian government has agreed to accept the six-point plan by joint UN-Arab League envoy Kofi Annan on ending the violence in Syria, the former UN chief's spokesman has said."The Syrian government has written to the joint special envoy Kofi Annan, accepting his six-point plan, endorsed by the United Nations Security Council," spokesman, Ahmad Fawzi said in a statement on Tuesday."Mr Annan views this as an important initial step that could bring an end to the violence and the bloodshed, provide aid to the suffering, and create an environment conducive to a political dialogue that would fulfil the legitimate aspirations of the Syrian people," he added.Annan, who is in China to seek Beijing's support for his peace proposal, had written to Syrian President Bashar al-Assad asking Damascus to "put its commitments into immediate effect". His plan calls on Assad to withdraw troops and heavy weapons from protest hubs, a daily two-hour humanitarian ceasefire, access to all areas affected by the fighting and a UN-supervised halt to all clashes.The opposition had earlier

dismissed Annan's initiative as an opportunity for the government to continue its repression. The acceptance by Syria of the plan is very significant, but the question will be if the Syrian opposition now accepts it. Annan's office also announced China's decision to back Annan's plan after the envoy held talks with Wen Jiabao, the Chinese prime minister.China, along with Russia drew international criticism earlier this year for blocking a UN Security Council resolution condemning Syria's deadly crackdown on anti-government protests.The former UN secretary-general's visit to Beijing came amid continued shelling of the city of Homs by Syrian troops.Syria's state-run news agency meanwhile said Assad had travelled to the Baba Amr neighbourhood in Homs, a former opposition group stronghold that troops recaptured after a fierce assault.Hundreds of people were killed in the fighting there.The president has toured Baba Amr in Homs," the television said. It added that Assad had inspected the troops stationed in the neighbourhood.Despite global



condemnation, Syrian troops have pushed ahead with offensives to reclaim territory from opposition fighters.The UN says more than 8,000 people have been killed in Syria's year long uprising.Travel restrictionsIn a sign of growing anxiety about the security situation, the Syrian authorities have banned men of military age from leaving the country, Lebanese officials said on Monday.The restrictions, issued on Saturday, require men between the

age of 18 and 42 to get permission from military recruitment and immigration departments before travelling, the sources said, adding that border traffic at the main crossing between Beirut and Damascus had fallen by 60 per cent since the regulation.The move may impact the flow of thousands of Syrian workers who go to Lebanon for agricultural and construction projects, a major source of income in rural areas already hit by economic hardship as unrest grows.

Sudan and South Sudan sign treaty

Sudan and South Sudan have signed a non-aggression treaty, as part of internationally-led efforts to reduce tensions along their poorly demarcated border, local media reported Saturday.The countries have also set up a monitoring mechanism so that complaints can be registered and dealt with peacefully, according to former South Africa president Thabo Mbeki, who has been leading negotiations between the sides in Addis Ababa on behalf of the African Union.The deal was signed by South Sudan's intelligence chief, Thomas Douth, and his counterpart from Khartoum, Mohammed Atta.Juba last month halted oil production, after the north started seizing shipment to cover what it says are unpaid transit fees, heightening regional tensions.Landlocked South Sudan must export its natural resources through the north, but the sides cannot agree on a price sharing deal.Sudan lost about two-thirds of its oil production when the south split last year to form the world's newest sovereign state. Both countries depend heavily on oil sales to fill their coffers.The two countries have also failed to agree on how to share debt responsibilities and where to draw their border."The moment has come for the leaders of both countries to make the necessary compromises, once again, that will guarantee a peaceful and prosperous future for both nations," UN Secretary General Ban Ki-moon's office said in a statement on Friday.More than 130,000 people have fled three key border regions in recent months, owing to fighting between a militia allied with South Sudan's ruling party and the Sudanese army, according to the United Nations.Khartoum has also been accused of aiding armed groups hostile to the south while conducting aerial strikes inside South Sudan, according to aid groups and Juba.Sudanese President Omar al-Bashir is also wanted by the International Criminal Court in The Hague for alleged war crimes in the restive Darfur region in the country's west, where a low-level conflict, ongoing since 2003, is still simmering.Al-Bashir has warned that tensions with South Sudan could lead to a new war. The south became independent in July 2011 after decades of conflict.



EDITORIAL

DEVELOP INDIA

English Weekly Newspaper
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Govt, Army trash troop build up report

At a time when Army Chief Gen VK Singh's shocking revelations and his all out war against the government has damaged the civil-military relations, a shocking revelation that the Indian Army had moved its two units towards New Delhi without notifying the establishment on January 16 is further likely to worsen the situation. The shocking claims have been made by a leading news daily Indian Express, which reported that the incident took place hours after Army Chief VK Singh had moved the Supreme Court on his age controversy. Citing central intelligence agencies, the news daily reported an unexpected movement and non-notified movement by a key military unit, from the mechanised infantry based in Hisar (Haryana) as a part of the 33rd Armoured Division (which is a part of 1 Corps, a strike formation based in Mathura and commanded by Lt Gen A K Singh) in the direction of the capital, 150 km away. It further claims that the movement of an entire unit of Mechanised Infantry, with Russian-made Armoured Fighting Vehicles carried on 48 tank transporters, was confirmed by routine lookouts.

Although, any suspicion on the intentions of a generally apolitical and trustworthy military was too unlikely, but as a precautionary measure, the lookouts, which have been put in place since June 1984 when some mutineers from Sikh units had moved towards the capital in the wake of Operation Bluestar, were alerted.

However, what further aroused suspicion and concerns about the un-notified movement of the two Army units was another report claiming that a unit of the Agra-based 50 Para Brigade was also moved on the same day. With the lookouts confirming the development, a bemused establishment raised an alert of sorts and informed the Defence Minister. Consequently, the government also put in motion an old contingency plan to delay just such a move. Sensing the sensitivity of the situation, the government issued a terror alert, which entailed more police checking of vehicles and slowed the movement of traffic. The Prime Minister was informed at the crack of dawn on January 17 and surprise checks were carried out on the location and status of key formations and a quick report was sought from their commanders, particularly in the northwestern region, who reported nothing abnormal. In the midst of these developments, Defence Secretary Shashi Kant Sharma was also instructed to cut short his visit to Malaysia. After returning home, Sharma sought an explanation from Lt Gen A K Choudhary, Director General Military Operations, on the suspected movement of two Army units and what it meant for. In his report, Gen Choudhary said the move of the Paras (the Para Brigade is controlled directly by the DGMO) was just a routine exercise. About the movement of the mechanised unit, he said the Army was carrying out exercises to check its ability to make quick deployments of key units during fog. He was then asked to send the units back immediately. Both formations were halted, and sent back within hours. Although, the Army claims that these exercises were meant to check effectiveness in fog and the Paras were being moved to check out possibility of their "marrying" with the C-130s in Hindon, there are several unanswered questions as to why the ministry of Defence and the IAF was not notified. Rejecting the suggestions of a military coup, Defence Secretary Shashi Kant Sharma was quoted as saying, "The Indian Express story is incorrect and baseless. The facts have been distorted. It was a normal and routine movement."

Defence Ministry spokesperson Sitanshu Kar also reacted by saying,"Such reports are completely baseless and we categorically deny the same." Army has also not denied the troop movement and said it was a routine training exercise. Maj Gen SL Narasimhan, Additional Director General, Public Information, said, "These were routine training at the formation-level to check the effectiveness of mobilisation as per Standard Operating Procedure of local formations. Almost all units of the Army carry out a number of such training at different times of the year."

General Vijay Kumar Singh : An Introduction
General Vijay Kumar Singh PVSM (Param Vishisht Seva Medal), AVSM (Ati Vishisht Seva Medal) , YSM , ADC is the 24th Indian General of the Indian Army and currently the Chief of Army Staff. He is the first trained commando to become Army General and was also the first serving Indian military chief to take the Government to court. Vijay Kumar Singh comes from Bapora village in Bhiwani district in the Indian state of Haryana. He is a third-generation officer. His father was a Colonel in the Indian Army and grandfather a senior Junior Commissioned Officer (JCO). Singh was educated at Birla Public School, Pilani, Rajasthan.

Singh was commissioned into the 2nd Battalion of The Rajput Regiment (Kali Chindi) on 14 June 1970. He went on to command the same unit when it was positioned along the Line of Control with Pakistan.

He graduated from the Defence Services Staff College as a honours graduate of the United States Army Infantry School, a graduate of the Rangers Course at Fort Benning and the United States Army War College in Carlisle, Pennsylvania. In the US for the Rangers course, he came first in combat operations. Singh is experienced in counter insurgency operations and high altitude operations. He has also seen action in the 1971 Bangladesh war. During his career he has served in various positions: Military Operations Directorate at the Army Headquarters. Brigadier General Staff of a Corps during 'Operation Parakram' when Indian troops were mobilised on the border in the wake of the attack on the Indian Parliament in 2001. Commanded Ambala-based 2 Corps and Jalandhar based 11 Corps in Punjab state. Instructor in the Indian Military Training Team (IMTRAT) headquarters in Bhutan. Singh was awarded the Ati Vishisht Seva Medal (AVSM) for distinguished service while commanding a counter-insurgency force. He became Chief of Army Staff on 31 March 2010, and was the first commando to achieve that position. It was announced on 3 March 2012 that Bikram Singh would succeed him in that post from 31 May 2012.

In an interview with *The Hindu* published on 26 March 2012 he said a lobbyist, whom he did not identify but who was suggested elsewhere to be retired Lieutenant-General Tejinder Singh, offered him a bribe of ₹14 crore (US\$2.79 million) in order to have a tranche of 600 sub-standard vehicles manufactured by Tatra cleared for purchase. In the same interview he also said that he had informed the Defence minister, A. K. Antony, of the matter. According to supporters of Vijay Singh, his decision to inform Antony complied with regulations that make it "the duty of every officer to bring to the notice of his superior, and if the superior is involved, then to the next superior officer, all cases of dishonesty."

The reaction was immediate: on the same day, both Houses of the Indian Parliament adjourned minutes after their proceedings had commenced and the government ordered a Central Bureau of Investigation inquiry. Antony acknowledged being informed of the allegation, as Singh had claimed, but said that he had instructed Singh to take action and that the officer had been unwilling to do so for reasons that were unknown to him.

NRHM SCAM CASE

Currently Central Bureau of Investi-
gation (CBI) on April 3, 2012 filed
the second chargesheet in connec-
tion with the National Rural Health
Mission (NRHM) scam. According to
the investigating agency, former
senior Uttar Pradesh official S P
Ram violated tendering rules to
procure medical kits. Three others
were named in the second
chargesheet filed by the CBI.
This came a day after the CBI filed
its first chargesheet in connection
with alleged irregularities in the
upgradation of 134 hospitals in
Uttar Pradesh under the NRHM
accusing five former government
officials, two companies and two
others in the case.
The agency did not include the
names of former family welfare
minister Babu Singh Kushwaha and
former MLA Ram Prasad Jaiswal in
the chargesheet, who are also
accused in the case.
CBI sources said that during the
investigation they found that of
every Rs 100 allocated for hospi-
tals, nearly Rs 68 were siphoned off



by officials while remaining Rs 32
were utilised in the project.
“It was revealed during investigation
so far that officials of C&DS in
connivance with private persons
allegedly misappropriated and
cheated 68 per cent of the total
amount received by C&DS for the
upgradation of 134 district hospitals
under NRHM, thereby causing a
loss of Rs 7.94 crores to the gov-
ernment exchequer in the case.”
The agency has charged former
General Manager of UP Jal Nigam’s
PSU Construction and Design
Service P K Jain, the then Project
Manager B N Srivastava, the then
Resident Engineers Katar Singh, B
N Ram Yadav, the then Accountant
J K Singh, Managing Director of a
Ghaziabad-based Company
Surgicon Mediquip Pvt. Ltd and R K
Singh, Proprietor of Modern Interi-
ors under IPC sections related to
cheating, forgery and criminal
conspiracy besides relevant sec-
tions of Prevention of Corruption
Act.
National Rural Health Mission
NRHM is an Indian health program
for improving health care
delivery across rural India. The
mission, initially mooted for 7 years
(2005-2012), is run by theMinistry of
Health. The scheme proposes a
number of new mechanisms for
healthcare delivery including train-
ing local residents as *Accredited
Social Health Activists* (ASHA), and
the *Janani Surakshay
Yojana* (motherhood protection
program). It also aims at
improving hygiene and
sanitation infrastructure. Noted
economists Ajay Mahal and Bibek
Debroy have called it “the most
ambitious rural health initiative
ever”.
The mission has a special focus on
18 states Arunachal
Pradesh, Assam, Bihar,
Chhattisgarh,
Himachal



Pradesh, Jharkhand, Jammu and
Kashmir, Manipur, Mizoram,
Meghalaya, Madhya
Pradesh, Nagaland, Orissa,
Rajasthan, Sikkim, Tripura,
Uttarkhand and Uttar Pradesh.
Under the mission, health funding
had increased from 27,700 crores in
2004-05 to 39,000 crores in 2005-
06 (from 0.95% of GDP to 1.05%).
As of 2009, economists noted that
“the mid-term appraisal of the
NRHM has found that there has
been a significant improvement in
health indicators even in this short
period”. However, in many situa-
tions, the state level apparatus have
not been able to deploy the addi-
tional funds, often owing to inad-
equacies in the Panchayati
Raj functioning. Fund utilization in
many states is around 70%.
The largest program under
NRHM, covering India’s most popu-
lous state, Uttar Pradesh, has been
clouded by a large-scale corruption
scandal in which two apex health
officials have been murdered. The
state government headed by Chief
Minister Mayawati has been ac-
cused of fraud to the tune of Rs.
10,000 crores (USD2 billion).

Uttar Pradesh NRHM Scam is an
alleged corruption scandal in
the Indian state of Uttar Pradesh,
in which top politicians and bureau-
crats are alleged to have siphoned
off a massive sum estimated
at ₹10,000 crore (US\$2 billion) from
the National Rural Health Mission, a
central government program meant
to improve health care delivery in
rural areas. At least five people are
said to have been murdered in an
attempt to coverup large-scale
irregularities. Several ministers and
ex-ministers of the ruling Bahujan
Samaj Party government in Uttar
Pradesh are being investigagted by
the Central Bureau of Investigation
The NRHM scam came to the lime-
light after two Chief Medical Offi-
cers — the top health functionary of
the state — were successively
murdered in posh localities of the
state capital, Lucknow. Dr. Vinod
Arya (Oct 2010) and Dr. B. P. Singh
(April 2011) were shot dead in
broad daylight outside their houses,
by motorcycle-riding killers, using
the same weapon. Deputy-CMO
Y.S. Sachan, who is thought to have
had a role in the murders, was
arrested, but died mysteriously in
prison. Subsequently, three other
functionaries who were under
investigation have also been
murdered or died under suspicious
circumstancess.
In Feb 2012, Prime
Minister Manmohan Singh himself
accused the Mayawati government
of misusing NRHM funds.
People accused of involment
On 3 April 2012 Central Bureau of
Investigation (CBI) filed its first
chargesheet against PK Jain
(former general manager of Con-
struction and Design Services), BN
Srivastava (project manager),
Kataar Singh (resident engineer),
BN Ram (project engineer), JK
Singh (accountant), Naresh Grover
(managing director of a private firm)
and R K Singh (managing director
of a private firm) CBI has alleged
that these accused caused a loss
of 5.46 crore (US\$1.09
million) while carrying out the up-

grading work of 134 district
hospitals To carry out the
upgradation of 134 district
hospitals 13.4 crore (US\$2.67
million) was granted to Construction
and Design Services,a unit of UP
Jal Nigam, which outsourced the job
to a Ghaziabad based firm which
had obtained the tender on the
basis of bogus and forged docu-
ments. As per CBI the material used
in up-gradation was sub-standard
and thus caused heavy losses to
the exchequer.
Sacking of ministers
In November 2011, Babu Singh
Kushwaha, former Minister of Fam-
ily Welfare in Mayawati’s govern-
ment and health minister Anant
Kumar Mishra were forced to resign
following media outcry after the
killing of the two Chief Medical
Officers remain
unsolved. Kushwaha was once
considered a close confidant of
Chief Minister Mayawati. Shortly
after this, the Kushwaha controver-
sially joined the Bharatiya Janata
Party. In July 2011, Lucknow chief
medical officer (CMO) Dr A.K.
Shukla was arrested on charge of
embezzlement of funds under
NRHM.

In February 2012, Babu Singh
Khushwaha was listed as one of the
accused in an FIR for an NRHM-
related murder, and was interro-
gated by the CBI.

Deaths of people with links to the scam

As of 17 February 2012, the number
of people who have died because of
their alleged links to the National
Rural Health Mission scam has
risen to six.

Chief Medical Officer - On 27
October 2010, CMO Vinod Arya was
murdered

Chief Medical Officer - On 2 April
2011 another CMO B. P. Singh was
shot dead from a motorcycle

Deputy Chief Medical Officer - On
22 June 2011, deputy Chief Medical
Officer Dr Y.S. Sachan was mur-
dered, a day before he was to
depose in the court. Sachan was
an accused of the murder of
Lucknow Chief Medical Officer Dr
B.P. Singh, who was shot dead on 2
April.

Project Manager - Sunil Verma a
project manager for the NRHM
allegedly shot himself dead in
Lucknow on 23 January, 2012.

Deputy Chief Medical Officer -
Shailesh Yadav deputy Chief Medi-
cal Officer of Varanasi, who was
questioned by the Central Bureau of
Investigation(CBI) in connection
with the NRHM scam in Uttar
Pradesh, died in what police
claimed was a road accident on 15
February 2012.

Clerk, Health department -
Mahendra Sharma a clerk with the
Health Department in Uttar Pradesh
was found dead in Lakhimpur on 16
February 2011.

INSTITUTIONAL MECHANISMS

- Village Health & Sanitation Samiti (at village level consisting of Panchayat Representative/s, ANM/MPW, Anganwadi worker, teacher, ASHA, community health volunteers
- Rogi Kalyan Samiti (or equivalent) for community management of public hospitals
- District Health Mission, under the leadership of Zila Parishad with

District Health Head as Convener
and all relevant departments,
NGOs, private professionals etc
represented on it

- State Health Mission, Chaired by Chief Minister and co-chaired by Health Minister and with the State Health Secretary as Convener- representation of related depart-ments, NGOs, private professionals etc

- Integration of Departments of Health and Family Welfare, at National and State level

- National Mission Steering Group chaired by Union Minister for Health & Family Welfare with Deputy Chairman Planning Commission, Ministers of Panchayat Raj, Rural Development and Human Resource Development and public health professionals as members, to provide policy support and guidance to the Mission

- Empowered Programme Commit-tee chaired by Secretary HFW, to be the Executive Body of the Mis-sion

- Standing Mentoring Group shall guide and oversee the implementa-tion of ASHA initiative

- Task Groups for Selected Tasks (time-bound)

TECHNICAL SUPPORT

- To be effective the Mission needs a strong component of Technical Support

- This would include reorientation into public health management
- Reposition existing health re-source institutions, like Population Research Centre (PRC), Regional Resource Centre (RRC), State Institute of Health & Family Welfare (SIHFW)

- Involve NGOs as resource organisations
- Improved Health Information System
- Support required at all levels: National, State, District and sub-district.

- Mission would require two distinct support mechanisms – Program Management Support Centre and Health Trust of India.

PROGRAM MANAGEMENT SUP-PORT CENTRE

- For Strengthening Management Systems-basic program manage-ment, financial systems, infrastruc-ture maintenance, procurement & logistics systems, Monitoring & Information System (MIS), non-lapsable health pool etc.
- For Developing Manpower Sys-tems – recruitment (induction of MBAs/CAs /MCAs), training & curriculum development (revitaliza-tion of existing institutions & part-nerships with NGO & private sector. Sector institutions), motivation & performance appraisal etc.

Scandals in India

2012

- Coal Mining Scam - Central government lost 1,070,000 crore (US\$213.47 billion) by not Auctioning Coal Blocks says CAG’s 110 page draft report
- Karnataka Wakf Board Land Scam - 200,000 crore (US\$39.9 billion)
- Andhra Pradesh land scam - 100,000 crore (US\$19.95 billion)
- Service Tax and Central Excise Duty fraud - 19,159 crore (US\$3.82 billion) crore)
- Gujarat PSU financial irregulari-ties - 17,000 crore (US\$3.39 billion)
- Maharashtra stamp duty scam - 640 crore (US\$127.68 million)
- Highway scam - 70 crore (US\$13.97 million)
- Ministry of External Affairs gift scam
- Himachal Pradesh pulse scam
- Flying Club fraud - 190 crore (US\$37.91 million)
- Jammu and Kashmir PHE scam
- Jammu and Kashmir recruitment scam
- Jammu and Kashmir examgate
- Jammu and Kashmir Cricket Association scam - Approximately 50 crore (US\$9.98 million)
- Andhra Pradesh liquor scam

National Rural Health Mission

Recognizing the importance of Health in the process of economic and social development and improving the quality of life of our citizens, the Government of India has resolved to launch the National Rural Health Mission to carry out necessary architectural correction in the basic health care delivery system. The Mission adopts a synergistic approach by relat-ing health to determinants of good health viz. segments of nutrition, sanitation, hygiene and safe drinking water. It also aims at mainstreaming the Indian systems of medicine to facilitate health care. The Plan of Action includes increasing public expenditure on health, reducing regional imbal-ance in health infrastructure, pooling resources, integration of organiza-tional structures, optimization of health manpower, decentralization and district management of health programmes, community participation and ownership of assets, induction of management and financial person-nel into district health system, and operationalizing community health centers into functional hospitals meeting Indian Public Health Standards in each Block of the Country. The Goal of the Mission is to improve the availability of and access to quality health care by people, especially for those residing in **rural areas, the poor, women and children.**

STATE OF PUBLIC HEALTH

- Public health expenditure in India has declined from 1.3% of GDP in 1990 to 0.9% of GDP in 1999. The Union Budgetary allocation for health is 1.3% while the State’s Budgetary allocation is 5.5%.
- Union Government contribution to public health expenditure is 15% while States contribution about 85%
- Vertical Health and Family Welfare Programmes have limited synergisation at operational levels.
- Lack of community ownership of public health programmes impacts levels of efficiency, accountability and effectiveness.
- Lack of integration of sanitation, hygiene, nutrition and drinking water issues.
- There are striking regional inequalities.
- Population Stabilization is still a challenge, especially in States with weak demographic indicators.
- Curative services favour the non-poor: for every Re.1 spent on the poorest 20% population, Rs.3 is spent on the richest quintile.
- Only 10% Indians have some form of health insurance, mostly inad-equate
- Hospitalized Indians spend on an average 58% of their total annual expenditure
- Over 40% of hospitalized Indians borrow heavily or sell assets to cover expenses
- Over 25% of hospitalized Indians fall below poverty line because of hospital expenses

NATIONAL RURAL HEALTH MISSION –THE VISION
● The National Rural Health Mission (2005-12) seeks to provide effective healthcare to rural population throughout the country with special focus on 18 states, which have weak public health indicators and/or weak infrastructure.
● These 18 States are Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Jammu & Kashmir, Manipur, Mizoram, Meghalaya, Madhya Pradesh, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Uttaranchal and Uttar Pradesh.

- The Mission is an articulation of the commitment of the Government to raise public spending on Health from 0.9% of GDP to 2-3% of GDP.
- It aims to undertake architectural correction of the health system to enable it to effectively handle increased allocations as promised under the National Common Minimum Programme and promote policies that strengthen public health management and service delivery in the country.
- It has as its key components provision of a female health activist in each village; a village health plan prepared through a local team headed by the Health & Sanitation Committee of the Panchayat; strengthening of the rural hospital for effective curative care and made measurable and accountable to the community through Indian Public Health Standards (IPHS); and integration of vertical Health & Family Welfare Programmes and Funds for optimal utilization of funds and infrastructure and strengthening delivery of primary healthcare.
- It seeks to revitalize local health traditions and mainstream AYUSH into the public health system.
- It aims at effective integration of health concerns with determinants of health like sanitation & hygiene, nutrition, and safe drinking water through a District Plan for Health.
- It seeks decentralization of programmes for district management of health.
- It seeks to address the inter-State and inter-district disparities, espe-cially among the 18 high focus States, including unmet needs for public health infrastructure.
- It shall define time-bound goals and report publicly on their progress.
- It seeks to improve access of rural people, especially poor women and children, to equitable, affordable, accountable and effective primary healthcare.

GOALS

- Reduction in Infant Mortality Rate (IMR) and Maternal Mortality Ratio (MMR)
- Universal access to public health services such as Women’s health, child health, water, sanitation & hygiene, immunization, and Nutrition.
- Prevention and control of communicable and non-communicable diseases, including locally endemic diseases
- Access to integrated comprehensive primary healthcare
- Population stabilization, gender and demographic balance.
- Revitalize local health traditions and mainstream AYUSH
- Promotion of healthy life styles

STRATEGIES

- (a) Core Strategies:
 - Train and enhance capacity of Panchayati Raj Institutions (PRIs) to own, control and manage public health services.
 - Promote access to improved healthcare at household level through the female health activist (ASHA).
 - Health Plan for each village through Village Health Committee of the Panchayat.
 - Strengthening sub-centre through an untied fund to enable local plan-ning and action and more Multi Purpose Workers (MPWs).
 - Strengthening existing PHCs and CHCs, and provision of 30-50 bedded CHC per lakh population for improved curative care to a normative standard (Indian Public Health Standards defining personnel, equipment and management standards).
 - Preparation and Implementation of an inter-sectoral District Health Plan prepared by the District Health Mission, including drinking water, sanitation & hygiene and nutrition.
 - Integrating vertical Health and Family Welfare programmes at National, State, Block, and District levels.

TAX EVASION CONFLICT IN EUROPE

Swiss arrest warrants issued over the weekend for German tax inspectors have sparked heated debate in Berlin over the ongoing tax evasion conflict with Bern. German commentators on April 1, 2012 to discuss how renewed tensions could endanger a preventative deal between the two nations.

Many German politicians and tax collectors are furious about Switzerland's decision to issue arrest warrants against three German officials who bought a stolen CD with tax data. The move has gone down well in Switzerland, where politicians have praised the country's assertiveness. But it is unclear how the Swiss authorities will proceed — the main witness is dead.

The tax office in the Barmen district of the western German city of Wuppertal is a yellow-and-gray building from the 1970s, directly opposite a discount supermarket and a cheap clothing store. Here, on the sixth floor, an official who can only be identified as Peter B. has worked for many years in the service of the tax authorities in the state of North Rhine-Westphalia. He is possibly Germany's most successful tax investigator, and has been dubbed the "terror of the millionaires."

There is no photo of Peter B. available, and he is not on Facebook. Neither is it possible to find biographical information on the official. Calls to the office are fobbed off by resolute staff who politely explain that the boss is not available. But among his peers, Peter B., the 61-year-old head of the Wuppertal-Barmen tax office, enjoys an excellent reputation. The head of the state chapter of the German tax collectors' union (DSTG), Manfred Lehmann, calls him a "very remarkable person" and "an absolute professional." It is not possible to find "a more committed tax inspector," Lehmann says.

But now, Peter B. has his own legal problems. Swiss investigators accuse him of industrial espionage and have issued arrest warrants for him and two other tax officials in North Rhine-Westphalia. The Swiss are demanding that German authorities question the men and report their findings to their Swiss colleagues.

Tensions over tax evasion have flared up between Germany and Switzerland once again with the weekend announcement of Swiss arrest warrants for German tax inspectors accused of industrial espionage. The spying charges have opposition politicians so riled up that a tax evasion prevention deal currently under negotiation between the neighboring countries may now be at risk.

While both countries have signalled their willingness to sign the deal, they still need parliamentary approval — which is now at risk after Swiss prosecutors on Saturday issued arrest warrants for three German tax inspectors from the state of North Rhine-Westphalia. The officials had federal approval to buy stolen bank information leaked from Credit Suisse in 2010, a move

that triggered a wave of tax declarations by Germans seeking to avoid tax evasion charges.

The pending deal would require Switzerland to impose taxes on accounts held by Germans, in addition to handing out fines for undeclared assets, but would spare the country from having to reveal the identities of its valuable wealthy banking customers. With this, Berlin hopes to collect unpaid taxes on an estimated •130 billion to •180 billion socked away in the Alpine haven by its citizens.

But on Sunday, talks on the agreement reportedly broke down. The negotiations were aimed at concerns voiced by German states governed by the center-left Social Democrats. The party is in a position to block any deal in the Bundesrat, Germany's upper legislative chamber.

The arrest warrants seem to have further complicated the delicate issue. North Rhine-Westphalia governor Hannelore Kraft, an SPD member who is among those who could ultimately torpedo the deal in the Bundesrat, called the move by Swiss authorities an outrage on Sunday. "The NRW tax investigators were simply doing their job tracking down German tax dodgers who stashed undeclared money in Swiss banks," she said. Her party and the environmentalist Greens have both resisted the agreement, saying it doesn't go far enough despite concessions from the Swiss.

SPD member and North Rhine-Westphalia Finance Minister Norbert Walter-Borjans told daily *Berliner Zeitung* that the arrest warrants were a "massive intimidation attempt," adding that his state would not give up its efforts to fight tax evasion.

A CD Worth Millions

The man behind the warrants, which have caused an escalation in the long-running tension between Germany and Switzerland over a planned tax-evasion prevention deal, is Switzerland's Attorney General Michael Lauber, the country's top criminal prosecutor. Lauber suspects that the officials from North Rhine-Westphalia issued concrete "instructions to spy on the Credit Suisse bank." It is the first big case for Lauber, who has only been attorney general of Switzerland since the beginning of the year.

The new allegations are based on a case that made headlines in Germany and internationally in 2010. In February of that year, Peter B.'s team bought a CD containing data about German clients of Credit Suisse for •2.5 million (\$3.3 million). The seller was a 42-year-old Austrian man called Wolfgang U., who lived in Switzerland. Wolfgang U. acted as a middleman for the former Credit Suisse employee who stole the data.

As a result of the purchase, German tax authorities were able to secure convictions against over 100 tax evaders. Not only that, but the news about the CD alone was enough to prompt more than 6,000 people to voluntarily declare unreported income to the tax authorities, in a

bid to avoid criminal charges. That wave of remorse brought over •300 million in tax revenue for the German state.

But while the authorities were celebrating in Germany, the officials' deal with the data thieves sparked indignation in Switzerland. Many Swiss people felt that the German officials had acted as a receiver of stolen goods and had cooperated with criminals.

'We Won't Put Up with Everything'

Hence, the news about the arrest warrants has been welcomed in Switzerland, where editorials in the major newspapers and leading politicians have praised the country's new assertiveness. "Even Germany has to understand that we won't put up with everything," commented Swiss politician Martin Landolt, a conservative member of the National Council of Switzerland, the lower house of the country's parliament.

There has even been support for the warrant within Germany. Patrick Döring, general secretary of the business-friendly Free Democratic Party (FDP), which traditionally sees itself as representing high-income voters, defended the move in remarks to the regional newspaper *Passauer Neue Presse*. "It's not surprising that the Swiss authorities have no interest in allowing crimes in their country to be rewarded," he said.

But other German politicians have strongly attacked the arrest warrants. German Environment Minister Norbert Röttgen, who is the conservative Christian Democratic

to prove that the bank was "systematically aiding tax evasion." The German officials allegedly asked the middleman, Wolfgang U., if he could provide documentation that supported that claim. Wolfgang U. then gave the tax inspectors an internal Credit Suisse presentation which apparently included the estimate that 88 percent of their German customers' money was untaxed.

If those claims are true, then it shows the German officials' actions in a completely different light. It raises questions about whether the tax inspectors overstepped the mark or even committed a crime.

If Lauber is able to prove that the North Rhine-Westphalia officials really did deliberately order the documents, then "they must be held accountable," says Peter Cosandey, a Swiss expert on economic crime. Cosandey, who now works as a management consultant, was responsible for international mutual assistance in criminal matters and fighting bank fraud in the canton of Zurich for 18 years. He dismisses the idea, which has been circulating in the German press, that Lauber is trying to influence the ongoing negotiations about a tax treaty with Germany. "The man is absolutely above suspicion politically," Cosandey says. He argues that it is "absolutely normal" that the Swiss attorney general is trying to clarify whether there are other guilty parties in the case, and what role the German tax officials played.

Main Witness Was Found Hanged in His Cell

Officials in Düsseldorf, the state



Union's lead candidate in the upcoming North Rhine-Westphalia state election, called the warrants "completely unacceptable."

German Finance Minister Wolfgang Schäuble called for calm in the dispute. "Switzerland is a state based on the rule of law, just like us, and it doesn't make any sense for us to lay into each other," he told the radio station Südwestrundfunk on Tuesday. At the same time he defended the "very, very good" work of the North Rhine-Westphalian tax officials. "According to German law, everything that they did was legally correct, and they were only doing their duty," he said.

Different Versions

To complicate matter, there are different versions of how the purchase of the data CD actually took place. Basically, the German version holds that the tax officials acted absolutely above board when buying the CD, because they only played a passive role. They were merely offered the data and were within their rights to buy it, in order to pursue tax cheats.

Many Swiss people — including, presumably, Attorney General Lauber — take a different view of events. They accuse the officials in North Rhine-Westphalia of having commissioned the theft. On Monday, the online edition of the major Swiss newspaper *Tagesanzeiger* even led with the headline: "How the Germans Deployed Their Mole at Credit Suisse."

According to the newspaper article, the German investigators were "delighted with the quality of the information." But they also wanted

capital of North Rhine-Westphalia, firmly reject the accusations. "Since 2010, we have been of the opinion that German law was not violated in relation to the data purchase. Nothing has changed in that respect," said a spokesman for the public prosecutor's office in Düsseldorf. The crucial question is, however, whether the German officials encouraged Wolfgang U. or the Credit Suisse employee to deliver additional information, or whether the middleman only claimed to already be in possession of the data and in reality told the bank employee to obtain it after the fact.

But these questions will be difficult to answer, because Wolfgang U., the main witness, is dead. He was arrested in Switzerland in September 2010 on a charge of industrial espionage and was found hanged in his cell two weeks later. For that reason, it is unclear how the Swiss authorities plan to proceed with the case.

Manfred Lehmann from the German tax collectors' union spoke out in support of his colleagues in North Rhine-Westphalia on Monday: "We are outraged that Switzerland has issued arrest warrants against officials," Lehmann said. After all, he explains, the tax inspectors were not acting as private individuals but were acting on behalf of the German state.

Although the three officials could face arrest if they enter Switzerland, Peter B. and his two colleagues have reacted to the arrest warrants with "great composure," according to Lehmann. "I haven't heard about any uproar within the authorities at any rate," he said.



TAX HAVENS

A tax haven is a state or a country or territory where certain taxes are levied at a low rate or not at all while offering due process, good governance and a low corruption rate. Individuals and/or corporate entities can find it attractive to move themselves to areas with reduced or nil taxation levels. This creates a situation of tax competition among governments. Different jurisdictions tend to be havens for different types of taxes, and for different categories of people and/or companies.

States that are sovereign or self-governing under international law have theoretically unlimited powers to enact tax laws affecting their territories, unless limited by previous international treaties.

There are several definitions of tax havens. The Economist has tentatively adopted the description by Geoffrey Colin Powell (former economic adviser to Jersey): "What ... identifies an area as a tax haven is the existence of a composite tax structure established deliberately to take advantage of, and exploit, a worldwide demand for opportunities to engage in tax avoidance." The Economist points out that this definition would still exclude a number of jurisdictions traditionally thought of as tax havens. Similarly, others have suggested that any country which modifies its tax laws to attract foreign capital could be considered a tax haven. According to other definitions, the central feature of a haven is that its laws and other measures can be used to evade or avoid the tax laws or regulations of other jurisdictions.

In its December 2008 report on the use of tax havens by American corporations, the U.S. Government Accountability Office was unable to find a satisfactory definition of a tax haven but regarded the following characteristics as indicative of a tax haven:

- nil or nominal taxes;
- lack of effective exchange of tax information with foreign tax authorities;
- lack of transparency in the operation of legislative, legal or administrative provisions;
- no requirement for a substantive local presence; and
- self-promotion as an offshore financial center.

Switzerland Remains Top Tax Haven

Switzerland, despite bank settlements with the United States to disclose tax evaders, remains a top refuge for financial secrecy, according to a new international ranking of tax haven countries. Switzerland is the world leader in financial opacity, only grudgingly conforming with disclosure agreements among developed countries while courting tax evaders in developing nations, said a report released on Monday by the non-profit, nonpartisan Tax Justice Network.

Steeped in a long tradition of bank secrecy, Switzerland has recently signed information sharing agreements as part of a reporting program with the Organization for Economic Co-operation and Development. But these efforts have been "ineffective," the report said.

Switzerland's "widespread involvement in the administration and use of trusts, foundations and offshore companies remain a major barrier to tackling tax evasion and illicit financial flows," the report said.

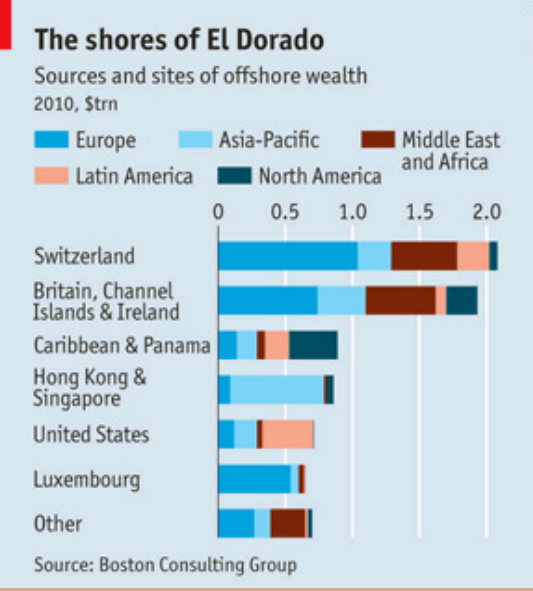
U.S. authorities continue to pursue Swiss banks for hiding U.S. clients' assets. Credit Suisse Group AG (CSGN.VX) said this summer it is under a grand jury investigation.

UBS AG (UBS.N) (UBSN.VX) in 2009 paid \$780 million to settle a Justice Department investigation.

The United States ranked fifth, behind Switzerland, the Cayman Islands, Luxembourg and Hong Kong among the most secretive nations.

U.S. law allows foreigners to earn income from property that can be kept secret from the tax and criminal authorities in their home countries, the report found. "Financial secrecy provided by the U.S. has caused untold damage to the ordinary citizens of foreign countries, whose elites have used the U.S. as a bolt-hole for looted wealth," the report said.

The United States ranked first among tax havens in the advocacy group's last report from 2009. The methodology was changed this year to account for how egregious a country's secrecy is considered, with less emphasis on the size of its economy.



U.S. PRESIDENTIAL ELECTION

Starting in 1792, U.S. presidents and vice presidents have been elected quadrennially on election day, the **first Tuesday** after the **first Monday of November**. As a matter of fact, voters only cast their ballots for a slate of electors of the U.S. Electoral College, who in turn directly elect the president and vice president. The **current U.S. presidential election system**, featuring the electoral college, was originally established by Article Two of the Constitution, as a result of a compromise between those who wanted Congress to choose the president, and those who preferred a national popular vote. The whole process of the presidential election features four phases, namely the primary elections, nominating conventions, the presidential nominee campaign and the national popular vote. During the nomination race, usually from January to June, primaries and caucuses are held in 50 states, the District of Columbia and all U.S. territories to elect a presidential nominee for each major political party. After winning the primary elections, each party's presidential nominee chooses a vice presidential nominee to run with him or her. The pair receive their official nominations at their party's national conventions, which take place during the summer of election year. Between the conventions and election day, all parties' presidential candidates run their campaign nationally, holding rallies, broadcasting TV ads and giving interviews. They have to repeatedly adjust and state their policies and stances toward all issues concerning voters at home and abroad, and face challenges from rivals. As millions of U.S. dollars are needed for the longtime and extensive presidential campaign, candidates have to exert themselves to collect political donations from the public and their parties throughout election year. On election day, voters, generally, are required to vote on a ballot where they select the candidate of their choice, but the ballot is actually voting to select the electors of a candidate. Under the Constitution, each state is allocated a number of Electoral College electors equal to the number of its Senators and House Representatives in the U.S. Congress. The District of Columbia is given three electors, the same amount held by the smallest state. No representative of the U.S. territories is in the body. Most states, excluding Maine and Nebraska, employ the "winner-takes-all" system, meaning whichever ticket wins a plurality of voters in a certain state wins all of the state's electoral votes. Any pair of presidential and vice presidential candidates who gain at least 270 electoral votes of the total 538 are claimed the winners. Although the president and vice president-elect can be yielded on election day, the official voting for them by the Electoral College is held on the first Monday after the second Wednesday in December. If no presidential candidate wins at least 270 electoral votes, the selection is decided by the House of Representatives. If no vice presidential candidate receives a majority, the decision is left up to the Senate. The new president and vice president are supposed to be sworn in on Jan. 20. In case the House of Representatives has not chosen a president-elect by that date, the vice president-elect becomes the acting president until the floor makes the decision. If the vice president-elect is also not known by then, the sitting House Speaker becomes the acting president. Election day also witnesses the re-election of all House Representa-

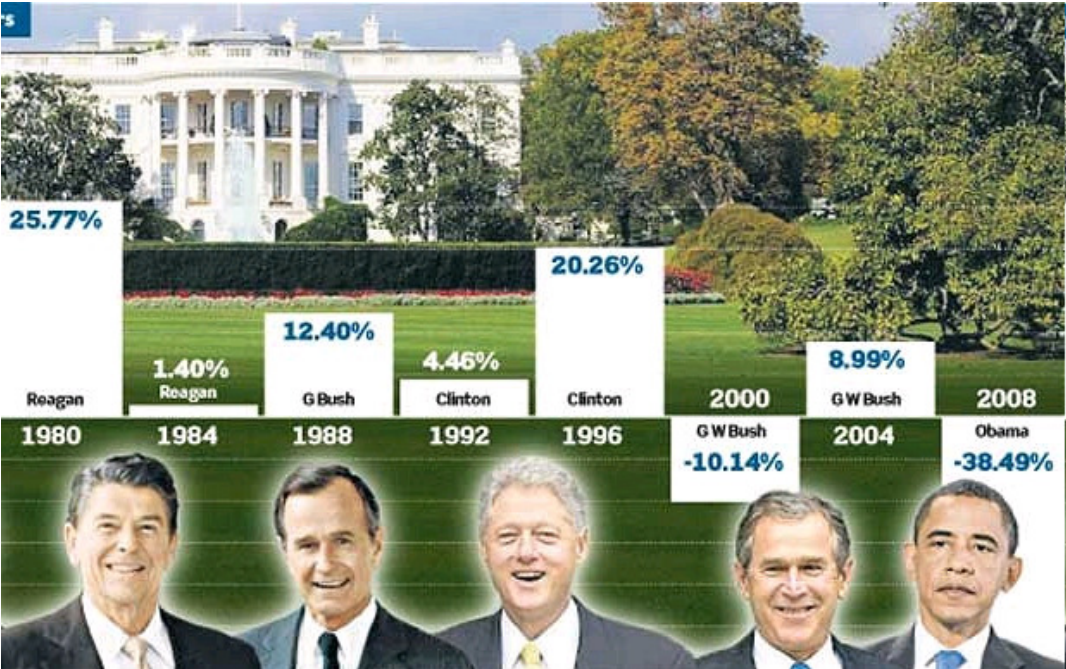


tives and one third of Senators as well as some governors and local government officials. In addition to candidates from the Democratic and Republican parties, several third parties also put their candidates' names on the tickets. However, mainly due to the "winner-takes-all" method of states awarding electoral votes, U.S. electoral politics is still dominated by the two major parties. The **election of the President and Vice President of the United States** is an indirect vote in which citizens cast ballots for a slate of members of the U.S. Electoral College; these electors in turn directly elect the President and Vice President. Presidential elections occur quadrennially (the count beginning with the year 1792) on Election Day, the Tuesday between November 2 and 8, coinciding with the general elections of various other federal, states and local races. The most recent was the 2008 presidential election, held on November 4 that year. The next will be the 2012 election, to be held on November 6. The process is regulated by a combination of both federal and state laws. Each state is allocated a number of Electoral College electors equal to the number of its Senators and Representatives in the U.S. Congress. Additionally, Washington, D.C. is given a number of electors equal to the number held by the smallest state. U.S. territories are not represented in the Electoral College. Under the U.S. Constitution, each state legislature is allowed to designate a way of choosing electors. Thus, the popular vote on Election Day is conducted by the various states and not directly by the federal government. Once chosen, the electors can vote for anyone, but – with rare exceptions like an unpledged elector or faithless elector – they vote for their designated candidates and their votes are certified by Congress in early January. The Congress is the final judge of the electors; the last serious dispute was in the 2000 election. The nomination process, including the primary elections and the nominating conventions, were never specified in the Constitution, and were instead developed by the states and the political parties. This too is also an indirect election process, where voters cast ballots for a slate of delegates to a political party's nominating convention, who then in turn elect their party's presidential nominee. **Nomination Process** The modern nominating process of U.S. presidential elections currently consists of two major parts: a series of presidential primary elections and caucuses held in each state, and the presidential nominating conventions held by each political party. This process was never included in the United States Constitution, and thus evolved over time by the political parties to clear the field of candidates. The primary elections are run by state and local governments, while the caucuses are organized directly by the political parties. Some states only hold primary elections, some only hold caucuses, and others use a combination of both. These primaries and caucuses are staggered between January and June before

the federal election, with Iowa and New Hampshire traditionally holding the first presidential state caucus and primary, respectively. Like the general election, presidential caucuses or primaries are indirect elections. The major political parties officially vote for their presidential candidate at their respective nominating conventions, usually all held in the summer before the federal election. Depending on each state's law and state's political party rules, when voters cast ballots for a candidate in a presidential caucus or primary, they may be voting to award delegates "bound" to vote for a candidate at the presidential nominating conventions, or they may simply be expressing an opinion that the state party is not bound to follow in selecting delegates to their respective national convention. Unlike the general election, voters in the U.S. territories can also elect delegates to the national conventions. Along with delegates chosen during primaries and caucuses, state delegations to both the Democratic and Republican conventions also include "unpledged" delegates who can vote for whomever they want. For Republicans, these include top party officials. Democrats have a more expansive group of unpledged delegates called "superdelegates", who are party leaders and elected officials. Each party's presidential candidate also chooses a vice presidential nominee to run with them on the same ticket, and this choice is rubber-stamped by the convention. **U.S. Electoral College** Voters will only cast their ballots for a slate of electors in the U.S. Electoral College, who in turn directly elect the president and vice president. The Electoral College, referring to the group of citizens selected to cast votes for the president and vice president, came about in the early 1800s and was first written into federal law in 1845. The method of indirect elections was a compromise between those who wanted Congress to choose the president, and those who preferred a national popular vote. Presidential electors are selected on a state-by-state basis. Each state uses its statewide popular vote on election day to appoint electors whose number is equal to the total number of both Senators and House Representatives in the state. The District of Columbia was allocated three electors. Currently, the size of the Electoral College is 538-strong, but it is subjected to change with the census result. Candidates for electors are nominated by their state political parties in the months leading up to election day, during primaries or at the party conventions. Under the Constitution, no person holding federal office, either elected or appointed, may become an elector. On election day, all states and the District of Columbia choose electors by popular election. Although ballots list the names of the presidential candidates, voters actually choose electors for their state when they vote for the president and the vice president. Most states, except Maine and Nebraska, employ the "winner-takes-all" system, meaning whichever ticket wins a plurality of voters in a certain state wins all of the state's electoral votes. Any pair of the presidential and vice presidential candidates who gains at least 270 electoral votes is claimed elected. Electors chosen on election day meet in their state capitals or Washington, D.C. on the first Monday after the second Wednesday in December of election year, when they actually cast two separate ballots for the president and



vice president. If no presidential candidate wins at least 270 electoral votes, the selection is decided by the House of Representatives. If no vice presidential candidate receives a majority, the decision is left up to the Senate. In the presidential elections in 1876, 1888 and 2000, the candidate receiving more popular votes nationwide did not win the presidency because he lost the contest for the electoral votes. The Electoral College thus came in for criticism because such outcomes do not logically follow the normal concept of how a democratic system should function. Opponents claim the method diminishes the national popular vote's sway over the outcome of elections, causing candidates to attach more importance to large swing states with more electoral votes, in turn discouraging turnout and voters' participation. In practice, the "winner-takes-all" manner of allocating a state's electors leaves third parties with very little possibility to break into the electoral politics that is dominated by the two major parties. **U.S. Republican Party or GOP** Along with the Democratic Party, the Republican Party is one of the two major political parties in the United States. The party was founded in 1854 by anti-slavery activists and individuals who believed that government should grant western lands to settlers free of charge. The name "Republican" was chosen because it alluded to equality and reminded individuals of Thomas Jefferson's Democratic-Republican Party. In 1860, it came to power for the first time with the election of Abraham Lincoln to the presidency. Of the two major U.S. parties, the Republican Party is the moderate/center-right party and supports a conservative platform. The term "Grand Old Party" is a traditional nickname for the Republican Party, and the initialism "GOP" is a commonly used designation. The traditional mascot of the party is the elephant. **U.S. Democratic Party** Founded in 1828, the Democratic Party is the oldest political party in the United States. With 72 million voters claiming affiliation by 2004, it is also the biggest party and one of the two major parties in the country, with the other being the Republican Party. Since the late 19th century, the Democratic Party has preferred liberal positions or social liberalism. Traditionally, the party's supporters were composed of farmers, laborers, and religious and ethnic minorities. But currently, its base also includes well-educated and rich liberals. In recent decades, the party has followed a centrist economic and more socially progressive agenda, and it believes in the government's role in anti-poverty and social relief efforts. The Democrats oppose tax cuts and favor a more progressive tax structure to provide more public services. As flagship policies, the party calls for a more affordable and qualified health care and low-cost education. In foreign affairs, it opposes unilateralism and



US Presidential Candidates

- Warren Mosler, businessman, of Connecticut (withdrew April 2010)
 - Darcy Richardson, progressive activist, of Florida
 - Jim Rogers, perennial candidate and 2010 U.S. Senate nominee, of Oklahoma
 - Vermin Supreme, performance artist and perennial candidate, of Massachusetts
 - Randall Terry, pro-life activist, of New York
 - John Wolfe, Jr., attorney and perennial candidate, of Tennessee Republican Party
- Formally declared candidates that participated in debates:**
- Michele Bachmann, U.S. Representative from Minnesota (withdrew on January 4, 2012)
 - Herman Cain, businessman from Georgia (withdrew on December 3, 2011)
 - Newt Gingrich, former U.S. Speaker of the House of Representatives from Georgia
 - Jon Huntsman, Jr., former U.S. Ambassador to China and former Governor of Utah (withdrew on January 15, 2012)
 - Gary Johnson, former Governor of New Mexico (withdrew December 28, 2011 to seek the Libertarian Party nomination)
 - Tim Pawlenty, former Governor of Minnesota, (withdrew August 14, 2011 and endorsed Mitt Romney)
 - Ron Paul, U.S. Representative from Texas
 - Rick Perry, Governor of Texas (withdrew on January 19, 2012 and endorsed Newt Gingrich)
 - Mitt Romney, former Governor of Massachusetts
 - Rick Santorum, former Senator from Pennsylvania

Candidates gallery

Active candidates
These candidates have participated in debates.



Former Governor **Mitt Romney** of Massachusetts (campaign)



Former Senator **Rick Santorum** of Pennsylvania (campaign)



Former Speaker of the House **Newt Gingrich** of Georgia (campaign)



U.S. Representative **Ron Paul** of Texas (campaign)
Inactive candidates

These candidates have participated in debates, but have since suspended or withdrawn their campaigns.



Representative **Michele Bachmann** of Minnesota (campaign) (Withdrew on January 4, 2012)



Former Godfather's Pizza CEO

Herman Cain of Georgia (campaign) (Withdrew on December 3, 2011)



Former Governor **Jon Huntsman** of Utah (campaign) (Withdrew on January 16, 2012)



Former Governor **Gary Johnson** of New Mexico (campaign) (Withdrew on December 28, 2011. Now running as Libertarian.)



Former Governor **Tim Pawlenty** of Minnesota (campaign) (Withdrew on August 14, 2011)



Governor **Rick Perry** of Texas (campaign) (Withdrew on January 19, 2012)

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