ECONOMICS MODULE 6 PART 2

Economic Planning in India Planning and economic development

PLANNING OBJECTIVES

The basic objectives of Indian planning are **growth, modernisation, self-reliance, and social justice.**

These objectives are, in fact, the guiding principles of Indian planning. Within this basic framework of objectives, each development plan lists some priorities in the light of immediate requirements and constraints.

The Foremost Objective:

1. Economic Growth

The first and the foremost objective of Indian planning is the growth of the economy as rapidly as possible within a democratic framework.

In a country with low per capita income and poor standard of living of the majority of the people, raising national income has naturally been the basic objective of development planning.

The target growth rate of national income has generally been around 5 per cent with slightly higher rate in some of the plans, except the First Five Year Plan when the target was modest at 2.1 per cent. The anticipated rate of growth was 4.5 per cent during the Second Five Year Plan, which was 11 raised to 5.6 per cent for the Third Five Year Plan, and further raised to 5.7 per cent for the revised Fourth Five Year Plan. However, the target was lower at 4.5 per cent for the revised Sixth Five Year Plan (1980-85).

The target or the anticipated rate of growth was set at least 5 percent for the Seventh Five Year Plan (1985-90). The growth targets for eight, ninth and tenth plan were set up at 5.6, 6.5 and 8.1 percent respectively.

2.Modernisation:

- The Second Objective The second basic objective has been to modernize the economy. This amounts to structural and institutional changes in economic activities leading to a progressive and modern economy. This needs modernisation in all the three sectors of the economy, viz. agriculture, industry and services.
- One important pursuit is the shift in the sector-wise contribution to national income from agriculture to industry and the services. Agriculture has been the largest sector among all the three sectors in terms of production and employment as a matter of the colonial legacy.
- Another important aspect of modernisation is development of a diversified economy that produces a large variety of goods, including capital goods. This envisages establishing new industries in the fields of engineering, chemicals, petroleum, etc.
- A fundamental aspect of modernisation of the economy consists in advancement of technology and innovation for making the economy efficient by upgrading the quality of products and/or reducing costs; increasing the productivity of labor and other resources.
- Certain institutional changes become necessary for the modernisation and development of the economy

3. **Self-reliance:**

The Third Objective The third major objective of Indian economic planning was at least till the 1980s to make the economy self-reliant. This implies progressively reduction and ultimately elimination of dependence on foreign aid and imports for certain critical commodities.

This requires import substitution, i.e. producing the same commodities at home instead of importing them.

This necessitates expansion and diversification of exports so that we are in a position to pay from our own earnings of foreign exchange. The emphasis in the case of agriculture is, however, on self-sufficiency in production of foodgrains and the raw materials for industrialisation.

However, after July 1991, with the globalization and opening of the Indian economy, the shift has taken place towards outward orientation.

4. Social Justice:

- The Fourth Objective Another important objective is to render social justice to all, more particularly to the deprived strata of the society.
- This implies improving the living standards of the weaker sections of the population, namely, landless agricultural laborers, artisans, members of scheduled castes and scheduled tribes, women and children etc.
- This also implies the reduction of inequalities in income and asset distribution, more particularly in the rural areas where land, the principal source of living, is unequally distributed.
- This also includes a variety of welfare schemes, namely, special employment programmes of the poor, land reforms in favor of the small farmers, supply of concessional or subsidized items for production as well as consumption Purposes.
- Thus, the fundamental objectives of our development planning have been to secure rapid economic growth, modernisation, self-reliance, reduction in disparities of income and wealth, prevention of

concentration of economic power, and creation of values and attitudes of a free and equal society.

- The vigilant reader will see that promoting one objective could facilitate another but there could be contradictions too inherent in simultaneously achieving all these objectives.

’ The same objectives were partially echoed when in some of the plans, the objective was stated as growth with redistribution.

However, when one goes through the lists of objectives given in different Plan reports one finds them couched in different language, often difficult to identify with the basic objectives suggested above. Part of the reason could be to divide the objectives on a long-term as well as medium-term/short term basis. Long-term objectives do not differ from plan to plan but short-term may differ. Long-term objectives are couched in more general terms while short term ones are more specific. One may like to call long-term objectives as planning objectives and short-term objectives as plan objectives.

Stages of Economic Planning

The main process or stages of planning are as under:

1. Formulation of Plan:

- The formulation of the development plan is the first stage of economic planning. At the top, the Planning Commission formulates a draft plan in consultation with the various ministries or
- Similarly, at the bottom, an individual perspective plan on the basis of past experience and future requirements is prepared.
- The Planning Commission assesses the balances of technical possibilities, recommendations, suggestions and requirements in the light of reports given by two agencies—one from the top and the other from the bottom. The final draft is a comprehensive, coherent and well knit document.

- First of all, the Planning Commission lays down tentatively certain general goals for the long time, i.e., for fifteen or twenty years, after making a careful analysis of technical possibilities, the basic and non-basic needs of the economy and various methods of development.
- In the second stage, the Commission formulates a short memorandum which is placed before the cabinet and the National Development Council. In the third stage, a draft outline of the Five Year Plan is prepared keeping in view observations made by the National Development Council and is published several months before the plan is to come into force.

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This is presented before the Parliament for discussion and later on sent to different Central Ministries, State bodies and State Governments. In short, these proposals are discussed widely in the press, universities and other institutions. Then, final reports are prepared and presented before the cabinet, National Development Council and finally before the Parliament for approval.

2. Execution or Implementation of the Plan:

In most of the planned economies, the Central Planning Commission is merely an advisory body and the execution of the plan is entrusted to the central administration which involves the various agencies and departments of the government. In the initial stages, there is greater possibility of centralization but in the later stage, decentralization brings effective control and administration.

Even the most planned countries like Russia and European countries are tending to establish democratic decentralization. This tendency is also being followed in India as well. Proper execution is really a difficult task and unfortunately this has happened in the case of India planning. In the words of Prof. Lewis, “Indians are better planners than doers”.

3. Supervision of the Plan:

The supervision of the plan is one of the essentials of successful planning. Supervision must be separated from their execution and done by some special body. Therefore, execution of plans necessitates constant supervision as it helps to detect failures and shortcomings from time to time. Constant supervision improves the conditions of successful implementation of the plan. In India, supervision is done by the planning agency or a special agency. The programme evaluation organization which is an impartial body, supervises the plans.

4. Programme Evaluation Organisation:

Evaluation is also another prerequisite of successful planning. Every programme should always be assessed in a systematic way. With the assistance from the Ford Foundation, Programme Evaluation Organisation was set up in 1952. The organization is an independent organization working under the guidance and direction of the planning Commission. Now, there are seven Regional Evaluation offices at Mumbai, Calcutta, Chennai, Lucknow, Chandigarh, Jaipur and Hyderabad, working at different places.

PERFORMANCE OF THE ECONOMY

Even though all achievements could not be attributed to the planning strategies adopted nor could it be said that the strategies did not change mid-way, it is a good idea to recount what we achieved in so many years since planning. In fact, to say that we achieved this and failed in that, is rather difficult.

There is nothing like black and white. Things are actually gray and we could at most say that to this extent we achieved and to that extent we failed. It is normally with respect to 18 Development Strategies in India to period as whole that performance is usually judged. One reason for it may be that we have taken a comprehensive view of planning—all sectors, whether economic in nature or of ownership, and all fields of activities—economic or social. We refer, for this purpose, first to our long-term basic objectives of maximum production, full employment, reduction in inequality in income and wealth, and concentration of economic power.

We then refer to some other areas too, which are more or less elaborations of these objectives. Production In the 1950s, 1960s and 1970s, we did not achieve a rate of growth beyond 3.5 per cent per annum on a long run basis and never met the targets set for a particular plan, which were normally more than 5 per cent per annum. It is difficult to assert that we did not fully exploit the potential or to say that our targets were realistic or reasonable. For example, for the First Plan we had set a very low target (1.8 per cent per annum) for the rate of growth and achieved twice that, thanks to the good monsoon. During the Second Plan, we did better on the growth front than the First Plan. We were unhappy as we could achieve only 4.2 per cent per annum while the target set was 5.0 percent per annum.

We miserably failed in the Third Plan and achieved only an annual average growth rate of 2.4 per cent per annum (at 1980-81 prices) and 2.8 per cent per annum (at 1993-94 prices) against the target of 5.0 per cent per annum. Again this is due to wars with China in 1962 and with Pakistan in 1965 and curse of the monsoon god in 1965-66.

Table 6.2: Plan-wise Growth Rate

	Five Year Plan	Target	Achievement
1.	First Five Year Plan (1951-56)	2.1	3.6
2.	Second Five Year Plan (1956-61)	4.5	4.2
3.	Third Five Year Plan (1961-66)	5.6	2.7
4.	Fourth Five Year Plan (1969-74)	5.7	2.0
5.	Fifth Five Year Plan (1974-75)	4.4	4.8
6.	Sixth Five Year Plan (1980-85)	5.2	5.5
7.	Seventh Five Year Plan (1985-90)	5.0	6.0
8.	Eighth Five Year Plan (1992-97)	5.6	6.7
9.	Ninth Five Year Plan (1997-2002)	6.5	5.4

From the mid-1970s onward and definitely after 1979-80, one finds that the growth trajectory of the Indian economy shifted from the path of 3.5 per cent per annum to the path of 5.5+ per cent per annum, though there were occasional setbacks. See Table 6.2 below for Plan-wise growth rate.

During the period under review, employment did not grow at a rate higher than that of population, resulting in the same rate of growth of the unemployed.

The rate of unemployment, on a long run basis, continued to be the same with wide fluctuations over years, depending upon the peculiar circumstances. There was never a year when the level of economic activities in the economy demanded so much labor that we felt shortage, barring harvest seasons.

Inequality

We wanted to reduce inequality in the distribution of income and consumption as well as concentration of wealth. It is believed that in the initial stages of development, inequality tends to increase while the lot of everybody improves. We do not have practically any data on distribution of income over households. What we know is that the percentage of income tax payers has increased over the years and poverty as percentage of people below poverty line has reduced. In the case of income tax payers, both the proportion and the absolute number of income tax payers rose.

Size of the middle class has also risen both in proportion and number. However, unless we show that income of the top 10 per cent has reduced from y1 per cent to y2 per cent during a long period of time, we cannot say much about the reduction of inequality.

In the case of total private consumption expenditure incurred by the households, it appears that the share of bottom 40 per cent in rural areas, for each of its deciles, has improved. On the other hand, the share of bottom 80 per cent in urban areas, for each of its deciles, has worsened the case of total private consumption expenditure incurred by the households. Even then the rural-urban disparity is on the rise.

Poverty

To begin with, the idea was that the strategy of growth along with redistribution of wealth, like land, of income through fiscal instruments of taxation, and of consumption by intervention in the market of essential commodities through price control and public distribution, would automatically be removed. Despite modest growth and operation of redistribution instruments, it was discovered that poverty was not reducing to a significant extent.

The Fifth Plan started the removal of poverty as its prime objective though a few supplementary programmes for poor sections of the society were launched during the Fourth Plan itself. Rigorous exercises were carried out. Controversies after controversies took place on methods of estimation. We find that poverty, as the proportion of people below poverty line, did not reduce till 1973-74 but reduced thereafter from 56 per cent to 36 per cent by 1993-94 and 26 per cent in 1999-2000. Those below the poverty line also came closer to the poverty line. However, the absolute number of poor remained 32 crore till 1993-94 to reduce to 26 crores in 1999-2000.

Diversification of Economic Activities

Our industrial base, contributed by the public sector and supplemented by the private sector, got quite diversified by 1991 even though our growth rate was not rated very high. Many things, which we can produce, were not to be imported by necessity. Petroleum and petroleum products were being imported in order to conserve our own reserves.

In any case we cannot do much in the area. Many heavy chemicals and fertilizers, which we had to import earlier, were being produced domestically. Contribution of agriculture to the GDP, which used to be around three-fifths in the early 1950s, has come down to less than one-fourth and that of services, which was less than one-fifth in the early 1950s, has gone up more than a half. Contribution of industries has increased from one-tenth to one-fifth.

Well-being and Welfare

Many things have happened which do not get captured in what we have discussed above. Our life expectancy at birth (and at other ages) has more than doubled from around 32 years in 1951 to around 65 years in 2001, with female expectancy exceeding the male counterpart by 3 years. Infant mortality rate has considerably reduced from 140 per thousand in the fifties to 80 per thousand by the close of the eighties and less than 70 per thousand by the close of the century, with a good India differential between urban and urban scene, though it was yet very high in comparison to other countries. Our death rate came down to about 8 per thousand in 2001 from around 23 in 1951. By the way, the birth rate was reduced to 30 per thousand by 1991 and about 20 in 2001 as against 45 per thousand in the 1950s.

EVALUATION OF PLANNING

- Planning seems to have lost its charm to many countries after the collapse of the USSR in 1989 as a credo. Very few books are being published with the title 'planning'. Complexion of national planning for development is drastically changing from 'doing by State' to 'watching by State' in so far as the economic sphere is concerned.
- Two major spheres still left with the State are physical infrastructure and social services. In the former, public-private partnership is basically suggested as the major mode and in the latter, involvement of the NGOs is being recommended. In the economic and financial sphere, it has to play the role of a regulator between players.

- Though a considerable chunk of economic activities still continue to be in the public arena, no expansion is being sought. However, planning as a teleological exercise will continue to be important.
- We embarked upon comprehensive planning for the country as a whole within the policy framework of a mixed economy. Despite a metamorphosis in the late 1980s and early 1990s in our major planks of strategy, we continue to hold on to the technique of planning, if not ideology. Strategy, as the term itself suggests, ought to be grounded in realities of time and therefore ought to change even if our objectives to be achieved continue to be the same. We can look at the scene with this perspective.
- Further, it is under State planning that we could be able to break-off from the colonial past in a decisive manner. Not only that our growth trajectory changed from around 1 percent annum in the first half of the 20th century to 3-4 per cent per annum in the third quarter and 5-7 per cent per annum in the last quarter but we could lay a solid foundation with diversification of economic activities, adequate production of foodgrains and competence in modern areas of technology.

TOP DOWN AND BOTTOM UP APPROACHES

- The top down approach is logical mainly in new endeavors since it provides early and high level planning. It is system centric. In this approach, each and every stage of policies and programmes planned accordingly is implemented.
- The objectives of the policies and programmes in the top down approach may not allow changes in the programmes and policies in the mid way. The government of India and the state governments adopted a top down 3 approach in its five year plans.
- The bottom up has a base at the local level which needs to be developed and made stronger with the help of some participation from the concerned stakeholders. Participation of multi stakeholders in the

urban and regional planning is an accepted phenomenon in current day practice, though the idea is not new.

- The bottom up approach in planning may be traced back in the 60"s and started getting popularity among planners through decades.
- Although "**bottom up", "participatory", "local democracy**", "concerted management" and other such approaches are not exact equivalents, they are all variants of a local concentration approach and of a collective process whereby a local community can take charge of the future of its own area. It is an approach that allows the local community and local players to express their views and to help define the development course for their area in line with their own views, expectations and plans.
- However, the bottom-up approach cannot be applied (nor is it applicable) systematically to all places in all circumstances. Depending on the specific cultural context of each Member State and in line with the principle of subsidiarity, the participatory process is often more of a trend or a desirable working approach than a day-to-day reality.
- However, there is no doubt that efforts are being made to put local communities and local development players back at the heart of the rural development process.

EVALUATION OF FIVE YEAR PLANS

➔ India adopted a system of five yearly planning to address its various socioeconomic problems. These problems included mass poverty and inequality, low productivity in agriculture and storage of food grains, lack of industrial and infrastructural development etc. Since these needed to be solved over a long period, the Indian government adopted a five-year plan starting from the first year plan in 1951. The idea was to make a list of important problems to be solved keeping in view the given resources and the capacity to arrange the resources.

➔ **First Five-Year Plan:** 1951-56- India was confronting the problems of huge influx of refugees, food shortage and severe inflation. The plan, thus, focused on the primary sector, that is, the agricultural sector to increase the food production in India to overcome the crisis.

➔ **Second Five-Year Plan:** 1956-61- It focused on rapid industrialisation. The plan aimed at the development of heavy and basic industries and conceived that the agricultural sector could be given lower priority as it has been able to achieve its targets in the previous plan.

➔ **Third Five-Year Plan:** 1961-66. It was prepared with the mindset that India has entered the 'take-off stage' and it is time for it to become a self-reliant and self-generating economy. The plan gave priority to both agriculture as well as the industrial sector.

➔ **Fourth Five-Year Plan:** 1969-74- It had two basic objectives: growth with stability and progressive achievement of self-reliance. It stressed upon the growth of the agricultural sector and it was during this period that various family planning measures were introduced to control the rising population.

➔ **Fifth Five-Year Plan**: 1974-79- It proposed two main objectives: removal of poverty and attainment of self-reliance. The plan aimed at achieving its objectives by achieving high growth rate, equitable distribution of income and increase in domestic savings.

➔ **Sixth Five-Year Plan:** 1980-85- It was based on Nehru's model of growth and aimed at a direct attack on the problem of poverty by creating conditions for increasing employment opportunities. Many employment generation schemes such as Training of Rural Youth for

Self-Employment (TRYSEM) and Integrated Rural Development Programme (IRDP) were introduced.

- **Seventh Five-Year Plan:** 1985-1990- It aimed at accelerating food grain production, creating employment opportunities and raising labor productivity. The focus of the plan was on 'food, work and productivity'.
- **Eighth Five-Year Plan:** This plan could not be formulated in 1990 due to the uncertain political situation at the center. Therefore, two annual plans for the years 1990-91 and 1991-92 were formulated. During 1991, India had to face a severe balance of payment crisis. The debt burden was mounting and the fiscal deficit was widening. The government led by P.V. Narasimha Rao introduced the economic reforms in 1991, after which the eighth plan was launched in 1992 for the period 1992-97 reflecting the reforms with various structural adjustment policies.
- Ninth Five-Year Plan: 1997-2002- Its aim was to achieve "growth with social justice and equality". It recognised the critical role of the state in the social sectors such as health care, education and infrastructure, since the market forces, by themselves, may not make these areas attractive to the private sector.
- **Tenth Five-Year Plan:** 2002-2007. It set forth measurable targets on development indicators such as infant mortality rate, literacy, access to electricity, sanitation facilities, sustainable food production and environment.
- **Eleventh Five-Year Plan**: 2007-2012- With the objective of achieving fast and inclusive growth, it had set targets for various socio-economic indicators. It aimed at achieving a GDP growth rate of 9%, agricultural growth rate of 4%, generating 58 million employment opportunities, increase in wages of unskilled laborers, reduction in poverty by 10%, reduction in drop-out rate, increasing literacy to 85%, reducing gender gap, infant mortality rate and total fertility rate, reducing malnutrition among children, provision of safe drinking water, improvement in sex ratio, development of infrastructure and communication.

- **Twelfth Five-Year Plan**: 2012-2017- It focused on achieving faster, inclusive and sustainable growth. It aimed at achieving inclusive growth by reducing poverty, reducing inequality, empowering people and by bringing in balanced regional development. The goals towards sustainable development focused on environmental sustainability, improvements in the health and education sector and development of physical infrastructure such as transport, telecommunication, power, etc.
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Analysis of the Five-Year Plans in India's Economic Development

- The first five-year plan was quite successful as the targeted growth rate was 2.1 percent and the achieved growth rate was 3.6 percent.
- The second plan achieved only a moderate success due to the severe shortage of foreign exchange on account of huge imports to meet the requirements of the industrial sector. The actual growth rate achieved in the plan was 4.3% against the target of 4.5%.
- The growth rate achieved in the third plan was 2.8% as against the target of 5.6 %.
- While the fourth plan aimed at a highly ambitious growth rate of 5.7%, it could achieve only 3.3 %.
- The fifth plan was an utter failure due to high levels of inflation.
- The sixth plan progressed as perceived by the planners during the first four years, a severe famine occurred in the fifth year i.e., 1984-85. Therefore, the agricultural output declined drastically. However, the economy still managed to grow at 5.7% as against the target of 5.2%.
- The seventh plan was quite successful and recorded a growth rate of 6 percent as against the targeted growth rate of 5 per cent.
- The eighth plan achieved a growth rate of 6.8% as against the targeted growth rate of 5.6%.

- The ninth plan aimed at a GDP growth rate of 7%. However, due to poor performance of the economy during 1997-98, the growth target was revised to 6.5%. Yet, the target could not be achieved and the economy grew only at a rate of 5.4%.
- The tenth plan targeted a growth rate of 8 percent. However, it was not successful in terms of poverty reduction, generating employment opportunities and performance of the agricultural sector. Many poor states faced decelerating growth.
- The eleventh plan had an ambitious target of achieving a growth rate of 9%. Though the economy took off well, achieving a growth rate of 9.3% during the first year, it had a drastic fall to 6.7% in 2008-09 due to the global financial crisis.
- The 12th FYP achieved a growth rate of 8%.

The NITI Aayog

'Policy Commission'; abbreviation for **National Institution for Transforming India Serves** as the apex public policy think tank of the Government of India, and the nodal agency tasked with catalyzing economic development, and fostering cooperative federalism through the involvement of State Governments of India in the economic policy-making process using a bottom-up approach.

Its initiatives include **"15-year road map", "7-year vision, strategy, and action plan", AMRUT, Digital India, Atal Innovation Mission, Medical Education Reform, agriculture reforms (Model Land Leasing Law, Reforms of the Agricultural Produce Marketing Committee Act, Agricultural Marketing and Farmer Friendly Reforms Index for ranking states),** Indices Measuring States' Performance in Health, Education and Water Management, Sub-Group of Chief Ministers on Rationalization of Centrally Sponsored Schemes, Sub-Group of Chief Ministers on Swachh Bharat Abhiyan, Sub-Group of Chief Ministers on Skill Development, Task Forces on Agriculture and up of Poverty, and Transforming India Lecture Series.

It was established in 2015, by the NDA government, to replace the Planning Commission which followed a top-down model.

The NITI Aayog council comprises

all the state Chief Ministers, along with the Chief Ministers of Delhi and Puducherry, Lieutenant Governors of all UTs, and a vice-chairman nominated by the Prime Minister. In addition, temporary members are selected from leading universities and research institutions. These members include a chief executive officer, four ex-official members, and two part-time members

VISION OF NITI AYOG

- To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of States.
- To foster cooperative federalism through structured support initiatives and mechanisms with the States on a continuous basis, recognizing that strong States make a strong nation.
- To develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government.

- To ensure, in areas that are specifically referred to, that the interests of national security are incorporated in economic strategy and policy.
- To pay special attention to the sections of our society that may be at risk of not benefiting adequately from economic progress.
- To design strategic and long-term policy and programme frameworks and initiatives, and monitor their progress and their efficacy. The lessons learned through monitoring and feedback will be used for making innovative improvements, including necessary mid-course corrections.
- To provide advice and encourage partnerships between key stakeholders and national and international like-minded think tanks, as well as educational and policy research institutions.
- To create a knowledge, innovation and entrepreneurial support system through a collaborative community of national and international experts, practitioners and other partners.
- To offer a platform for the resolution of inter-sectoral and inter-departmental issues in order to accelerate the implementation of the development agenda.
- To maintain a state-of-the-art resource center, be a repository of research on good governance and best practices in sustainable and equitable development as well as help their dissemination to stake-holders.
- To actively monitor and evaluate the implementation of programmes and initiatives, including the identification of the needed resources so as to strengthen the probability of success and scope of delivery.
- To focus on technology upgradation and capacity building for implementation of programmes and initiatives.

To undertake other activities as may be necessary in order to further the execution of the national development agenda, and the objectives mentioned above.

Important SCHEMES of Budget 2021

The overall view of the Union Budget 2021 – 22 are given below.

The budget proposals are on six pillars:

- Health and well-being
- Physical & Financial Capital, and Infrastructure
- Inclusive development for Aspirational India
- Reinvigorating Human Capital
- Innovation and R&D
- Minimum Government and Maximum Governance

Health and well-being

Healthcare expenditure has been more than doubled for the next fiscal. The allocation has been increased from ₹ 94452 Cr to ₹ 2.23 lakh Cr (137% increase).

PM Atmanirbhar Swasth Bharat Yojana:

- Centrally sponsored scheme with an outlay of ₹ 64180 Cr has been announced.
- This will be implemented over the next six years.
- It will focus on three areas – preventive, curative and well being.

- Over 17000 rural and 11000 urban health and wellness centers will be supported; integrated public health laboratories will be set up in all the districts; 3382 block public health units will be established in 11 states; critical care hospital blocks will be created in 602 districts and 12 central institutions.
- This will be implemented in addition to the existing National Health Mission (NHM).

Mission Poshan 2.0

- Supplementary Nutrition Programme and Poshan Abhiyan merged.
- It has been done to strengthen nutritional content, delivery, outreach and outcome.
- Strategy to improve nutritional outcomes across 112 aspirational districts.

Water supply

- **Jal Jeevan Mission (Urban)** will be launched.
- Aims to provide water supply to all the 4378 Urban Local Bodies and 500 AMRUT cities.
- Will be implemented over 5 years with an outlay of ₹ 287000 Cr.

Swachh Bharat,

- Urban Swachh Bharat Mission 2.0 will be launched for a period of 5 years from 2021-2026.
- It will be focused on complete fecal sludge management and wastewater treatment, source segregation of garbage, reduction in single-use plastic, reduction in air pollution by effectively managing waste from construction-and-demolition activities and bioremediation of all legacy dumpsites.

Scrappage policy

- Voluntary scrappage policy has been announced.
- Vehicles older than 15 years and 20 years in case of commercial and personal vehicles respectively will be covered under this.

- It will promote the usage of fuel-efficient, environment-friendly vehicles.
- Budget proposes spending ₹ 35000 Cr for covid vaccines in FY22.
- Rollout of pneumococcal vaccines for pan India usage (available only in 5 states now) has been announced (it will avoid deaths of 50000 children). It is a 'Made in India' product.

Physical and Financial Capital and Infrastructure

PLI (Production Linked Incentives)

The Government has already announced this for 13 sectors.
Allocated ₹ 1.97 lakh Cr for five years from FY22.

Textiles

- Mega Investment Textile Parks (MITRA) will be launched.
- This is in addition to the PLI scheme.
- 7 textile parks will be established in 3 years.
- This will create a plug and play infrastructure.
- This is a low skill manufacturing sector.
- India has a substantial export-oriented textile base but has been losing out to Vietnam and Bangladesh in recent times.

Infrastructure

- **National Infrastructure Pipeline (NIP):**
- The Government has expanded the NIP to cover more projects to shore up the economic recovery.
- The total value of projects proposed under NIP is ₹ 111 lakh Cr ($1.5 tn).
- NIP was launched with 6835 projects and has been expanded to cover 7400 projects.
- So far around 217 projects worth ₹ 1.1 lakh Cr have been completed.
- In order to increase the spending, the govt proposed three steps:-
- Creating an institutional structure
- The Government has proposed setting up a development finance institution – National Bank for Financing Infrastructure and Development (NBFID).
- It will be set up with a capital base of ₹ 20000 Cr and will have a lending target of ₹ 5 lakh Cr in three years.
- Big thrust to monetization of assets.
- Enhancing the share of capex under the center and state budget.

- **Asset Monetization:**
- A National Monetization Pipeline (NMP) of potential brownfield infrastructure assets will be launched.
- In addition to this, asset monetization dashboard will be created for tracking the progress and to provide visibility to investors.
- NHAI and PGCIL to set up infrastructure investment trusts to attract global funds.
- Five operational roads with an estimated enterprise value of ₹ 5000 Cr are being transferred to NHAI InvIT.
- A sharp increase in capital expenditure – ₹ 5.54 lakh crore for FY 22 (34.5% more than the budget estimate of FY21).
- To provide more than ₹ 2 lakh crore for states and autonomous bodies for their capital expenditure.

- **Railways:**

- Indian Railways has prepared a National Rail Plan 2030.
- To reduce logistics costs:
- Dedicated Freight corridor – DFC (Western and Eastern) will be commissioned by 2022.
- Future DFC will also be undertaken.
- Electrification of broad-gauge routes is expected to reach 46000 Route kilometer (RKM).
- Urban Infrastructure:
- Govt to launch PPP models to promote private bus operators to operate and maintain 20000 buses in urban areas.
- Two new technologies – MetroLite and MetroNeo will be deployed to provide rail metro services at a much lower cost.
- **Power infrastructure:**

- The Government will be putting in place a framework to provide choice for the consumers to choose from more than one electricity distribution company.
- Govt to launch a revamped result-based power distribution sector scheme with an outlay of ₹ 305984 Cr over 5 years.
- Hydro energy Mission 2021-22 for generating hydrogen from green power sources.

- **Ports, Shipping and Waterways:**
- 7 ports will be offered to the private sector under PPP.
- These ports will be worth more than ₹ 2000 Cr.
- India has implemented the Recycling of Ships Act 2019 and has acceded to Hong Kong International Convention. Read more on this convention in the article International Maritime Organization.

- **Petroleum and Natural Gas:**
- The number of beneficiaries under the UJJWALA Scheme has been increased from 8 Cr to 9 Cr (increased by 1 Cr).
- Will add 100 more districts under the City Gas Distribution Network in the next 3 years.

Financial capital:

- Proposed consolidation of SEBI Act, Depositories Act, Securities Contraction Act and Govt securities Act into a single rationalized Securities Markets Code.
- This will help integrate the capital markets and have rules streamlining across all the securities. In fact, it will also help in accelerating regulations for listing Indian companies abroad.
- Promote ease of doing business – single statutory provision to follow.
- RBI will have to give up its powers of regulating the G-securities.
- Currently, there is a turf war between SEBI and RBI as to who should regulate different securities.
- The regulation of equity cash and derivatives fell under SEBI, and several other financial instruments classified as securities were regulated by RBI.
- An institution shall be set up which would be purchasing investment-grade debt securities both in normal and distressed times to help the development of the bond market.
- Gold exchanges were announced in the budget of 2018-19. In this regard SEBI was notified as the regulator and Warehousing Development and Regulatory Authority will be strengthened.
- FDI in the insurance sector has been increased from 49% to 74%.

Banking:

- Govt has announced the recapitalization of ₹ 20000 Cr for the state-run banks (in the current fiscal initially the government had refrained from announcing any recapitalization but later in September it announced ₹ 20000 Cr; in 2019-20 it has proposed to infuse ₹ 70000 Cr).

Deposit Insurance

- ❖ Deposit insurance cover has been increased from ₹ 1 lakh to ₹ 5 lakh per individual
- ❖ Govt to allow withdrawal of deposits to the extent of deposit insurance cover in the troubled banks
- ❖ The problem with the increased coverage is that it will only come into play when the bank license is canceled and it is liquidated and not before that
- ❖ An asset reconstruction company and asset management company
- ❖ It is set to take over the bad loans of PSBs and manage the recoveries
- ❖ A similar structure for stressed assets resolution was earlier proposed under Sashakt Scheme in 2018
- ❖ Banks will be putting the initial capital (implying that the govt will not have any direct stake in the bank)
- ❖ Bad bank would be transferring the NPAs to an entity (Asset Management or Asset Reconstruction Company) and dispose of the assets to Alternate Investment Funds (AIF)

- ❖ Bad loans of Indian lenders have increased in several years. The gross bad loans in the banks could increase to 13.5% by Sep 30th (in worst case scenario, 14.8% – highest in two decades)

Disinvestment

- ❖ Minimizing the presence of CPSEs and creating new investment space for the private sector.
- ❖ Post divestment, growth of these will be through the infusion of private capital, technology and best management practices. This will contribute to the economic growth and creation of new jobs.
- ❖ The proceeds from the disinvestments would be to finance social and developmental programmes of the government.
- ❖ Inclusive Development for Aspirational India

Agriculture

SWAMITVA Scheme:

- So far about 1.8 lakh property owners from 1241 villages have been issued with property cards.
- Has been extended to cover all states/UTs.
- Farm loans allocation has been increased to ₹ 16.5 tn from ₹ 15 tn in the last fiscal.

Cotton:

- It has imposed a 10% import tax on the import of this fiber to help farmers.

- The Government has also raised the levy on raw silk and silk yarn from 10% to 15%.
- India is the biggest cotton grower. India's cotton output is expected to climb to 37.12 mn bales of 170 kgs each in 2020-21 from 35.49 mn bales a year earlier.
- The imports are expected to fall to 1.4 mn this year from 1.55 mn bales in 2019-20.
- There was no import duty on cotton imports till now.
- **Operation Green Scheme** has been expanded to cover 22 perishable products:
- This has been done to boost value addition and exports.
- 1000 more mandis will be integrated under e-NAM.

The Agriculture Infrastructure Development cess:

- Govt has proposed cess on 25 products and basic customs duty has been reduced on these items so that the consumers do not end up paying a higher price. This has been done to improve farm infrastructure.
- This may not change the prices of these products but makes a difference in terms of who will receive this amount.
- Revenue collected from BCD goes to the Consolidated Fund of India, which is then divided between center and states.
- In the case of cess, the revenue goes to the central govt.
- Govt has imposed this cess on petrol, diesel, gold. AIDC of ₹ 2.5 per liter has been imposed on petrol and ₹ 4 on diesel.

Migrant workers and labor

One Nation One Ration Card:

- Is under implementation in 32 states and UTs.
- It has reached 69 Cr beneficiaries i.e. 86% of the beneficiaries covered.
- Remaining 4 states/UTs will be covered in the next few months.
- Launch of a new portal that will collect relevant information on gig, building and construction workers among others. This is expected to help in formulating schemes for the migrant workers.
- The 4 labor codes will be implemented. With this, for the first time in the world, gig and platform workers will be provided with social security benefits. All categories of workers will be provided with minimum wages.

Financial Inclusion

To facilitate the credit flow under Stand Up India, the margin requirements have been reduced from 25% to 15%.

SCHEMES OF BUDGET 2022 IS MENTIONED EARLIER OF CHAPTER

Economic Reforms Since 1991

- The strategy of reforms introduced in India in July 1991 presented a mixture of macroeconomic stabilization and structural adjustment. It was guided by short-term and long-term objectives.
- **Stabilization** was necessary in the short run to restore balance of payments equilibrium and to control inflation. At the same time changing the structure of institutions themselves through reforms was equally important from a long term point of view.
- The new government moved urgently to implement a programme of macroeconomic stabilization through fiscal correction. Besides this, structural reforms were initiated in the field of trade, industry and the public sector.

Major Steps in the 1991 Reforms

The major policy initiatives taken by the Government to fundamentally address the balance of payments problem and the structural rigidities were as follows:

Fiscal Reforms: A key element in the stabilization effort was to restore fiscal discipline. The data reveals that the fiscal deficit during 1990-91 was as large as 8.4 percent of GDP. The budget for 1991-92 took a bold step in the direction of correcting fiscal imbalance. It envisaged a reduction in fiscal deficit by nearly two percentage points of GDP from 8.4 percent in 1990-91 to 6.5 percent in 1991-92.

Monetary and Financial Sector Reforms: Monetary reforms aimed at doing away with interest rate distortions and rationalizing the structure of lending rates.

The new policy tried in many ways to make the banking system more efficient. Some of the measures undertaken were:

- **Reserve Requirements**: reduction in statutory liquidity ratio (SLR) and the cash reserve ratio (CRR) in line with the recommendations of the Narasimham Committee Report, 1991. In mid-1991, SLR and CRR were very high. It was proposed to cut down the SLR from 38.5 percent to 25 percent within a time span of three years. Similarly, it was proposed that the CRR br brought down to 10 percent (from the earlier 25 percent) over a period of four years
- Interest Rate Liberalization: Earlier, RBI controlled the rates payable on deposits of different maturities and also the rates which could be charged for bank loans which varied according to the sector of use and also the size of the loan. Interest rates on time deposits were decontrolled in a sequence of steps beginning with longer term deposits, and liberalization was progressively extended to deposits of shorter maturity
- Greater competition among public sector, private sector and foreign banks and elimination of administrative constraints
- Liberalization of bank branch licensing policy in order to rationalize the existing branch network
- Banks were given freedom to relocate branches and open specialized branches
- Guidelines for opening new private sector banks

- New accounting norms regarding classification of assets and provisions of bad debt were introduced in tune with the Narasimham Committee Report

Reforms in Capital Markets:

Recommendations of the Narasimham Committee were initiated in order to reform capital markets, aimed at removing direct government control and replacing it with a regulatory framework based on transparency and disclosure supervised by an independent regulator. The Securities & Exchange Board of India (SEBI) which was set up in 1988 was given statutory recognition in 1992 on the basis of recommendations of the Narasimham Committee. SEBI has been mandated to create an environment which would facilitate mobilization of adequate resources through the securities market and its efficient allocation.

Industrial Policy Reforms:

- In order to consolidate the gains already achieved during the 1980s, and to provide greater competitive stimulus to the domestic industry, a series of reforms were introduced in the Industrial Policy.
- The government announced a New Industrial Policy on 24 July 1991. The New Industrial Policy established in 1991 sought substantially to deregulate industry so as to promote growth of a more efficient and competitive industrial economy.
- The central elements of industrial policy reforms were as follows:
- Industrial licensing was abolished for all projects except in 18 industries. With this, 80 percent of the industry was taken out of the licensing framework.
- The Monopolies & Restrictive Trade Practices (MRTP) Act was repealed to eliminate the need for prior approval by large companies for capacity expansion or diversification.
- Areas reserved for the public sector were narrowed down and greater participation by the private sector was permitted in core and basic

industries. The new policy reduced the number of areas reserved from 17 to 8. These eight are mainly those involving strategic and security concerns. (Example, railways, atomic energy etc.)

- The policy encouraged disinvestment of government holdings of equity share capital of public sector enterprises.
- The public sector units were provided greater autonomy and professional management that could be helpful for generating reasonable profits, through an MOU(Memorandum of Understanding) between the enterprise and the concerned Ministry, through which targets that the enterprise had to achieve were set up

Trade Policy Reforms: Under trade policy reforms, the main focus was on greater openness. Hence, the policy package was essentially an outward-oriented one. New initiatives were taken in trade policy to create an environment which would provide a stimulus to export while at the same time reducing the degree of regulation and licensing control on foreign trade.
The main feature of the new trade policy as it has evolved over the years since 1991 are as follows:

- Freer imports and exports:
- Rationalization of tariff structure and removal of quantitative restrictions:Trading Houses:
- Promoting Foreign Investment:

The government took several measures to promote foreign investment in India in the post-reform period.

Rationalization of Exchange Rate Policy:

One of the important measures undertaken to improve the balance of payments situation was the devaluation of rupee. In the very first week of July 1991, the rupee was devalued by around 20 percent. The purpose was to bridge the gap between the real and the nominal exchange rates that had emerged on account of rising inflation and thereby to make the exports competitive.

An unprecedented balance of payments crisis emerged in early 1991. The current account deficit doubled from an annual average of $2.3 billion or 1.3 percent of GDP during the first half of the 1990s, to an annual average of $5.5 billion or 2.2 percent of GDP during the second half of the 1990s. For the first time in modern history, India was faced with the prospect of defaulting on external commitments since the foreign currency reserves had fallen to a mere $1 billion by mid-1991.
The balance of payments came under severe strain from one liquidity crisis experienced in mid-January 1991 and another in late June 1991.
There were three aims of Economic policy:

1. **Liberalization**
2. **Globalization**
3. **Privatisation**

LIBERALIZATION

The main aim of the liberalization was to dismantle the excessive regulatory framework that curtailed the freedom of enterprise. Over the years, the country had developed a system of "license–permit raj'. The aim of the new economic policy was to save the entrepreneurs from unnecessary harassment of seeking permission from Babudom (the bureaucracy of the country) to start an undertaking.

Similarly, the big business houses were unable to start new enterprises because the **Monopolies and Restrictive Trade Practices (MRTP) Act** had prescribed a ceiling on asset ownership to the extent of Rs.100 crores. In case a business house had assets of more than Rs.100 crores, its application after scrutiny by the MRTP Commission was rejected. It was believed that on account of the rise in prices this limit had become outdated and needed a review. The second objection by the private sector lobby was that it prevented big industrial houses from investing in heavy industry and infrastructure, which required lump sum investment. In order that the big business could be enthused to enter the core sectors- heavy industry, infrastructure, petrochemicals, electronics etc., with big projects, the irrelevance of MRTP limit was recognized and hence scrapped. The major purpose of liberalization was to free the large private corporate sector from bureaucratic controls. It, therefore, started dismantling the regime of industrial licensing and controls.

In pursuance of this policy, the industrial policy of 1991 abolished industrial licensing for all projects except for a short set of 18 industries

The List of Industries in which Industrial Licensing is Compulsory :

1. Coal and Lignite

2. Petroleum (other than crude) and its distillation products

3. Distillation and brewing of alcoholic drinks

4. Sugar

5. Animal fats and oils

6. Cigars and Cigarettes of tobacco and manufactured tobacco substitutes
7. Asbestos and asbestos-based products
8. Plywood, decorative veneers and other wood based products
9. Raw hides and skins, leather, chamois leather and patent leather
10. Tanned or dressed furskins
11. Paper and newsprint except bagasse-based units
12. Aerospace and defense equipment : all types
13. Industrial explosives
14. Hazardous chemicals
15. Drugs and pharmaceuticals

GLOBALIZATION

Globalization is primarily an economic phenomenon, involving the increasing interaction, or integration, of national economic systems through the growth in international trade, investment and capital flows. A rapid increase in crossborder social, cultural and technological exchange is part of the phenomenon of globalization.
Globalization intends to integrate the Indian economy with the world economy.
Globalization is considered to be an important element in the reforms package.

It has four parameters :

(i) Reduction of trade barriers so as to permit free flow of capital and services across national frontiers;
(ii) Creation of an environment in which free flow of capital can take place;
(iii) Creation of an environment permitting free flow of technology among nation-states; and
(iv) Creation of an environment in which free movement of labor can take

place in different countries of the world.

The advocates of globalization, especially from the developed countries, limit the definition of globalization to only three components viz., unhindered trade flows, capital flows and technology flows.

They insist that the developing countries accept their definition of globalization and conduct the debate on globalization within the boundaries set by them. But several economists and social thinkers in developing countries believe that this definition is incomplete. If the ultimate aim of the globalization movement is to integrate the world into one global village, then the fourth component of unrestricted movement of labor cannot be left out. But whether the debate about globalization is carried out at the World Trade Organisation (WTO) or at any other international forum, there is a deliberate effort to black out 'labor flows' as an essential component of globalization.

To pursue the objective of globalization, the following measures have been take:

(i) Reduction of import duties:

(ii) Encouragement of foreign investment:

iii) Encouragement to foreign technology agreement:

Washington Consensus

The Washington Consensus is a set of ten economic policy prescriptions considered to constitute the "standard" reform package promoted for crisis-wracked developing countries by Washington, D.C.-based institutions such as the International Monetary Fund (IMF), World Bank and United States

Department of the Treasury. The term was first used in 1989 by English economist John Williamson. The prescriptions encompass free-market promoting policies[3] in such areas as macroeconomic stabilization, economic opening with respect to both trade and investment, and the expansion of market forces within the domestic economy.

Subsequent to Williamson's use of the terminology, and despite his emphatic opposition, the phrase Washington Consensus has come to be used fairly widely in a second, broader sense, to refer to a more general orientation towards a strongly market-based approach (sometimes described as market fundamentalism or neoliberalism). In emphasizing the magnitude of the difference between the two alternative definitions, Williamson has argued (see § Origins of policy agenda and § Broad sense below) that his ten original, narrowly defined prescriptions have largely acquired the status of "motherhood and apple pie" (i.e., are broadly taken for granted), whereas the subsequent broader definition, representing a form of neoliberal manifesto, "never enjoyed a consensus [in Washington] or anywhere much else" and can reasonably be said to be dead.

Discussion of the Washington Consensus has long been contentious. Partly this reflects a lack of agreement over what is meant by the term, but there are also substantive differences over the merits and consequences of the policy prescriptions involved. Some critics take issue with the original Consensus's emphasis on the opening of developing countries to global markets, and/or with what they see as an excessive focus on strengthening the influence of domestic market forces, arguably at the expense of key functions of the state. For other commentators, the issue is more what is missing, including such areas as institution-building and targeted efforts to improve opportunities for the weakest in society.

Policy Measures of Second Phase of Economic Reforms:

The following are the major areas of the second phase of economic reforms in India:

1. Fiscal Policy Reforms:

The Government initiated various fiscal measures in order to reduce the fiscal deficit from 8.4 per cent of GDP in 1990-91 to 5.0 per cent in 1996-97 and to 3.7 per cent in 2006-2007. In order to achieve this target, the Government introduced various controls over public expenditure and took initiative to raise both its tax and non-tax revenue.

The other measures include imposition of fiscal discipline by both Central and State Governments, reduction of subsidies, developing a more efficient expenditure system, encouraging state governments to streamline the working State Enterprise, more particularly State Electricity Boards and State Transport Corporations and withdrawal of budgetary support to Central public sector enterprises and to improve their profitability and efficiency.

2. Monetary Policy Reforms:

The Government pursued a restrictive monetary policy for reducing inflationary pressures and also for improving balance of payment position.

3. Pricing Policy Reforms:

In order to reduce budgetary provision for subsidies and to promote a more flexible price structure, the Government increased the administered prices of various commodities and inputs (petroleum products and fertilizers) and gave greater freedom to public sector enterprises to set prices as per market forces.

4. External Policy Reforms:

The government introduced stabilization and import compression measures in order to reduce the current account deficit in balance of payments to 2.1 per cent of GDP in 1991-92 and then to 2 percent of GDP in 1992-93.

5. Industrial Policy Reforms:

In order to make necessary reforms in its industrial policy, the Government introduced its new industrial policy on July 24, 1991.

The various measures under industrial policy reforms include:

(a) Abolition of the scheme of industrial licensing for all industrial projects accepting 18 industries related to security, strategic or environmental concerns etc.;

(b) De-reservation of the area of public sector from 17 to 8 industries in order to open up area of investment for the private sector;

(c) Elimination of the system of pre-entry scrutiny of investment decisions of the MRTP companies and controlling only "unfair or restrictive business practices";

(d) Liberalization of location policy;

(e) Abolition of phased manufacturing programmes earlier enforced to increase the pace of indigenisation and

(f) Removal of mandatory convertibility clause.

6. Foreign Investment Policy Reforms:

The new industrial policy, 1991 made provision for increased flow of foreign investment in connection with technology transfer, marketing expertise and introduction of modern managerial techniques. Accordingly, the new policy included 34 priority industries in Annexure III to give automatic permission for foreign direct investment up to 51 per cent foreign equity.

Trade Policy Reform:

In the context of globalization of the economy and also to promote international integration of our country, phasing out excessive and indiscriminate protection given to domestic industry has become necessary. This would develop a vibrant export sector and create a regime of price based systems.

The main objective is to progressively eliminate the system of licenses and quantitative restrictions, particularly for capital goods and raw materials so that these items can be placed easily on open general license (OGL). The new policy made provision for reduction of the scope of public sector monopoly sharply for most export items and also a good number of import items.

In this context, the Government has introduced Export-Import Policy, 1992-97 and 1997-2002 for the coming five years and on 13th April 1998 the Government has further modified this new Exim Policy (1997-2002) and also announced its annual Exim Policy, 2000-01 and also in 2001-2002; Again on

31st March, 2002, the Government announced its new Exim Policy, 2002-07 so as to achieve 1 per cent share in global exports by 2007.

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Public-Private Partnership Model:

- PPP is an arrangement between government and private sector for the provision of public assets and/or public services. Public-private partnerships allow large-scale government projects, such as roads, bridges, or hospitals, to be completed with private funding.
- In this type of partnership, investments are undertaken by the private sector entity, for a specified period of time.
- These partnerships work well when private sector technology and innovation combine with public sector incentives to complete work on time and within budget.
- As PPP involves full retention of responsibility by the government for providing the services, it doesn’t amount to privatization.
- There is a well defined allocation of risk between the private sector and the public entity.
- Private entity is chosen on the basis of open competitive bidding and receives performance linked payments.
- The PPP route can be an alternative in developing countries where governments face various constraints on borrowing money for important projects.
- It can also give required expertise in planning or executing large projects.

Models of Public Private Partnership (PPP)

Commonly adopted model of PPPs include

Build-Operate-Transfer (BOT) ,Build-Own-Operate (BOO), Build-Operate-Lease-Transfer (BOLT), Design-Build-Operate-Transfer (DBFOT), Lease-Develop-Operate (LDO), Operate-Maintain-Transfer (OMT), etc.

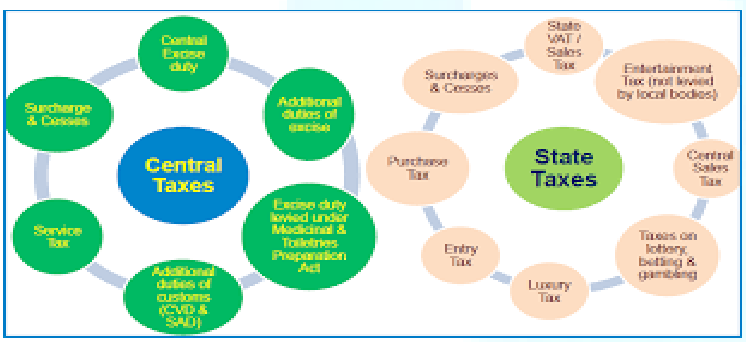
These models are different on level of investment, ownership control, risk sharing, technical collaboration, duration, financing etc.

- **BOT**: It is a conventional PPP model in which a private partner is responsible to design, build, operate (during the contracted period) and transfer back the facility to the public sector.
- Private sector partner has to bring the finance for the project and take the responsibility to construct and maintain it.
- Public sector will allow private sector partners to collect revenue from the users. The national highway projects contracted out by NHAI under PPP mode is a major example for the BOT model.
- **BOO:** In this model ownership of the newly built facility will rest with the private party.
- On mutually agreed terms and conditions the public sector partner agrees to 'purchase' the goods and services produced by the project.
- **BOOT:** In this variant of BOT, after the negotiated period of time, the project is transferred to the government or to the private operator.
- The BOOT model is used for the development of highways and ports.
- **BOLT:** In this approach, the government gives a concession to a private entity to build a facility (and possibly design it as well), own the facility, lease the facility to the public sector and then at the end of the lease period transfer the ownership of the facility to the government.
- **DBFO:** In this model, the entire responsibility for the design, construction, finance, and operation of the project for the period of concession lies with the private party.

- **LDO:** In this type of investment model either the government or the public sector entity retains ownership of the newly created infrastructure facility and receives payments in terms of a lease agreement with the private promoter.
- It is mostly followed in the development of airport facilities.
- Problems with PPP Projects
- PPP projects have been stuck in issues such as disputes in existing contracts, non-availability of capital and regulatory hurdles related to the acquisition of land.

The Indian government has a poor record in regulating PPPs in practice. Metro projects become sites of crony capitalism and a means for accumulating land by private companies.

Cooperative federalism with special reference to GST.



GST: a shining example of Cooperative federalism

In our Federal System both Centre and States have power to impose taxes. The division of such taxation powers is given in the Union and State List under the 7th Schedule. With the spirit of cooperative federalism, under GST, both Centre and States have given up taxation powers and as a result following taxes have been eliminated.

This convergence for the cause of larger public goods has been made possible, initially due to the mechanism of the Empowered Committee of

Ministers (EC) and later the GST Council. Under the GST regime, the Centre & States will act on the recommendations of the GST Council. GST Council comprises the Union Finance Minister, Union Minister of State for Finance and all Finance Ministers of the States. 2/3rd of voting power is with the States and 1/3rd with the Centre which reflects the accommodative spirit of federalism.

Though the Constitution provides for decisions being taken by a 3/4th majority of members present and voting, all decisions till now (before july, 1, 2017) have been taken unanimously by consensus. The very fact that there has been no need to resort to voting to take any decisions taken till now in 18 meetings held so far reflects the spirit of "One Nation, One Aspiration, One Determination". In this context it is important to note that credit for the new law does not go to one party or one government but it's a shared legacy of all.

The participation of all States and Centre in the framing of GST laws has led to the following features in the GST Laws. These features signify the spirit of cooperative federalism.

- **Harmonization of GST laws across the country**: Even though Centre and each State legislature have passed their own GST Acts, they are all based on the Model GST law drafted jointly by the Centre & the States. Consequently, all the laws have virtually identical provisions.
- **Common Definitions:** There are common definitions in the CGST and SGST Act.
- **Common Procedures / Formats**: There are common procedures; common formats in all laws, even the sections and subsections in CGST Act and SGST Act are same. UTGST Act provides that most of the provisions in CGST Act,
- **Common Compliance Mechanism**: GSTN, a not-for-profit, non-government company promoted jointly by the Central and State

Governments, is the common compliance portal and the taxpayers shall interface with all states as well as Centre through this portal.

- Other significant areas, where such cooperation has been displayed by the Centre and States are as under:
- **Joint Capacity Building Efforts**: Joint Capacity Building efforts by Centre as well as all the States are being organized wherein for the first time the training of officers of Centre and State is being conducted under the auspices of National Academy of Customs, Indirect Taxes and Narcotics (NACIN).
- NACIN has formed a Joint Coordination Committee in each State composed of Centre, State and NACIN Officers for overseeing Capacity Building efforts.
- **Joint Trade Awareness & Outreach Efforts**: Centre along with the State Government Officials has been organizing Joint Trade Awareness & Outreach programs wherein for the first time the Officers came together to create GST awareness amongst Trade and other stakeholders.
- **Cross Empowerment of Officers of Centre as well as States**: Though GST will be jointly administered by Centre and State, for ensuring ease of doing business, the individual taxpayer will have a single interface with only one Tax Authority either Centre or State.
- **Joint Implementation Committees:** In order to ensure smooth rollout of GST, the GST Council has formed a three tier structure consisting of: the Office of the Revenue Secretary, GST Implementation Committee (GIC) and eight Standing Committees. In addition, eighteen Sectoral Groups representing various sectors of the economy have been set up.

All these Committees viz. GST Implementation Committee (GIC), Standing Committees and Sectoral Groups have representation of Centre and State Officers in the spirit of cooperative federalism to ensure quick administrative decisions required before and after the rollout and ensure effective coordination for smooth implementation of GST.

Indeed, GST in India in its conception, enactment and implementation is an example of real **'cooperative federalism' at work, in tune with the unique character of India - 'Unity in Diversity'.**