



Foreward by the Prime Minister

The *Report to the People*, published every year by our Government, has set a new benchmark for accountability in governance. This comprehensive report listing all the policies adopted, projects launched and programmes implemented is a unique demonstration of our commitment to being accountable. In a democracy, people have a right to know what their Government is doing in fulfillment of its mandate. It is my sincere hope that the contents of this report are widely disseminated and are discussed by our people.

This year's *Report to the People*, putting together initiatives taken since May 2004 when our Government took charge, shows that the policy agenda set out by the constituents, allies and supporting parties of the United Progressive Alliance in the National Common Minimum Programme has been substantially implemented. It is my sincere hope and firm belief that by the end of our tenure in Government we would have delivered more than we had promised.

The main objective of our Government in the past three years has been to ensure that, while sustaining higher rates of economic growth, the improved performance of the economy contributes to employment generation, poverty reduction and human development. In this 60th year of our Independence, the country should have the satisfaction of recording for the fifth year in succession a rate of economic growth of over 8.5%. The recent acceleration of growth to 9% has been made possible by an unprecedented increase in the rate of investment which is at an all-time high of around 35% of national income. Higher rates of investment and growth have helped generate employment and reduce poverty.

However, our Government recognizes that high national income growth alone does not address the challenge of employment promotion, poverty reduction and balanced regional development. Nor does growth in itself improve human development. The National Common Minimum Programme is based on the recognition that economic growth must be socially inclusive and regionally balanced. This has been the guiding principle of our Government's policies in the past three years.

Taken together, all the major initiatives of our Government, in agriculture and rural development, in industry and urban development, in infrastructure and services, in education and health care and in every other facet of life, are aimed at promoting "inclusive growth".

The key components of our strategy of "inclusive growth" have been to: (a) step up investment in rural areas, in rural infrastructure and agriculture; (b) increase credit availability to farmers and offer them remunerative prices for their crops; (c) increase rural employment,

providing a unique social safety net in the shape of the National Rural Employment Guarantee Programme; (d) increase public spending on education and health care, including strengthening the mid-day meal programme and offering scholarships to the needy; (e) invest in urban renewal, improving the quality of life for the urban poor; (f) socially, economically and educationally empower scheduled castes, scheduled tribes, other backward classes, minorities, women and children; and (g) ensure that, through public investment, the growth process spreads to backward regions and districts.

Our Government has ensured a massive increase in public investment in the past three years, without renegeing on our commitment to fiscal discipline. Through Bharat Nirman, we are investing Rs. 1,74,000 crore in rural roads, rural housing, rural drinking water supply, rural electrification and rural telecommunications. We have nearly trebled the budgetary allocation for education in three years from around Rs 12,000 crore in 2003-04 to over Rs 32,000 crore in 2007-08. This is an unprecedented increase in public spending on education in India. The allocation for health and family welfare has been more than doubled during these three years, from Rs 7,620 crore in 2003-04 to Rs 17,560 crore in 2007-08. In agriculture and rural development, funding has been stepped up from around Rs 20,000 crore in 2003-04 to over Rs 60,000 crore in 2007-08.

Apart from increased public investment in rural infrastructure through Bharat Nirman, our Government has helped the agricultural sector by doubling farm credit within two years and sustaining this momentum by investing in agriculture. We have once again helped shift the terms of trade in favour of agriculture by raising procurement prices for wheat and rice and also ensuring that farmers receive remunerative prices for all crops. Our farming community has certainly benefited from better prices for their produce. This too is an aspect of making growth more inclusive.

In the last year, the growth processes we have unleashed have put some pressure on prices. We have been faced with galloping demand for many products and this has resulted in inflation becoming a cause for concern, particularly in the case of some essential commodities. This has been compounded by a shortfall in production of these commodities. We have taken credible steps to control inflation and will continue to be vigilant on this front so that the poor and vulnerable sections of society do not suffer unduly. We have made arrangements to augment supplies wherever feasible and hope to keep prices in check. All reasonable measures will be adopted to accelerate the tempo of agricultural production and to strengthen the public distribution system.

The magnitude of increase in spending on the social sectors and rural development is indeed extraordinary. Through such massive fiscal support, undertaken even as we have reduced the fiscal and revenue deficits and improved public finances, we have spread the benefits of growth more widely. This is an important aspect of our strategy of inclusive growth. But it is by no means the only aspect.

Inclusive growth also means empowering the disadvantaged. This we have done through a variety of legislative interventions. We have empowered women, empowered tribals and dalits, empowered the minorities and other backward classes. We have vastly increased student scholarships and expanded the scope of the mid-day meal programme. Over twelve crore children are getting a nutritious meal everyday and this in itself would contribute to reducing malnutrition. A New 15 Point Programme has been introduced for the

welfare of minorities, the results of which would flow in years to come. It is important that this important section of the population is not left behind while the rest of the country moves ahead rapidly on the development trajectory. A landmark legislation has been passed giving tribals a right to own lands in forest areas, areas which have been under their possession for ages. This legislation would go a long way in providing a sense of security to them.

The National Rural Employment Guarantee Programme is a key element of our strategy of inclusive growth. It is a unique programme aimed at providing a social safety net to the poor, now being implemented in 330 districts across the country. Most of these are in the more backward regions. As economic growth spreads to newer regions, especially in northern, central and north-eastern India, the growth process will help reduce poverty in the most backward regions of the country. The Backward Regions Grant Fund, with an annual allocation of Rs 5,800 crore for 250 backward districts, is aimed at stepping up investment in these regions.

In the North-east several steps have been taken to accelerate economic growth and improve social and economic infrastructure. Improving connectivity is the key. The Special Accelerated Road Development Programme for the North-East (SARDP-NE) is an important initiative to improve connectivity to the region and thereby, bring it within the mainstream growth process of the national economy. A comprehensive new industrial policy has been approved for the North East which will hopefully, accelerate investment in the region and help this region realise its hidden potential.

Another region which has been receiving focused attention is Jammu & Kashmir. A state which has been distressed by terrorism for many years has seen a healing touch over the last few years. While working for the accelerated development of the state through improvements in infrastructure, tourism facilities and educational and health services, we have also been effectively engaging with as many political and other groups as possible to understand the underlying causes of dissatisfaction. The Roundtable series of conferences has thrown light on some of the issues and we are working collectively to find lasting solutions to the problems of the state.

This strategy of “inclusive growth” combines empowerment with entitlement and investment. Education empowers, improved health care empowers, employment guarantee entitles, fulfilling quota obligations entitles. *Through a combination of offering entitlement, ensuring empowerment and stepping up public investment, our Government has sought to make the growth process more inclusive.*

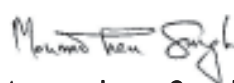
Our Government has also worked to create a more supportive external environment for India’s economic development. We have improved our relations with all major powers and all our neighbours. The recently held Summit of the South Asian Association for Regional Cooperation (SAARC) symbolizes the change in India’s regional and global standing. The Summit was marked by a new spirit of regional cooperation. The New Delhi Summit imparted a new momentum to SAARC, based on a wider agenda of cooperation. Afghanistan’s membership of SAARC and the presence of major powers as observers made the Summit truly historic. We have been able to engage Pakistan in a meaningful and constructive dialogue that has the potential to bring peace and prosperity to our region as a whole.

Our Government has repeatedly demonstrated its commitment and willingness to work cooperatively with all our neighbours. Our participation in the East Asian Summit and our decision to enter into a free trade agreement with ASEAN symbolize our renewed engagement of East and South-east Asia through our "Look East Policy". When tsunami hit our region, we not only managed to deal with the challenge on our own but were able to immediately render assistance to neighbouring countries. We have also been able to step up our economic engagement with countries of the Persian Gulf and reinforce our traditionally good relations with the Arab world. Our historic relations with Africa have been given a renewed focus and the India-Brazil-South Africa (IBSA) summits have now become a regular feature of our engagement with these two important nations. Our relations with China, Japan, Russia and the European Union have been strengthened. We have been able to outline the guiding principles for the settlement of our border dispute with China. We have been able to secure very valuable economic assistance from Japan, including for the construction of a dedicated rail freight corridor between Mumbai and Kolkata via Delhi and the development of an industrial corridor alongside it between Mumbai and Delhi. We have widened the range and deepened the scope of India-US relations. The agreement to enter into cooperation in civil nuclear energy with the United States and the on-going negotiations with the Nuclear Suppliers Group will mark a turning point in our developmental history. The access to high technology and to nuclear energy that this agreement will enable will further boost our development prospects.

These are all important gains for our foreign policy. Together they have made the global environment more secure for us. Never before has the external political and economic environment been more benign and supportive of our developmental aspirations. The world wants India to do well and it is up to us to take up the challenge and opportunity at hand.

Development is not just a matter of quantitative growth, it entails a qualitative change in mindsets and in aspirations. It requires political stability and social cohesion. It requires an environment in which the full creativity of our people can find its free expression. Our Government is committed to providing such an environment for inclusive and accelerated growth and social progress within the framework of a secular and liberal democracy.

I hope this Report inspires our people to greater effort. There is much we have done in these three years, but much more that we need to do to win the war against poverty, ignorance and disease, and the fight against extremism, communalism and terrorism. We have a long %; unfinished agenda to improve the quality of delivery systems for basic services such as education and health care. Simultaneously every citizen must work harder, work with greater dedication and commitment, and we must all work together, united as a nation. **I urge every citizen to read this Report and be better informed about what the United Progressive Alliance has done in guiding our country towards its tryst with destiny.** In this 60th year of our Independence let us all resolve to build a new India, a caring India.



Manmohan Singh

New Delhi 22 May 2007



2. **FULFILLING LIFE'S PROMISE**

2.1 **HEALTHCARE**

2.1.1 National Rural Health Mission (NRHM): With the launch of the Mission, a series of initiatives have been set in motion to effectively improve access to quality health care of people, especially those residing in rural areas, the poor, women and children. During the period 2005-12, the Mission seeks to halve infant mortality from 60 to 30 per thousand live births, reduce total fertility rate from 3 to 2.1, bring down maternal mortality to 100 per from over 300 per lakh at present, reduce prevalence of diseases covered under the national programme for disease control, upgrade all Community Health Centres to the Indian Public Health Standards, and increase bed occupancy by referred cases in First Referral Units from less than 20% to over 75%. The Mission's framework has a rights based approach. The framework proposes accountability at every level through a three-pronged process of community based monitoring, external surveys and stringent internal monitoring. The Citizen Charter would help the public to know their rights and entitlements at each facility. The setting up of the IPHS for each level of the health delivery system would be instrumental in the provision of minimum service guarantees at those levels.

Major initiatives like ASHA – a voluntary trained community health worker – in every village in 18 demographically weaker states (4.35 lakh ASHAs have been already selected and over two lakh trained), selection of over 90,000 link workers, provision of an additional ANM (Auxiliary Nurse Midwife) at all health sub-centres (with ANMs already put in position in nearly half the sub-centres), three staff nurses at each primary health centre and additional specialists and paramedical staff at the community health centres have already started making a difference. Shifting of control of health facilities to panchayati raj institutions, Rogi Kalyan Samitis and contractual appointments of ANMs and other critical manpower is making healthcare delivery system more accountable, while helping ensure presence of healthcare personnel in health centres, especially in rural areas. The Mission seeks to improve healthcare services for the underserved poor at the village level through the ASHA, improved facilities at health centres, availability of drugs for common ailments, access to immunisation, hospital delivery, nutrition and medical care at the village level. It attempts to create synergy among initiatives relating to nutrition, sanitation, hygiene and safe drinking water. It also aims at aligning the Indian systems of medicines to facilitate healthcare. It provides additional outlays for health, while

ensuring empowerment at the state and district levels. With decentralisation of programmes and smooth flow of funds, it has set in position the stage for district management of health. The Central Government earlier supported only construction / upgrade of sub-centres and, as a result, community / primary health centres, district hospitals etc., remained in poor condition. The Mission is bringing about much needed correction in this. For reforms and development of human resources, a National Health Systems Resource Centre as well as state centres are being set up. More than 10 lakh monthly health days have been organised at anganwadi centres, facilitating care during pregnancy and after childbirth, immunisation of children and pregnant mothers, distribution of basic drugs, and information about basic healthcare, hygiene and sanitation etc. Village health and sanitation committees are being set up in every village. Over 21 lakh patients have been benefited during the second year of Janani Suraksha Yojana, a scheme for promoting hospital delivery that gives cash incentives without red tape, and significant improvement have been reported in the number of hospital deliveries by a number of states. A general template in insurance has been formulated and circulated to states with the request that states may examine the need for health insurance for poor households. It is proposed to improve outreach activities in unserved and underserved areas through mobile medical units in each district. The Departments of Health and Family Welfare have been integrated at the Central level, while states have created single Health Societies at the state and district levels, thus effecting synergistic administrative integration of delivery mechanisms for vertical health programmes. Community health centres across the country are being upgraded as First Referral Units. Primary health centres are being made operational for round-the-clock services in a phased manner. For the first time, all 1.42 lakh sub-centres across the country have been provided untied funds to enable them to meet some of their requirements locally. The goal of 'eliminating' leprosy, as per WHO standards, has been achieved at the national level and the few states remaining above the elimination level of one case per 10,000 population are being targeted. The Government remains committed to wipe out poliovirus through focussed strategy and design in 2007. During 2006-07, the Mission provided total assistance to states of the order of Rs. 7,000 crore.

Clear timelines have been worked out for activities under the Mission. Fully trained ASHAs are expected to be in position for every habitation as per norms by 2008. Systems of community monitoring and village health and sanitation committees are targeted to be in place and provided untied grants to promote local health action by 2008. 1.75 lakh sub-health centres with two ANM each, 30,000 PHCs with three staff nurses each and 6,500 CHCs with seven specialists and nine staff nurses each are targeted to be strengthened / established by 2010, beginning with 30% of the target aimed to be achieved by 2007, in order to provide service guarantees as per the IPHS. The same timelines also apply to the strengthening of 1,800 Taluka / Sub-Divisional hospitals and 600 district hospitals. Rogi Kalyan Samitis are targeted to be established for all the CHCs, sub-divisional hospitals and district hospitals by 2009, beginning with 50% centres / hospitals by 2007. District Health Action Plan for the period till 2012 are to be prepared for all the districts by 2008. Health Centres at all levels will be provided untied grants as well as annual maintenance grants, beginning with 50% coverage by 2007 and full coverage by 2008. Health centres / hospitals at various levels will be fully equipped to provide service guarantees for family welfare, vector-borne disease programmes, tuberculosis, HIV/AIDS etc., by 2010, beginning with 30% coverage by 2007. Mobile medical

units are to be provided to each district by 2009, beginning with 30% coverage by 2007. Institution-wise assessment of performance against assured service guarantees will be carried out and annual reports on public health published for states and districts by 2010, beginning with a target of 30% by 2008.

2.1.2 HIV/AIDS: AIDS control has been given leadership at the level of the Prime Minister with the formation of the National Council on AIDS, which has given direction to the National AIDS Control Programme Phase-III (NACP-III) for making AIDS everyone's business and mainstreaming HIV/AIDS concerns in programmes and schemes across relevant Ministries in order to achieve the Millennium Development Goal of halting and reversing the AIDS epidemic by 2011, rather than the global target of 2015 through scaling up of access to preventive services, counselling and testing facilities in the general population for behaviour change towards a more responsible life style. NACP-III, starting in 2007-08, will target high-risk groups in all states. The Government will expand access to condoms and ensure universal access to blood screening and safe blood. More hospitals will provide treatment to prevent transmission of HIV/AIDS from mother to child. Support will be given to the protocol on paediatric dosage to prevent mother to child HIV transmission. Outlays have more than doubled over the past two budgets. In addition, the Government has approved accessing financial grant of over Rs. 300 crore from the Global Fund to fight AIDS, Tuberculosis and Malaria for implementing and scaling up the Prevention of Parent to Child Transmission programme in the six high prevalence states till 2008-09.

2.1.3 Population stabilisation: Comprehensive health care as basic to family planning has been sought to be extended through the NRHM and is expected to contribute to population stabilisation. The use of the term population control has been dropped. The emphasis is on voluntary acceptance through awareness creation and better access rather than on a target-oriented approach through directives from the State. Incentives to ASHAs under the NRHM include those for family planning. Janani Suraksha Yojana has been launched to promote institutional deliveries. States have been advised to address population stabilisation through investment in health, education and empowerment. The learning from southern states would be formulated through appropriate strategies in the demographically weaker states after studying their peculiar conditions. The National Population Commission has been reconstituted and has met.

2.1.4 Pradhan Mantri Swasthya Suraksha Yojana: In order to fill the gap in tertiary healthcare infrastructure as well as facilities for quality medical education in under-served states, the Government has approved Pradhan Mantri Swasthya Suraksha Yojana for establishing six new institutions like the All India Institute of Medical Sciences in Bihar, Madhya Pradesh, Orissa, Rajasthan, Chhattisgarh and Uttarakhand as well as upgrading several more such institutions. Each institution will consist of a 850-bed hospital providing state-of-the-art medical treatment facilities through streamlined referral system in 39 speciality / super-specialty disciplines and will provide medical education with an intake of a hundred under-graduate students every year, besides postgraduate and doctoral courses in speciality / super-specialty disciplines.

2.1.5 Affordable and safe medicine: A Group of Ministers is considering a draft of a National Pharmaceuticals Policy that seeks to harmonise price control issues with growth requirements of the pharmaceuticals industry and simplify the procedure for price fixation and price monitoring. All the three Central pharmaceuticals PSEs had been sick and stood referred to the BIFR for the last 10 to 20 years. The UPA Government has taken up their revival in mission mode. Revival packages have been approved for, Hindustan Antibiotics Ltd. and Bengal Chemicals and Pharmaceuticals Ltd. with cash infusion and waiver amounting to several hundred crore rupees. The revival package for Indian Drugs and Pharmaceuticals Ltd. is under consideration. Restructuring of the Central Drug Standards Control Organisation into the autonomous Central Drug Authority of India will provide a better regulatory frame.

2.1.6 Public Health Foundation of India: The Public Health Foundation of India has been set up as a new model of public-private partnership, with the objective of making a substantial impact on public health education by building new world-class public health institutions and strengthening the existing ones, creating a critical mass of high quality faculty in the field of public health, setting standards in public health education, carrying out India-relevant research and enabling appropriate policy formulation to create meaningful career tracks for public health professionals.

2.1.7 Universalising ICDS: The UPA Government has sanctioned 2.95 lakh anganwadi centres and 25,961 mini-anganwadi centres in two phases as parts of its commitment to ensure an anganwadi centre in every habitation, as per the existing population norm of one centre for a population of 1,000 (700 for tribal/hilly/desert areas), during the Eleventh Plan period for reaching out to all children below six years of age, pregnant women and lactating mothers. With this, the number of anganwadi centres sanctioned has increased by around 40% to over 10 lakh centres in just two years. Financial norms for supply of supplementary nutrition have been doubled to two Rupees per beneficiary per day since October 2004 to ensure that the required quantity of nutrients is available to beneficiaries. To enable state governments to provide supplementary nutrition without problems, the UPA Government has decided to give support amounting to up to 50% of expenditure incurred by the state government. New population norms for setting up anganwadi centres are being formulated. Nutrition is now provided to all pregnant women, lactating women and children, and is no longer limited to those belonging to families living below the poverty line. The aim is that proportion of underweight children should get reduced by almost 1% every year. The Government proposes to consultatively evolve models for public-private partnership in the ICDS.

2.1.8 AYUSH: Bills have been tabled in Parliament by the UPA Government to amend relevant enactments in order to prevent the growth of sub-standard colleges, by making it mandatory to seek prior permission of the Central Government for establishing new colleges, starting new and higher courses and increasing admission capacity in Ayurveda, Siddha, Unani and Homoeopathy colleges, and bringing about transparency and accountability in the functioning of the relevant Councils. The Indian Medicine and Homoeopathy Pharmacy Bill, 2005 has also been introduced in Parliament to establish the Central Pharmacy Council for Indian Medicine and Homoeopathy to regulate and standardise pharmacy education. In order to address domestic as well as global concerns relating to presence of heavy metals in

Ayurveda, Siddha and Unani formulations, mandatory testing of heavy metals for the presence of arsenic, lead, mercury and cadmium in all purely herbal Ayurveda, Siddha and Unani drugs for export purposes has been introduced. New schemes are proposed to be introduced under the Eleventh Plan for developing accredited AYUSH Centres of Excellence in non-governmental/private sector, providing common facilities for AYUSH industries clusters, strengthening of international cooperation and promoting public private partnership for setting up specialty clinics in AYUSH hospitals and mainstreaming of AYUSH in national health care delivery.

2.2 EDUCATION

2.2.1 Funding: The total allocation for education has risen to Rs. 32,352 crore in 2007-08, an increase by 34% over the previous year. An education cess (@ 2% on major Central taxes) was introduced to raise resources for providing universal elementary education. A non-lapsable fund called Prarambhik Shiksha Kosh was set up to receive the proceeds of the education cess to finance elementary education, including Sarva Shiksha Abhiyan (SSA) and the national cooked mid-day meal programme. An additional education cess @ 1% on major Central taxes has been introduced in 2007-08 for funding secondary and higher education.

2.2.2 School education: The allocation for school education has been increased by about 35% to Rs. 23,142 crore in 2007-08. SSA seeks to bridge all gender and social category gaps at primary stage by 2007 and at elementary education level by 2010. Universal retention by 2010 is another important goal of SSA. Till November 2006, 1.81 lakh new schools had been opened, 7.38 lakh teachers had been appointed, 1.5 lakh school buildings and 5.8 lakh additional classrooms had been constructed, 1.52 lakh drinking water facilities had been created and nearly two lakh toilets had been constructed. Free textbooks are distributed to over 5.78 crore children annually. The provision for strengthening teachers training institutions has been increased by 178% during 2007-08. During 2007-08, appointment of 200,000 more teachers and construction of 500,000 more classrooms are targeted.

The provision for secondary education has been doubled to Rs. 3,794 crore in 2007-08. While the SSA has improved the enrolment ratio in schools to 96 per cent, the drop out ratio continues to be high. In order to arrest the drop out ratio and encourage students to continue their education beyond class VIII, the Government has introduced a National Means-cum-Merit Scholarship Scheme. One lakh students each year will be given Rs. 6,000 per year for study in classes IX to XII. It is proposed to more than double the Kendriya Vidyalaya system from existing 919 schools by opening of 1,000 new schools over the Eleventh Plan period. Likewise, the Jawahar Navodaya Vidyalaya system too would expand to more than double its existing size of 539 schools through opening of 700 more schools over the Plan period.

The UPA Government has prepared a Model Right to Education Bill for adoption by states to give effect to the fundamental right to education. The Centre is actively pursuing the matter with the states.

2.2.3 Cooked mid-day meal: In order to improve enrolment, attendance and health of school-going children, the UPA Government has launched the National Cooked Mid Day Meal Programme for Government-run and Government aided primary schools countrywide. The programme covers around 12 crore children in over 9½ lakh schools and is the world's largest school feeding programme. Earlier, states were only provided free uncooked food grains. States have now been provided assistance for meeting cooking cost @ Re. 1 per child per school day since 2004-05. Since 2004-05, rates for transport subsidy to States have been enhanced by 100% for special category states and by 50% for other states. Financial provision has been made for better supervision and monitoring. Provision has also been made for mid-day meals during summers in drought-affected areas. An exercise has been commenced for the extension of the programme to upper primary levels. The Programme has been further revised in June 2006 to provide cooked mid-day meal containing nutritional value of minimum 450 calories and 12 grams of protein, as against earlier provision of minimum 300 calories and 8-12 gram of protein. To this end, states have been advised to include minimum quantity of 100 gram of wheat/rice, 20 gram of pulses, five gram of oil and fats, and iodised salt, condiments, micronutrient supplementation and de-worming as required. For this, minimum cost for cooking has been fixed at Rs. 2 per child per school day, of which Central assistance is to the tune of Rs. 1.50 per child per school day and Rs. 1.80 per child per school day for northeastern states. In addition, provision has been made for assistance to states to construct kitchens-cum-stores in about six lakh primary schools and to give assistance for cooking / kitchen devices in a phased manner. Mid-day meal plan outlay has increased more than five-fold to Rs. 7,324 crore in 2007-08. An exercise has been commenced for extension of the programme to upper primary levels in 3,427 economically backward blocks.

2.2.4 Making higher and technical education affordable:

Student loans: The amount of outstanding educational loans disbursed by public sector banks increased from Rs. 4,550 crore in 2003-04 to Rs. 10,005 crore in 2005-06. The number of loan accounts increased from 3.19 lakh in 2003-04 to 6.84 lakh in 2005-06. Banks have waived the need for collateral for student loans up to Rs. 7.5 lakh, up from Rs. 4 lakh earlier, if a satisfactory guarantee is provided on behalf of the student. As against the earlier limit for deduction under the Income Tax Act of Rs. 40,000, deduction has been allowed without any limit on the entire amount of interests paid by an individual during the previous year on amount paid for repayment of loan or interest on loan taken for the purpose of pursuing higher education.

Scholarships / fellowships: Four Merit Scholarship Schemes, with 350 scholarships annually for the engineering stream and 150 scholarships annually for MBBS, have been introduced for medical and engineering students enrolled in Government and aided institutions participating in the AIPMT and the AIEEE. A comprehensive and interactive portal (www.educationsupport.nic.in) has been designed and launched to provide information on all scholarships, fellowships and educational loan facilities offered in the public and the private sectors. To prepare candidates from among the Scheduled Castes and the Scheduled Tribes for selection to academic positions and for doctoral studies, the Rajiv Gandhi National Fellowship Scheme was launched for funding 2,000 fellowships annually. All IIM students

the Indian Institute of Sciences, Bangalore for upgrading its infrastructure facilities. It is proposed to set up several new Indian Institutes of Information Technology.

2.2.7 *Autonomy of educational institutions:* A number of steps have been taken by the UPA Government to ensure that all institutions of higher learning and professional education retain their autonomy. This includes-

- (i) Restoration of the power of the IIMs to decide on their fee structure
- (ii) Financial contributions now need not be routed through the Bharat Shiksha Kosh
- (iii) Draft Model University Act to standardise governance across universities withdrawn
- (iv) Preparation of a report by a committee of CAGE on measures for enhancing the autonomy of higher education institutions as a consensual basis for further action
- (v) Withdrawal of orders requiring universities to seek prior approval for entering into MoU with foreign institutions for collaboration in research
- (vi) Reintroducing providing of Block Grants to institutions to restore financial autonomy
- (vii) Making the participation of universities in the AIEEE optional

2.2.8 *Accrediting bodies:* Regulations relating to the procedures for grant of recognition etc. have been revised and notified by bodies like the CBSE, the UGC and the NAAC that recognise or accredit educational institutions to provide for online submission and processing of applications and prescribing of time frames for disposal of applications.

2.2.9 *Skill development:* The UPA Government has announced its intention of launching a National Skills Mission and the design of the Mission is being finalised, with provision for public-private partnership. Upgrading of 500 Industrial Training Institutes into centres of excellence for producing multi-skilled workforce of world-class standards has already been initiated and the Finance Minister has further announced that a total of 1,396 ITIs will be upgraded into centres of excellence in public-private partnership.

2.3 ASSURING CHILD RIGHTS

2.3.1 *Institutional focus:* Keeping in view Constitutional provisions and in order to give greater focus to issues relating to children, an independent Ministry of Women and Child Development has been created. The Commissions for Protection of Child Rights Act, 2006 has provided for constitution of a National Commission, as well as State Commissions, for protection of child rights, and Children's Courts for speedily trying offences against children and instances of violation of children's rights. The Commissions will study and monitor all matters relating to child rights, examine and review legal safeguards, recommend measures for effective implementation of laws, review and suggest amendments to existing laws, look into cases involving violation of children's rights, and monitor implementation of laws and programmes for children. The National Commission has been set up.

2.3.2 Children in conflict with the law: The Juvenile Justice (Care and Protection of Children) Act, 2000 has been amended to make it more child-friendly through measures and safeguards like providing for prohibition on confinement of a juvenile in police lock-up or jail, alternatives to detention in observation homes, sealing on period of confinement in special home, mandating time-bound setting up of Juvenile Justice Boards and Child Welfare Committees in each district with requirement of production within 24 hours before the Board or Committee, barring association of police in the inquiry process, constitution of child protection units at the state and district levels, time-bound compulsory registration of all voluntary organisations working for children in need of care and protection to ensure proper monitoring, having one or more institutions declared as adoption agencies in each district to facilitate adoptions, empowering courts to give adoption orders, opening the option for inter-country adoptions, coordination of restoration of children to their original families, promotion of rehabilitation measures including adoption and ensuring minimum standards of care in various homes set-up by the state governments, and introduction of model rules under the Act.

2.3.3 Care and protection of children: In order to ameliorate the condition of hapless working children, the government has decided to prohibit employment of children as domestic servants or servant or in roadside eateries, restaurants, hotels, motels, teashops, resorts, spas or other recreational centres. The Offences Against Children (Prevention) Bill is being finalised to provide for dealing with offences against children, including sexual assault, unlawful sexual contact, sexual offences not based on contact, offences relating to trafficking, cruelty, corporal punishment, ragging, intoxication, kidnapping, abduction and wrongful detention, use for pornography, and involvement in armed conflict. The Government has initiated steps to formulate a comprehensive and integrated Child Protection Scheme in order to have a complete child protection framework across the country. The aim is to provide for institutional as well as non-institutional support for children in difficult circumstances in order to provide for their immediate care and protection as well as long-term rehabilitation and to also address the capacity building and training needs of all categories of functionaries concerned with children, besides advocacy and awareness generation.

2.3.4 Child marriage: A bill has been tabled for amending the Prevention of Child Marriage Act. It includes provision for declaration of a child marriage as void at the option of the child who contracted such marriage. It also includes provision requiring the husband, or the guardian of a minor husband, to pay for maintenance of a minor girl contracting a child marriage until the girl's remarriage. It further provides for custody and maintenance of children born of child marriages and provides that such children shall be legitimate for all purposes, notwithstanding nullification of such marriages. In order to provide for effective action, it is proposed to make offences cognisable and provide for appointment of child marriage prevention officers.

2.3.5 Development of children: The comprehensive and holistic National Plan of Action for Children, 2005 sets time-bound targets for achievement in terms of reduction of infant and child mortality and HIV prevalence in infants, universal access to drinking water and basic sanitation, and the elimination of child marriages as well as the incidence of disabilities due to polio. It is being following up for implementation in coordination with state governments. The scheme for crèches and day care centres has been revised with enhanced outlays for

improved and better crèche facilities to children and working mothers, as well as training for service providers, and a new scheme launched, viz., the Rajiv Gandhi National Crèche Scheme for the Children of Working Mothers. The phased expansion for universalising the ICDS, the universal National Cooked Mid-Day Meal Programme, and universalised Kishori Shakti Yojana, are major initiatives of the Government for assuring realisation of child rights. The ICDS provides an integrated package of health, nutrition and education services to lay the foundation of proper development of children and adolescent girls and to enhance the capability of mothers to look after the health and nutritional needs of their children. Kishori Shakti Yojana seeks to improve the nutritional and health status of girls in the 11 to 18 years age group, provide non-formal education, upgrade skills, promote awareness, promote marriage only after attaining majority, and encourage initiation of productive and useful activities.

2.4 SECURING NUTRITION AND FOOD

2.4.1 Nutrition security: Nutrition security is being addressed through the National Cooked Mid-Day Meal Scheme, ICDS, Kishori Shakti Yojana, Nutrition Programme for Adolescent Girls and Pradhan Mantri Gramodaya Yojana. The National Cooked Mid-Day Meal Scheme has been nearly universalised, while the first phase for universalising the ICDS has been sanctioned. Government has also universalised Kishori Shakti Yojana to improve the nutritional and health status of girls in the 11 to 18 years age group.

2.4.2 Food security: Food security is being addressed through the National Rural Employment Guarantee Scheme, expanded outlays under the Sampoorna Grameen Rozgar Yojana, expanded. Antyodaya Anna Yojana and the revised scheme of village grain banks. Antyodaya Anna Yojana has been expanded to cover additional one crore households, a rise of 67%. To make fair price shops viable, instructions have been issued for using them as PCOs and covering lending to them as priority sector lending. The scheme of village grain banks has been revised, giving it wider coverage and making it more comprehensive, as a safeguard against starvation during periods of natural calamities and the lean season. Earlier, the scheme covered only persons belonging to the Scheduled Tribes and willing persons from among the Scheduled Castes in tribal areas. The Scheme now covers all willing families living below the poverty line in drought prone areas, desert areas and inaccessible hilly areas in food scarce parts of the country. Over 10,000 grain banks have been approved over the last two years.

- Nutrition security through nearly universal National Cooked Mid-Day Meal Scheme in primary schools, phased launch of universal access to anganwadi centres, **universalised Kishori Shakti Yojana** and universal Pradhan Mantri Gramodaya Yojana
- Food security through National Rural Employment Guarantee Scheme, expanded outlays under SGRY, **67% expansion in Antyodaya Anna Yojana, revised Village Grain Banks scheme**



3. **TOWARDS A JUST SOCIETY**

3.1 **COMMUNAL HARMONY AND WELFARE OF MINORITIES**

3.1.1 Focus on minority affairs: Minority affairs have been given focus through creation of the Ministry of Minority Affairs. A bill for providing Constitutional status to the Minorities Commission has been introduced in Parliament. A Commission has been set up to identify how best the welfare of socially and economically backward sections among minorities, including through reservation in education and government employment, may be ensured. A High Level Committee chaired by Justice Rajindar Sachar has submitted its report on the social, economic and educational status of the Muslim community in India and the report has been tabled in Parliament. The UPA Government is following up on the recommendations, with a view to acting swiftly on the recommendations so that effective measures are taken soon for amelioration of the condition of minorities.

3.1.2 Communal harmony: The overall communal situation remained under control and there has been a sharp fall in the number of communal incidents. Timely and effective action was taken in some of the recent communal incidents. The National Integration Council has been reconstituted and has met after a gap of 12 years. The Communal Violence (Prevention, Control and Rehabilitation of Victims) Bill has been introduced in Parliament for prevention and control of communal violence, protection of witnesses, expeditious disposal of cases, immediate and effective steps for relief, rehabilitation and compensation to the victims of communal violence, and expeditious investigation and trial. The trend of communalisation of education has been reversed. The National Curriculum Framework for School Education has been revised. All autonomous bodies under the Ministry of HRD were requested to review those activities that have possibly given rise to the perception of communalisation of education and to take suitable corrective measures.

3.1.3 15 Point Programme for the Welfare of Minorities: The Prime Minister's 15-Point Programme for Welfare of the Minorities has been recast as follows to make it monitorable, to focus action sharply on issues intimately linked with the social, educational and economic uplift of minorities, to provide for earmarking of outlays in certain schemes and through location of developmental facilities in minority concentration areas, and to prevent communal disharmony and violence:

- (A) Enhance opportunities for education
 - (1) Ensure equitable availability of ICDS services
 - (2) Improve access to school education
 - (3) Give greater resources for teaching Urdu in primary and upper primary schools
 - (4) Modernise *madarsa* education
 - (5) Pre- and post-matriculation scholarship schemes for meritorious students
 - (6) Improving educational infrastructure through the Maulana Azad Education Foundation
- (B) Equitable share in economic activities and employment
 - (7) Earmark a percentage of physical and financial targets under self-employment and wage employment schemes for beneficiaries belonging to minority communities who live below the poverty line
 - (8) Upgrade of skills through technical training by locating a certain proportion of all new ITIs in areas predominantly inhabited by minority communities and upgrading a proportion of existing ITIs to Centres of Excellence
 - (9) Enhance credit support for economic activities through strengthening of the National Minorities Development Finance Corporation and targeting an appropriate percentage of priority sector lending by banks for the minorities
 - (10) Give special consideration in recruitment under the Central Government to the minorities and advise state governments to do likewise, and launch a scheme to coach candidates belonging to the minority communities
- (C) Improve the living conditions
 - (11) Ensure equitable share in rural housing scheme of Indira Awaas Yojana
 - (12) Effect improvement in the condition of slums inhabited by the minorities
- (D) Prevention and control of communal riots
 - (13) Prevention of communal incidents
 - (14) Prosecution for communal offences
 - (15) Immediate, adequate and prompt assistance for rehabilitating victims of communal riots

Implementation of the programme is being closely monitored. Earmarking of 15% of physical targets and financial outlays of schemes has already been done in respect of most schemes included in the programme. The corpus fund of the Maulana Azad Education Foundation has been substantially increased.

3.1.4 National Commission for Minority Educational Institutions: The establishment under statute of the Commission has ensured that provisions of the Constitution that give minorities the right to establish and administer educational institutions of their choice are implemented effectively. It gives minority educational institutions the right to seek affiliation to any university of their choice, overcoming problems faced in seeking no objection for establishing such institutions, and provides for resolution of disputes relating to minority status of educational institutions.

3.1.5 National Minorities Development Finance Corporation (NMDFC): The condition of *pro rata* equity contribution by states has been waived and the Centre has increased its equity share while enhancing authorised share capital. An expert committee of bankers has been constituted to study the functioning of the National Minorities Development and Finance Corporation and recommend measures for revamping the organisation in order to enable it to discharge its functions more efficiently. It is expected that following its restructuring the Corporation would expand its operations and its reach significantly.

3.1.6 Promotion of education among the minorities: 2,180 new residential Kasturba Gandhi Balika Vidyalaya schools have been sanctioned over the last three years for providing free residential education up to class VIII to girls belonging predominantly to the minority communities or weaker sections of society. 84 polytechnic level institutes situated in areas having a concentration of minority communities have been identified for upgrading, while 12 new ones are proposed to be set up in such areas. Special allocations, over and above the normal plan grant, have been released through the UGC to Central universities that cater to the needs of the minorities. Schemes for pre-examination coaching of candidates belonging to the minority communities, earlier confined to Government institutions, have been expanded to include reputed private coaching institutes having a track record of showing good results in competitive examinations. Grants have been given augmenting the corpus fund of the Maulana Azad Education Foundation from Rs. 70 crore to Rs. 200 crore to enable the Foundation to expand its coverage in promoting education amongst the educationally backward minorities, through the Foundation's programmes of scholarships, awards, training, etc. Provision of Rs. 108 crore has been made for a multi-sector development programme in districts with a concentration of minorities. Outlays for the pre- and post-matriculation and the graduate / post-graduate merit-cum-means scholarship programmes for students belonging to the minority communities have been enhanced. Over the past three years, nearly four thousand Urdu teachers have been put into position through appointments against newly created posts or through payment of honoraria to existing teachers for teaching Urdu language in blocks / districts that have a concentration of economically backward minority communities.

3.1.7 Better dispensation for Haj pilgrims: The Haj Committee pilgrim quota has been raised substantially to 110,000 for Haj 2006-II. Several measures for improvement in facilities for pilgrims have been introduced, including enhanced accommodation norms in Mecca, more proximate accommodation facilities in Madina, improved health facilities, etc. State Haj Committees have been given an increased role in Haj management in terms of regulation of activities of private tour operators, deputation of State Haj Committee and Waqf Board employees as helpers or *khadim-ul-hujjaj*, etc.

3.1.8 Urdu channel: Doordarshan has launched an Urdu channel to meet the information, education and cultural needs of Urdu-speaking people, thereby affording their linguistic aspirations and identity a medium of expression and also helping preserve and promote its rich cultural and literary heritage. Efforts are being made to convert this into a 24-hour channel.

3.2 EMPOWERING WOMEN

3.2.1 Institutional focus: In order to give greater focus to issues relating to women, an independent Ministry of Women and Child Development has been created.

3.2.2 Law: Forty-two laws which are either specifically related to women or contain provisions affecting them, administered by various Ministries / Departments, have been under the scrutiny of the UPA Government. The Government has set up an Inter-Ministerial Committee on Legal Equality to monitor the status of amendments to such laws with a view to making them more women-friendly. So far, the UPA Government has amended six laws, enacted two new laws and issued executive orders in respect of five statutes.

Through coming into force of the Protection of Women from Domestic Violence Act, 2005, more effective protection has been provided to women who are victims of violence of any kind occurring within a family. The Act enables women to negotiate non-abusive and non-violent matrimonial or other domestic relationships and provides them a civil remedy hitherto not available in the criminal law regime. The Hindu Succession Act, 1955 has been amended to make Hindu women's inheritance rights in coparcenary property equal to men's across states, overriding any inconsistent state laws. A bill for compulsory registration of marriages is under active consideration. Amendments to the Commission of Sati (Prevention) Act, 1987 are being introduced to make the provisions of the Act more stringent, deterrent and effective and help re-orient the existing perception of the woman attempting to commit *sati* as an offender and, instead, treat her as a victim of prolonged social conditioning.

Amendments have been passed by Parliament prohibiting arrest of women after sunset and before sunrise; medical examination of persons accused of committing or attempting to commit rape; and mandatory judicial inquiry in case of rape while in police custody. This is expected to generate employment opportunities for women. The Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Bill is being finalised. Steps are being initiated to eliminate female foeticide. In order to provide flexibility in the matter of employment of women during night while requiring the employer to ensure measures for safety and protection, the UPA Government has introduced a bill in Parliament to amend the Factories Act, 1948.

The UPA Government has introduced a bill in Parliament in for amending the Immoral Traffic (Prevention) Act, 1956 in order to make the provisions of law more stringent, deterrent and effective against traffickers, pimps and brothel-owners, omit such provisions of the Act as are discriminatory towards women who are victims of commercial sexual exploitation, provide for in camera proceedings to protect the privacy and dignity of victims, and provide for setting up a Central authority as well as state authorities for effectively preventing and combating trafficking in persons.

Amendments are also being considered to the Indecent Representation of Women (Prohibition) Act, 1986, the Dowry Prohibition Act, 1961, the Medical Termination of Pregnancy Act, 1971, the Guardians and Wards Act, 1890, the Hindu Adoptions and Maintenance Act, 1956, the

Foreign Marriage Act, 1969, the Hindu Minority and Guardianship Act, 1956, the Factories Act, 1948, the Bonded Labour System (Abolition) Act, 1976, the Workmen's Compensation Act, 1923, the Maternity Benefit Act, 1961, the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979, the Plantation Labour Act, 1951, the Child Labour (Prohibition and Regulation) Act, 1986, the Payment of Wages Act, 1936, the Indian Penal Code, 1860 and the Code of Criminal Procedure, 1973 (to amend the law regarding rape/sexual assault).

3.2.3 Financial focus: One-third earmarking for women has been done under the National Rural Employment Guarantee Act. Gender budgeting for assessing and focusing the impact of Government spending on the welfare of women and improving the gender sensitivity of programmes and schemes has been introduced. Gender Budgeting Cells have been established in 50 Ministries / Departments. The outlay for 100% women-specific programmes is Rs. 8,795 crore and for schemes where at least 30% is specifically for women is Rs. 22,382 crore.

3.2.4 Women's Reservation Bill: A draft bill for introducing one-third reservations for women in legislatures has been made and efforts are being made for building consensus. The UPA Government has held meetings with all opposition parties and with all UPA constituents. Discussions have been held with women's groups and other stakeholders. The Government proposes to address the apprehensions that have laid to lack of consensus among political parties and table a new bill in Parliament.

3.2.5 Girls' education: 2,180 new residential Kasturba Gandhi Balika Vidyalaya schools have been sanctioned over the last three years for providing free residential education up to class VIII to girls. A new scheme to incentivise secondary education of girls through deposit of a sum of Rs. 3,000 in the names of girl children passing class VII and enrolling in secondary school with entitlement to withdraw upon attainment of majority has been announced.

3.2.6 Women officers in the Army: In a significant step, women officers' tenure as short-service commission officers has been extended from 10 years to 14 years, bringing it at par with male counterparts. They are now eligible for promotion as captain, major and Lt. colonel after two, six and 13 years of reckonable service.

3.3 EMPOWERMENT AND WELFARE OF WEAKER SECTIONS

3.3.1 National Tribal Policy: The UPA Government has formulated a draft National Tribal Policy covering all important issues that concern tribal people, such as alienation of tribal land, tribal-forest interface, resettlement and rehabilitation, primitive tribal groups, empowerment, enlisting support of NGOs, tribal culture, traditional knowledge, development and administration of tribal areas, scheduling and de-scheduling of tribes, etc. A Plan of Action for three years is being incorporated in the draft policy itself. The resettlement and rehabilitation policy regarding displacement of tribal people is being reworked to provide for suitable legal provisions.

3.3.2 Reservations in jobs: A bill seeking to elevate reservations to a statutory right has been introduced in Parliament. A special recruitment drive to fill up the backlog of vacancies for reserved posts was launched and has been carried out with unprecedented success, with filling up of around 50,000 vacancies through direct recruitment or promotion over the past two years. A Group of Ministers has been set up to cover all dimensions regarding the question of reservation for the OBCs in backlog vacancies. A Group of Ministers, constituted to examine the issue of affirmative action in the private sector, initiated a dialogue with Industry to see how best the private sector could fulfil the aspirations of youth belonging to the SCs and the STs and submitted its report. A Coordination Committee, serviced by the Department of Industrial Policy and Promotion, has initiated the process of obtaining comments from the industry with a view to coming out with a concrete scheme of affirmative action.

3.3.3 Education: Constitution has been amended to facilitate greater access to education for students belonging to the scheduled castes and tribes and the socially and educationally backward classes. The UPA Government has expanded scholarships to students belonging to these categories and has initiated the legislation enacted for widened access to higher education for the OBCs. To prepare candidates from among the SCs and the STs for selection to academic positions and for doctoral studies, the Rajiv Gandhi National Fellowship Scheme has been launched for funding 2,000 fellowships annually. 2,180 new residential Kasturba Gandhi Balika Vidyalaya schools have been sanctioned over the last three years for providing free residential education up to class VIII to girls belonging predominantly to the weaker sections of society or the minority communities.

3.3.4 Rehabilitation of manual scavengers: To rehabilitate scavengers – empower the most deprived among the scheduled castes – in alternative occupations, the UPA Government has launched a new Self Employment Scheme for Rehabilitation of Manual Scavengers that provides assistance to them and their dependants in the form of credit-linked subsidy and loans at concessionary rates of interest for undertaking self-employment ventures as well as training up to one year for skill development. The aim is to eradicate the practice of manual scavenging within two years.

3.3.5 Rights of forest dwelling STs in forests: The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forests Rights) Act, 2006 will improve the lives of members belonging to the scheduled tribes and other traditional forest dwellers living in forests since generations by vesting various forest rights, such as rights over forest land occupied by them for generations, rights relating to the security of their tenure, livelihood in terms of subsistence agriculture and ownership of minor forest produce, including the right to collect, use and dispose of such produce, and certain other traditional and customary rights. It will remove the threat of eviction from forestland under their occupation. This will also make them entitled to the benefits of various schemes of the Government. In undisputed cases, the distribution of *pattas* and Green Cards is targeted on 14.11.07. For disputed cases, distribution is targeted by 26.1.08.

3.3.6 Communitarian rights in Fifth Schedule Areas: The Ministry of Panchayati Raj has been mandated for pursuing the implementation of the Panchayats (Extension to Scheduled

Areas) Act, 1996 [‘PESA’] with the states. A Group of Ministers has been set up for looking into a range of issues concerning Panchayats including, *inter alia*, implementation of PESA. All states having scheduled areas have amended their rules for conformity with PESA in respect of rights of Panchayats in relation to exploitation of minor minerals.

3.3.7 Institutional focus: The Cabinet Committee on Tribal Affairs has been set up to address issues concerning tribal development on a continuing basis. The Committee of Ministers on Dalit Affairs has been set up to bring greater focus on *dalit* affairs. Separate National Commission have been set up for scheduled castes and scheduled tribes. A commission has also been set up on denotified tribes.

3.3.8 Developing lands of SCs and STs: The National Rural Employment Guarantee Scheme provides for improvement of fields of farmers belonging to the scheduled castes and the scheduled tribes. A National Project for the Repair, Renovation and Restoration of Water Bodies used by farmers, especially in dry land, remote and tribal areas, has been launched on pilot basis to augment the storage capacity of water bodies and restore their lost or wasted irrigation potential. This gives priority to SC/ST farmlands. The Accelerated Irrigation Benefits Programme guidelines have been revised to also include surface minor irrigation in non-special category states for tribal and drought-prone areas and this is expected to predominantly benefit scheduled castes and the scheduled tribes. A programme has been initiated to provide assistance for minor irrigation schemes for land belonging to the scheduled tribes. Creation of irrigation potential of 10 lakh hectares by 2009 under Bharat Nirman through groundwater will primarily benefit small and marginal farmers among the scheduled castes and the scheduled tribes.

3.3.9 Outlays for the scheduled castes and tribes: The allocation for scheduled castes and the scheduled tribes has been substantially enhanced each year. The allocation for schemes benefiting them has increased to Rs. 17,691 crore in 2007-08 from Rs. 12,592 crore in 2006-07.

3.3.10 Welfare of the differently abled: The National Policy for Persons with Disabilities has been adopted and addresses issues relating to social security, disability pension and education. The Government has approved the signing and ratification of the UN Convention on the Rights of Persons with Disability. The scheme for providing essential devices free of cost or at concessional rates has been revised by raising the income ceiling prescribed for eligibility and including latest devices, such as motorised tricycles, screen-reading software for the disabled, etc. A committee has been set up to review the existing list of identified posts in Government establishments for persons with disabilities, with a view to increasing their employment opportunities. The Indian Railways have filled up hundreds of vacancies in posts with persons having disabilities, and several hundred scholarships have been awarded to students with disabilities, primarily for pursuing higher and professional education. The UPA Government has streamlined the scheme of reservations for persons with disabilities over the past one year. Result is visible in the form of appointment of persons suffering from blindness, low vision, hearing impairment, locomotor disability or cerebral palsy in civil services, including the All India Services. The Government proposes to further review and revise the reservation policy to better meet its objectives. In order to incentivise employers in the organised sector to provide regular employment, the Government has announced a scheme that will reimburse

the employer's contribution to the employer for the first three years, once the differently abled employee is regularised and enrolled under the Employees Provident Fund and the Employees State Insurance schemes. The Government is ready to support creation of about 100,000 jobs every year for such persons with a salary limit of Rs. 25,000 per month and has earmarked Rs. 1,800 crore during the current financial year for this. It has been decided to launch a new scheme of Inclusive Education of the Disabled at the Secondary Stage in place of the existing scheme of Integrated Education of Disabled Children to shift the focus from an integration and NGO-driven strategy to a government and society driven strategy for inclusion.

3.3.11 Freedom fighters: The Government has doubled the pension of freedom fighters and spouses of deceased freedom fighters to Rs. 10,000 per month through enhancements effected in October 2006 and August 2005. It has also enhanced the monthly pension of unmarried and unemployed dependent daughters of deceased freedom fighters from Rs. 600 for the eldest daughter and Rs. 350 for younger daughters to Rs. 1,500 for all daughters.

3.3.12 Senior citizens: Pension under the National Old Age Pension Scheme has been increased from Rs. 75 to Rs. 200 per beneficiary per month for destitute persons of the age of 65 years and above, to extend support for managing their livelihoods. An exclusive health insurance scheme for senior citizens has been launched. The Maintenance and Welfare of Parents and Senior Citizens Bill, 2007 has been introduced in Parliament to provide for more effective provisions for maintenance and welfare of parents and senior citizens. The Bill proposes to cast an obligation on the persons who inherit the property of aged relatives to maintain such aged relatives and also proposes to make provisions for setting up old age homes for providing maintenance to indigent holder persons. It further proposes to provide better medical facilities to senior citizens and make provision for protecting their lives and property. It is proposed to bring in a new legislation for promoting the maintenance, care and protection of older persons. The proposed legislation aims to make the process for claiming maintenance simpler, speedier and less expensive. A Senior Citizens Savings Scheme has been launched, with attractive interest rate. The UPA Government has announced introduction of a novel product for senior citizens through the National Housing Bank, namely, a reverse mortgage under which a senior citizen who is the owner of a house can avail of a monthly stream of income against the mortgage of her / his house, while remaining the owner and occupying the house throughout her / his lifetime, without repaying or servicing the loan.

3.3.13 Welfare of ex-servicemen: The year 2007 is being observed as the Year of Placement of Ex-servicemen and a special drive is being undertaken in collaboration with the corporate sector to provide gainful reemployment to ex-servicemen. The UPA Government has taken a number of measures:

- (i) The Department of Ex-servicemen's Welfare has been set up.
- (ii) The anomaly in respect of pension of personnel below officer rank who had retired before 1996 has been rectified and personnel retiring from the lower ranks to also get close to full pension despite short lengths of service, benefiting around Rs. 11.85 lakh pensioners.

- (iii) Procedures for the next-of-kin benefits given to personnel dying in harness have been improved.
- (iv) A special drive was taken up to clear pension cases. Pension Adalats were held to redress grievances.
- (v) The Prime Minister's Merit Scholarship Scheme has been introduced for giving 5,000 scholarships every year to wards of armed forces personnel.
- (vi) Availing of benefits under the Ex-servicemen Contributory Health Scheme has been made easier and a large number of polyclinics has been set up.
- (vii) Training of serving and ex-servicemen being expanded from this year.
- (viii) Ministries had been advised to engage only ex-servicemen for outsourced security jobs.
- (ix) Housing projects have been initiated under Jai Jawan Awas Yojana, with completion of the first project at Jaipur slated for 2007.
- (x) A bill for setting up of an Armed Forces Tribunal has been moved to provide a cheaper and speedier mechanism for adjudicating on the large number of pending court cases relating to service conditions of armed forces personnel and appeal against verdict of court martial.

3.4 WELFARE OF WORKERS IN THE UNORGANISED SECTOR

3.4.1 Rural Employment Guarantee: A major step has been taken towards provision of social security to labour in the unorganised sector in rural areas through enactment of the National Rural Employment Guarantee Act.

3.4.2 Aam Admi Bima Yojana: To extend death and disability insurance cover through the Life Insurance Corporation of India to an estimated 1.5 crore rural landless households, a new scheme called Aam Admi Bima Yojana has been announced. To begin with, 70 lakh households will be covered through existing schemes of the LIC with the support of some state governments and the social security fund with the LIC. Under the new scheme, the Government will cover such rural landless households that do not enjoy any cover currently. The Government will bear half the cost of the premium and the state governments will be urged to bear the other half. To this end, a sum of Rs. 1,000 crore is being placed in a fund maintained by the LIC.

3.4.3 National Commission on Enterprises in the Unorganised Sector: The National Commission on Enterprises in the Unorganised Sector has been set up to act as an advisory body and a watchdog and to submit periodic reports to the Government. Its terms of reference cover broadly the entire gamut of issues relating to unorganised sector and it has done significant work on relevant legislation through wide-ranging consultations with stakeholders, particularly state governments with the objective of providing a social security net, including health insurance and other schemes for these workers. The Commission has also undertaken a review of labour laws in India for improving productivity and ensuring greater competitiveness and employment generation in various sectors, like textiles, IT and SEZs, consistent with labour

rights. Cluster based growth poles, skill formation through public-private partnership, provision of micro-finance have been identified as priority areas. Measures are also being identified for protecting and promoting livelihoods for self-employed workers, through provision of credit, right to common property and natural resources, and use of public space to engage in economic activity. The report of the National Commission for Enterprises in the Unorganised Sector is near finalisation.

3.4.4 Urban street vendors: A new policy and model state law are being finalised in consultation with all stakeholders to facilitate street vendors.

3.4.5 Social security net: The Unorganised Sector Workers (Social Security) Bill for providing social security is being finalised. The LIC has carried out actuarial analysis for providing the social security net, which will pay particular attention to the health insurance aspect.

3.4.6 Conditions of work and livelihood promotion: The Unorganised Sector Workers (Conditions of Work and Livelihood Promotion) Bill to provide for conditions of work and measures for protection and promotion of livelihoods is being finalised.

3.4.7 Setting up a National Fund: The modalities for setting up a National Fund for providing technical, marketing and credit support to enterprises in the informal sector are being worked out.

3.4.8 Streamlining processes: A bill has been introduced in Parliament to simplify and rationalise forms and registers prescribed in 16 labour enactments and to make provisions for submission of prescribed returns electronically.

3.4.9 Agro and rural industries: The Khadi and Village Industries Commission has been revamped. The Mahatma Gandhi Institute for Rural Industries has been set up at Wardha by revamping the Jamnalal Bajaj Central Research Institute to build capacity and upgrade technology in *khadi* and village industries. The Government has launched the Scheme of Fund for Regeneration of Traditional Industries (SFURTI), under which 104 clusters of *khadi*, village and coir industry have been approved for comprehensive development over five years. A new scheme, 'Rejuvenation of Coir Sector and Modernisation Programme for Coir Industry', is being introduced under the Eleventh Plan.



4. RURAL RENEWAL

4.1 BHARAT NIRMAN

4.1.1 Outline: Bharat Nirman is a four-year programme (2005-09) for achieving identified goals in six selected areas of rural infrastructure – irrigation, drinking water, housing, roads, telephony and electrification. In four of these areas the aim is to have universal coverage, where every village will have telecom services and electricity, and every habitation will have access to safe drinking water and – for a population of at least one thousand, or 500 in hilly / tribal areas – access to all weather road. In addition, we intend to build 60 lakh houses and add one crore hectares of irrigation capacity. The estimated investment is over Rs. 1,74,000 crore. Internal and extra-budgetary resources also contribute to investment under the programme.

4.1.2 Targets: One crore hectare under assured irrigation will be achieved through completion of ongoing major and medium irrigation projects (42 lakh hectare), minor irrigation schemes (28 lakh hectare), enhanced utilisation of completed projects (20 lakh hectare) and ground water development in areas with unutilised ground water potential (10 lakh hectare). The Government has initiated steps for putting in place a mechanism for large-scale investment in irrigation. The goal for drinking water is to ensure that estimated 55,000 habitations without safe source of drinking water, estimated 2.8 lakh habitations that have slipped back from full coverage, and estimated 2.17 lakh habitations that have problems of water quality are provided access to safe drinking water. 66,802 habitations will be connected to a road aimed over the period 2005-09 through construction of 1.46 lakh km of roads and upgrading of 1.94 lakh km of existing roads at an investment of approximately Rs. 48,000 crore. While 90% of the villages have already been provided with Village Public Telephones (VPT), the remaining 66,822 uncovered villages will be provided with VPTs by November 2007. Simultaneously, more than 50 million rural connections are targeted for rollout and, thereafter, a connection will be available on demand. Over 100,000 villages do not have electricity. To remedy this, the Government has initiated Rajiv Gandhi Grameen Vidyutikaran Yojana. Not only will electricity be reached to the remaining villages, but also electricity connections will be offered to an estimated 2.3 crore households. Further, at least one 33/11 KV sub-station will be set up in each Block and at least one distribution transformer set up in each habitation.

4.1.3 Progress: Most of the yearly targets have been met for projects undertaken through Bharat Nirman, except in a few States. Programmes for rural roads, rural electrification, rural telephony, rural housing and rural drinking water supply are on track. 9,481 habitations had been connected by January 2007, with over 30,000 km length of new roads and nearly 29,000 km length of upgraded roads. Over 23 lakh houses had been constructed. 1.5 lakh habitations had been provided safe drinking water as per norms. Over 37,000 non-electrified villages and 6.25 lakh rural households had been provided electricity, besides augmentation of power infrastructure in rural areas. Over 32,000 villages had been provided telephone connectivity. Investments from USO Fund have been stepped up significantly. In order to go beyond fixed line telephony services in rural areas, amendments to the law have been effected to provide USO support for provision of mobile services and broadband connectivity in rural areas. Tenders have been issued / finalised for erecting 8,000 additional towers by 2007 taking the total to 22,000 towers through USO funds for providing shared wireless infrastructure in rural areas. 14.5 lakh hectare area was brought under assured irrigation, with another 2.4 lakh hectares targeted during 2007-08.

4.2 RURAL EMPLOYMENT

4.2.1 NREGA: The National Rural Employment Guarantee Act has been passed. For the first time, it recognises the right to work as a fundamental legal right and entitles the rural poor to guaranteed employment for hundred days. Over 1.4 crore households have benefited under the Rural Employment Guarantee Scheme under the Act made operational in 200 districts initially with expansion to another 130 districts during 2007. Over 500,000 works are under operation under the Act in different parts of the country, of which over half are in the area of water conservation and drought-proofing, contributing to rebuilding of the natural resource base. A social safety net of this dimension has not been undertaken ever before anywhere in the world. The law commits the Government to expand the Rural Employment Guarantee Scheme throughout the country within five years.

4.3 AGRICULTURE AND COOPERATION

4.3.1 Irrigation: Besides one crore hectare of fresh capacity over the period 2005-09 under Bharat Nirman, micro-irrigation through drip and sprinkler irrigation is being promoted through drip irrigation and sprinkler irrigation. Rural Infrastructure Development Fund (RIDF) was revived in 2004-05 and its corpus has been progressively enhanced to Rs. 12,000 crore in 2007-08.

4.3.2 National Rainfed Area Authority: The UPA Government has established a National Rainfed Area Authority as an integrating and coordinating mechanism to look into all dimensions of managing water resources in rain-fed areas and provide scientific and intellectual support to Panchayati Raj institutions. It will foster harvesting, conservation and sustainable and equitable use of rainwater for strengthening health, nutrition and livelihood security of rural communities, and will help ensure security and productivity of crop and animal husbandry, forestry and

fisheries. It will be a professional body, whose recommendations and action plans will be characterised by high scientific content and economic credibility and will be guided by principles of ecology, economics, equity and generation of employment.

4.3.3 Credit: The disbursement of credit to agriculture and allied activities has expanded rapidly in volume as well as reach, while also making it more affordable. In June 2004, the Government announced a comprehensive policy envisaging the doubling of credit delivery to agriculture over the next three years. The goal of doubling farm credit in three years was achieved in two years. The target of Rs. 175,000 crore set for 2006-07 was exceeded and initial estimate of final achievement was Rs. 190,000 crore. The target for lending has been further enhanced to Rs. 2,25,000 crore for 2007-08.

Banks have been allowed to waive margin / security requirements for agricultural loans up to Rs. 50,000 and, in the case of agri-business and agri-clinics, for loans up to Rs. 5 lakh. The limit on loans to farmers through the produce marketing scheme has been increased from Rs. 5 lakh to Rs. 10 lakh. A bill has been introduced in Parliament for making warehouse receipts for all commodities negotiable instruments in order to increase the flow of credit in the agriculture sector and facilitate financing from banks against warehouse receipts. The RBI has instructed banks to implement recommendations made by an Expert Group regarding steps to overcome the problem of low credit deposit ratios. In follow up, special sub-committees of District Level Credit Committees are being set up in the 196 districts where the credit to deposit ratio is below 40% to draw up Monitorable Action Plans for improving the credit deposit ratio in these districts, while also reviewing progress in lending to agriculture and small scale industries. The Government has set up a group headed by Prof. Radhakrishnan on agricultural indebtedness and its report is expected by the end of May 2007, whereupon it will be examined and followed up for implementation.

Equal attention has been paid to increasing the reach of credit through the formal credit structure as well as micro-finance. Public sector banks, Regional Rural Banks and cooperative banks together added over two crore new farmers to their portfolio of borrowers over the last three years and a further 50 lakh are targeted for 2007-08. A Committee on Financial Inclusion has given its interim report on a plan for delivering credit to every household and the Government has decided to implement immediately two recommendations. The first is to establish a Financial Inclusion Fund with the NABARD for meeting the cost of developmental and promotional interventions. The second is to establish a Financial Inclusion Technology Fund to meet the costs of technology adoption. Each fund will have an overall corpus of Rs. 500 crore, with initial funding to be contributed by the Central Government, the RBI and the NABARD. RRBs have been asked to undertake an aggressive branch expansion programme and, during 2007-08, open at least one branch in the 80 uncovered districts of the country.

A large number of Self-Help Groups (SHGs) numbering around 14 lakh were credit-linked in 2004-05, 2005-06 and 2006-07 (till end-December 2006). This represents a cumulative

increase in just 2 ³/₄ years of around 130% in the number of SHGs credit-linked over the cumulative number of SHGs credit linked and credit flow till March 2004 (from 10.7 lakh in end-March 2004 to 24.66 lakh in end-December 2006). By December 2006, 24.66 lakh SHGs had been provided credit aggregating Rs. 13,465 crore. NABARD is being asked to open a separate line of credit for financing farm production and investment activities through SHGs. In light of the revised Micro Finance Vision 2007, NABARD's emphasis is to focus on covering one-third of the rural poor in 13 priority states, which account for 70% of the rural poor. The allocation for the relevant rural development scheme, Swarnajayanti Gram Swarozgar Yojana, has been increased one-and-a-half times in 2007-08. The Micro Financial Sector (Development and Regulation) Bill, 2007 has been introduced in Parliament to provide for promotion, development and orderly growth of the micro-finance sector to help ensure universal access to integrated financial services, especially to women and certain disadvantaged sections of society as well as to regulate hitherto unregulated micro-finance organisations. The Bill proposes to entrust the functions of development and regulation to the NABARD, with a Micro Finance Development Council to advise it, and to constitute the Micro Finance Development and Equity Fund to provide loans, refinance, grant, seed capital or other financial assistance to micro-finance organisations for training and capacity building, investment in equity, research experimentation, study, as well as design, promotion and propagation of practices conducive to growth. It also proposes appointment of ombudsmen.

The UPA Government has provided relief in interest rates by two per cent on crop loans.

A package of estimated Rs. 13,596 crore to revive short-term rural cooperative structure is being implemented for financial restructuring of Primary Agricultural Cooperative Societies, District Central Cooperative Banks and State Cooperative Banks and bringing them to an acceptable level of financial health through cleansing of their balance sheets and strengthening of their capital bases. The package covers accumulated losses, unpaid invoked guarantees, receivables from state governments, return of share capital to state governments, human resource development, conduct of special audits, computerisation, etc., and assistance has been linked to reforms. 12 states have given their consent to the package. The report of the task force to make recommendations for the long-term for revival of the cooperative credit structure has been received and consultation initiated. RRBs that adopt a new governance standard and abide by prudential regulations will qualify for receiving funds from the Government for their restructuring. Notifications under the RRB Act, 1976 have been issued to facilitate consolidation of RRBs and some mergers have been approved. In order to improve recovery for RRBs, the Government has proposed to extend the Securitisation and Reconstruction of Financial Assets and Enforcement of Securitisation of Interest Act to loans advanced by RRBs. RRBs are also proposed to be permitted to accept NRE / FCNR deposits. It is proposed to take up the recapitalisation of RRBs having a negative net worth, in a phased manner.

4.3.4 Package for suicide-prone districts: A special package, amounting to more than Rs. 16,000 crore, is being implemented in 31 districts worst affected by farmers' suicides. The interventions cover short-term as well as long-term measures and address issues of credit, irrigation, agriculture inputs and alternative sources of income. A special package for livestock

and fisheries for these districts has also been approved. This covers induction of high milk-yield animals, calf-rearing, breeding services, animal healthcare, milk chilling units, feed and fodder supply, and enhanced subsidy for fisheries.

4.3.5 Unified market: The Government is committed to having a common market for agricultural produce so that farmers get better ex farm prices. This is being done by making warehouse receipts negotiable instruments; amending the Essential Commodities Act; working with states to amend local Agriculture Produce Marketing Acts; and expanding the food supply and storage chain. State level VAT has been implemented and the unified market created under VAT is also useful to farmers. Many states have been persuaded to amend their Agriculture Produce Marketing Committee Acts. Parliament has passed amendments repealing cesses imposed on export of domestic produce like vegetables, spices, fruits, oil cakes, non-rice non-wheat cereals, butter, ghee, fish, wool, animal hair, bones, lac, cashew kernel, coffee, marine products, processed food products and tobacco to make their export globally competitive and, thereby, help secure better prices by increasing demand. The Essential Commodities Act, 1955 has been amended to drop raw cotton, cottonseed and cattle fodder from essential commodity category in order to ensure their free movement and protect the interests of farmers and consumers. A bill has been introduced in Parliament for making warehouse receipts for all commodities negotiable instruments in order to increase the flow of credit in the agriculture sector and facilitate financing from banks against warehouse receipts.

4.3.6 Horticulture: The National Horticulture Mission has been launched to promote holistic development of horticulture with backward and forward linkages through technology-driven cluster approach and regionally differentiated strategies. Most states have formulated and obtained approval for annual action plans. The UPA Government has initiated steps for revamping the mission to make it genuinely area-based in its approach.

4.3.7 Cotton: Development of market yards, modernisation of ginning and pressing factories and other measures taken under the Technology Mission on Cotton has begun yielding results in terms of increase in cotton production and reduction in cotton imports.

4.3.8 Oilseeds: The UPA Government proposes to expand the Integrated Oilseeds, Oil palm, Pulses and Maize Development Programme. There will be a sharper focus on scaling up seed production. The Indian Institute of Pulses Research, Kanpur will be expanded and other producers will be offered capital grant or concessionary finance in order to double production of certified seeds within a period of three years.

4.3.9 Sugarcane and sugar industry: Cane arrears saw a historic low of 0.1% as a result of steps taken by the Government. State governments adopting a package – namely, Tamil Nadu, Maharashtra and Andhra Pradesh – were provided one-time assistance from the Centre in the form of permission to raise additional market borrowings, and coverage of interest costs beyond a ceiling rate of only 4% annually. Loans were extended to sugar factories at this low rate, with a long repayment period of 10 years and moratorium on repayment for five years.

Conducive socio-economic created for sugar industry ensured enhanced production during the sugar years 2006-07 and 2007-08. The UPA Government has now come out with a comprehensive strategy to deal with excess production of sugar through creation of a buffer stock of 20 lakh tonnes, and defraying of costs of transportation, handling and marketing.

4.3.10 Bamboo: A National Bamboo Mission has been launched across 28 states to promote holistic growth of the bamboo sector with interventions for research, plantation development, post-felling management and marketing. The Mission is to undertake activities on the basis of properly identified compact areas to facilitate development of requisite infrastructure and intensive management. This will result in plantation over 1.76 lakh hectare and generation of over 5.5 crore mandays over a five-year period, resulting in production of over three million tonnes of bamboo annually from the fourth year and improvement in productivity from the existing level of two to three tonnes per hectare to 18 tonnes per hectare.

4.3.11 Crop Insurance: With a view to cover the risks involved in agricultural operations, the scope and coverage of the National Agricultural Insurance Scheme has been expanded. The Government has asked the Agricultural Insurance Corporation to start a weather-based crop insurance scheme on pilot basis in two or three states as an alternative to the existing scheme.

4.3.12 Livestock insurance: The Livestock Insurance Scheme has been launched in 100 selected districts across all states except Goa for providing insurance cover for crossbred and high-yielding cattle and buffaloes. The Government is providing 50% subsidy on insurance premium.

4.3.13 Poultry: The UPA Government successfully controlled isolated appearances of bird flu in the country. In order to help poultry units, the Government announced a relief package that provided for conversion of outstanding loans into term loans and rescheduling with a one-year moratorium and interest subvention of 4%. The Government also released maize at a subsidized price for distribution to affected poultry farmers.

4.3.14 Fisheries: The UPA Government has approved the setting up of a National Fisheries Development Board. Its activities include intensive freshwater aquaculture, reservoir fisheries, brackish water coastal aquaculture, deep-sea fishing and tuna processing, mariculture, sea ranching, seaweed cultivation, infrastructure for post-harvest programmes, fish-dressing centres and solar drying of fish, and domestic marketing. Expected increase in annual production of fish will be 3.9 million tonnes at the end of a six-year period in 2012, which may be compared to the present production level of 3.4 to 3.5 million tonnes. A comprehensive Marine Fishing Policy, 2004 has been adopted to have sustainable and responsible fisheries and exploit deep-sea fishery resources in the Exclusive Economic Zone of India.

4.3.15 Storage and marketing: In October 2004, the revised Grameen Bhandaran Yojana scheme was launched with wide eligibility for accessing capital subsidy to construct rural godowns. A new scheme, linked with reform of APMC Acts, was launched in 2005 to provide

capital subsidy for development of infrastructure for marketing, grading and standardisation. A new component has been added to the National Horticulture Mission for funding modern terminal market projects for horticulture commodities in public-partnership mode.

4.3.16 Research: Budget allocation for agricultural research has been substantially enhanced. The National Fund for Strategic Research in Agriculture has been set up. The National Agricultural Innovation Project has been initiated with an outlay of over Rs. 1,200 crore with the objective of transferring research-based knowledge to the field. Establishment of Krishi Vigyan Kendras in all 589 rural districts was taken up. 541 Kendras were established by the end of 2006.

4.3.17 Education: The UPA Government has launched a scheme for strengthening and developing agricultural education with total assistance to the tune of Rs. 804 crore. Its main elements are development and strengthening of 34 state agricultural universities, five deemed universities and three Central universities, rural awareness work experience programme, a number of incentive schemes, establishment of Sher-e-Kashmir University of Agricultural Science and Technology at Jammu, etc. Special grant of Rs. 100 crore has been provided for the Punjab Agricultural University, and grant of Rs. 50 crore each to the Gobind Ballabh Pant University of Agriculture and Technology at Pantnagar and the Tamil Nadu Agricultural University at Coimbatore has been announced.

4.3.18 Extension: Under the Scheme for Support to State Extension Programmes for Extension Reforms, state level HRD institutions have been identified, Agricultural Technology Management Agencies constituted, State Extension Work Plans approved, and public-private partnership initiatives pilot tested across 252 districts. Establishment of Agriculture Technology Management Agencies in additional 300 districts is targeted during 2007-08.

4.3.19 Cooperatives: The Government has introduced a Constitution amendment bill on cooperative societies in Parliament. The bill seeks to make the management of cooperative societies accountable to members, restrict interference by the State, prevent misuse of powers by the management and bring about greater transparency in the functioning of cooperative societies as democratic societies.

4.3.20 Fertilisers: Government efforts to meet surging demand through improvement in indigenous production capacity, long-term import arrangements and joint ventures abroad for production / supply are estimated to yield additional production of around ten million tonnes of urea and supply of another five million tonnes of potassic and phosphatic fertilisers over the next five years. Efforts are under way to improve efficiency and reduce cost of production of urea by a complete changeover to gas as feedstock over the next three to four years. The Government intends to implement a pilot programme for direct delivery of subsidy in at least one district in each state in 2007-08.

4.4 WATER MANAGEMENT

4.4.1 Water Conservation: A substantial proportion of funds under the schemes mandated by the National Rural Employment Guarantee Act is earmarked for water conservation works. A National Project for Repair, Renovation and Restoration of Water Bodies used by farmers has been launched on pilot basis. The DPAP and IWDP, the two programmes for watershed development, have been brought under a common guideline. States have been asked to direct municipal bodies to make rainwater-harvesting part of design approvals by local bodies. A number of states have done work on rainwater harvesting and / or taken steps to amend municipal or building laws.

4.4.2 Initiatives in dry-land farming: A National Rain-fed Area Authority is being established to look into all dimensions of managing water resources in rain-fed areas.

4.4.3 Inter-linking of rivers: Agreement for the first inter-linking of rivers project for Ken and Betwa rivers has been signed between Madhya Pradesh and Uttar Pradesh and completion of the detailed project report is targeted by mid 2008. On the Parvati-Kalisindh-Chambal link, consensus has been arrived at between Madhya Pradesh and Rajasthan and both the states are working out the details of draft MoU.

4.4.4 Flood management: This is in the purview of states. Nevertheless, the Centre is assisting them. The recommendations of a Task Force on short and long term measures for addressing problems associated with floods have been circulated to state governments concerned. The jurisdiction of Farakka Barrage has been extended for speedy implementation of anti-erosion works and other measures are at various stages of approval and implementation. Critical flood control and anti-erosion schemes in the Ganga basin states have been approved with a total cost of Rs. 305 crore. The Government has approved schemes amounting to Rs. 225 crore for taking up critical flood control and anti-erosion projects in the Brahmaputra and Barak valleys during 2006-07. A State Sector Scheme of the Ministry of Water Resources amounting to Rs. 166.68 crore benefiting all northeastern states as well as West Bengal has also been approved.

4.4.5 Desalination plants: Approval from the foreign investment and environmental angles have been accorded for setting up of a desalination plant of 100 million litre per day capacity at Chennai in public-private partnership at a cost of the order of Rs. 500 crore. Provision exists under the guidelines for the Jawaharlal Nehru National Urban Renewal Mission and the Urban Infrastructure Development Scheme for Small and Medium Towns. The UPA Government has developed a unique technology of low temperature thermal desalination for conversion of cold deep-sea water into warm surface water. The first such plant has been successfully running with a capacity of one lakh litre per day in Lakhshadweep and other eight such plants are being installed there, besides one such one million litre per day capacity plant off the coast of Chennai. During 2007-08, demonstration of a 10 million litre per day capacity plant will be undertaken.



5. GREENING GOVERNANCE

5.1 Policy initiatives: The UPA Government has adopted a new National Environment Policy, which is intended to mainstream environmental concerns in all development activities and relevant sector policies. The policy embodies a paradigm shift in it that it recognises that the most secure basis for conservation is to ensure that people dependent on particular resources obtained better livelihoods through conservation rather than through degradation of such resource.

5.2 Conservation of wildlife: Project Tiger has been converted into the statutory National Tiger Conservation Authority. The National Tiger Conservation Authority will strengthen tiger conservation by ensuring normative standards in tiger reserve management, preparation of reserve-specific tiger conservation plans, laying down of annual / audit reports before Parliament, constitution of state level steering committees chaired by chief minister and establishment of the Tiger Conservation Foundation. The Wildlife Crime Control Bureau has been set up.

5.3 Afforestation: "Green India", a major programme for massively afforesting degraded forests is under active consideration of the Government.

5.4 Clean Development Mechanism and climate change: India has taken a lead in Clean Development Mechanism and 526 projects in the sectors of energy, industrial processes and municipal solid waste have been accorded host country approval, facilitating investment of over Rs. 41,000 crore. The UPA Government is setting up an expert committee to study the impact of climate change on India and identify measures that may be taken.

5.5 Review of procedures and notifications: The revised Environment Impact Assessments Notification balances concerns of development and conservation and makes the process more efficient, decentralised and transparent. There has been a re-engineering in the process of environment clearance to reduce time limits. Exhaustive instructions have been issued on Good Practices in Environmental Regulation. With the objective of streamlining all regulatory processes under the Ministry of Environment and Forests, Operational Guidelines have been issued. These Good Practices and Operational Guidelines seek to make the process time-bound through norms for scheduling consideration of cases and fixed dates for conduct of meetings of cases and fixed dates for conduct of meetings of the regulator, eliminate unnecessary delay, and enable participation by applicants through personal presentation of the case. The Coastal Regulation Zones Notification has been comprehensively reviewed to build in safeguards for coastal areas. The approach is to move from a regulatory framework to a management framework based on scientific principles to cover education, social mobilisation and equitable development, besides regulation.



6. GOVERNANCE AND CIVIL SOCIETY

6.1 REFORMS

6.1.1 Administrative Reforms: The Second Administrative Reforms Commission has been set up to undertake a comprehensive review of government machinery at all levels and make recommendations on organisational structure of the Government of India, ethics in governance, refurbishing of personnel administration, strengthening of financial management systems, steps to ensure effective administration at the state level, steps to ensure effective district administration, local self government / panchayat raj institutions, social capital, trust and participative public service delivery, citizen-centric administration, promoting e-governance, issues of federal policy, crisis management and public order. It has begun submitting its recommendations. Cadre rules for the All India Services have been amended to provide for minimum tenure in consultation with the state government concerned and states have been asked to forward their proposals for fixing minimum tenure. The UPA Government has developed Sevottam as an Indian standard for quality management system in public service delivery and ten departments have initiated steps for seeking achievement of Sevottam during 2007. A two-year action plan has been spelt out to implement Sevottam across the Government of India. Arrangements have been put in place for improving accountability and competency of IAS officers. These include the new system of Performance Appraisal Reports, promotions, mandatory mid-career training to help develop 'next level competency', mandatory mid-career screening and scrutiny by an Eminent Persons Group. The Government will be bringing a legislation regarding the public services to lay down public service standards, values, code and ethics, protect whistle blowers, provide for performance management, etc. Institutional reforms have been carried out in many Ministries / Departments in terms of decentralisation, simplification, transparency, accountability and e-governance.

6.1.2 Right to Information Act: To ensure that citizens are empowered to know how Government functions, the UPA Government brought forward a historic legislation to increase transparency in the functioning of Government at all levels. The Act has wide reach, covering the Central and State Governments, Panchayati Raj institutions, local bodies, as well as recipients of Government grants. It has given citizens access to information with minimum exemptions, which too may be overridden if the benefits from the release of information outweigh the harm caused by disclosure of information. Even security agencies are subject to disclosure now in

cases of allegations of corruption or violation of human rights. It has also imposed obligations on Government agencies to disclose information on their own, thus reducing the cost of access. An independent appeal mechanism in the form of Central and State Information Commissioners, coupled with extensive disclosure obligations and stringent penalties, have given teeth to the right and have made it a powerful instrument for good governance. The Act has generated demand for information about functioning and decisions of the Government and has enabled citizens to get justice and redress of their long pending grievances.

6.1.3 E-Governance: A National e-Governance Plan has been prepared. This has 26 Mission Mode Projects, some of which are nearing completion. Under MCA21, all registry related functions of the Registrar of Companies have been transformed successfully into e-governance mode, with 80% documents now being filed by companies and professionals from their offices or homes. Under another Mission Mode Project, facility for online submission of passport applications has been introduced at a number of our diplomatic Missions, all Passport Offices have been computerised and all routine work related to issue of machine-readable passports is being done electronically. Introduction of biometric e-passports for existing diplomatic and official passports is targeted for completion during 2007. For other passports, this is targeted by 2008. Facilities to ascertain PAN, download printed *challans* with names and addresses and PAN/TAN, verify tax payment and tax deducted at source have been created on the Internet. E-filing of corporate returns has been a resounding success. India Portal, a single point of Internet access to information and services from all Government Departments is also expected to be functional by end-2007. State-Wide Area Networks (SWANs) are being created in all states, with a total estimated investment of over Rs. 3,300 crore. To extend the benefits of information and communications technology to rural areas and provide outlets for delivery of public services, a scheme for setting up of over 1,00,000 village level Internet-enabled Common Services Centres in public-private partnership has been approved with a total investment of Rs. 5,742 crore. The Government will take forward the National Identity Card Project under the National e-Governance Plan for a nationwide rollout in a phased manner, so as to ensure better delivery of services. The Government has approved a project for e-governance in municipalities, under the National e-Governance Plan, for launch in a phased manner in the larger cities and towns.

To strengthen the legal frame for proliferation of e-governance, a bill to amend the Information Technology Act has been introduced in Parliament. The National Institute of Smart Governance has been set up to lead private sector competencies into the national e-governance effort.

6.1.4 Reform of the criminal justice system: A series of steps has been taken for tuning up the machinery and processes, strengthening the prosecution machinery, streamlining and improving procedure - especially from the point of view of expediting trial court procedure, tackling the problem of under-trials, and matters connected with grant of bail. Specific reforms include prohibition of arrest of women after sunset and before sunrise, requiring police to give information about the arrest and whereabouts of arrested person to a person nominated by him, mandatory judicial inquiry in case of death, disappearance or rape of a person while in

police custody, release of an under-trial on personal bond upon the period of detention exceeding half of the maximum period of imprisonment provided for the alleged offence; establishment of a Directorate of Prosecution, plea-bargaining by means of pre-trial negotiations between the defendant and the prosecution, and providing for punishment for threatening a witness. The Code of Criminal Procedure (Amendment) Bill, 2006 has been introduced in Parliament to provide for audio-/video-recording of statements of witnesses and the accused before the police and the court, steps to check the practice of witnesses turning hostile through recording of their statements by a magistrate, summary trial and longer sentence for perjury, allowing victims to appeal against adverse judgments, issue of notice of appearance before arrest, right of arrested persons to the services of an advocate during investigation, bar on female accused persons being touched by male police officers, taking of bail bonds by criminal courts before conclusion of trial or disposal of appeal to require the accused to appear before the next appellate court, only offences punishable with imprisonment for a term exceeding three years being tried as warrant cases, summary trial of all summons cases, more offences being made compoundable, introducing a comprehensive scheme for compensation to victims, and providing relief to persons of unsound mind during inquiry and trial.

6.1.5 Judicial reforms: A bill for setting up the National Judicial Council for greater accountability and transparency in the judiciary has been tabled in Parliament. The UPA Government will be pursuing a number of measures for judicial reforms, like decriminalisation of petty offences, strengthening of accountability mechanisms, and introduction of a Local Courts Bill for putting in place a system of people-friendly local courts (*grameen nyayalayas*) with flexibility of procedure to secure speedy justice in petty cases. The Government proposes to put in place improved contract enforcement mechanisms, including through fast track / alternative dispute resolution mechanisms. A scheme for computerising 13,348 District and Subordinate Courts has been separately launched under the overall directions of a Committee chaired by the Chief Justice of India. A scheme for computerization and computer networking of all 646 consumer forums has been launched to enable consumers to file complaints online and track the status of their case via website. So far, 533 District Forums and 33 State Commissions have been covered.

6.1.6 Checking corrupt practices: A Group of Ministers is deliberating upon the draft bill on Lok Pal. The Government is considering launch of a new scheme to strengthen the anti-corruption infrastructure, with special focus on capacity buildings at all levels for effectively combating corruption, in coordination with the Central Vigilance Commission, the Central Bureau of Investigation, state governments, industry associations, NGOs and the private sector. Steps have been initiated for introducing mandatory e-procurement. The Defence Procurement Procedure and the Defence Procurement Manual have been revised to ensure the highest degree of probity and public accountability, transparency, competition and impartiality in procurements by the armed forces.

The UPA Government has set up a Group of Ministers that is actively looking into the following far-reaching amendments to the Prevention of Corruption Act, 1988:

- (i) provision for forfeiture of property of corrupt public servants;
- (ii) provision for a competent authority to grant sanction in respect of Members of Parliament and State Legislators; and
- (iii) granting protection of previous sanction to public servants who have retired or have ceased to be public servants.

6.1.7 Electoral reforms: The UPA Government has requested the Election Commission of India to recommend, in consultation with recognised political parties, quantities and the scheme of distribution of various items of assistance to be provided to recognised political parties and their candidates in kind, by way of partial funding of election expenditure with a view to building consensus on the issue among recognised political parties. The Commission is taking further steps in consultation with political parties.

6.1.8 Curbing black money: The levy of banking cash transaction tax, restrictions to prevent bogus gifts from unrelated persons, providing for tax deduction/collection at source in certain additional areas, making punishable with imprisonment and fine making of false entries and issuing of false vouchers etc. with intent of facilitating tax evasion, and making filing of certain returns mandatory are expected to work against generation of black money.

6.1.9 Autonomy to PSEs: 762 guidelines relating to Central Public Sector Enterprises have been withdrawn, and a number of other guidelines have been modified or merged to simplify their administration. Government has given greater managerial and commercial autonomy to successful Central Public Sector Enterprises. The powers of Navratna and Miniratna PSEs in regard to investment in subsidiaries and joint ventures, and for delegation of powers relating to human resource management, have been enhanced. The Government has delegated to Navratna and Miniratna PSEs powers for mergers and acquisitions and has relaxed the conditions relating to Government guarantee for retaining Navratna and Miniratna status. Powers to incur capital expenditure have been enhanced for Miniratna and other profit-making PSEs. A mechanism has been created for expeditiously including/deleting Central PSEs from Navratna category. The Government is considering guidelines on corporate governance for Central PSEs.

6.1.10 Banks: Instructions have been issued to all public sector banks for managerial autonomy. In keeping with the liberalised environment in banking and the need to simultaneously ensure adequate safeguards, a bill for effecting a number of amendments to the Banking Regulation Act, 1949 was introduced in Parliament for empowering the RBI to appropriately regulate and supervise the banking sector in line with international best practices. RRBs that adopt a new governance standard and abide by the prudential regulations will qualify for receiving funds from the Government for their restructuring. Notifications under the RRB Act, 1976 have been issued to facilitate consolidation of RRB and some mergers have been

approved. A package of estimated Rs. 13,596 crore to revive short-term rural cooperative structure is being implemented for financial restructuring by bringing Primary Agricultural Cooperative Societies, District Central Cooperative Banks and State Cooperative Banks to an acceptable level of financial health through cleansing of their balance sheets and strengthening of their capital bases. The extent and scope of the Banking Ombudsman Scheme has been widened since January 2006 to cover all banks, including RRBs and Scheduled Primary Cooperative Banks and provide for online submission of complaints.

6.1.11 Land administration: The UPA Government has formulated a National Land Resource Management Programme for computerisation of land records, survey and resurvey – wherever required, updating of land records by carrying out a drive to complete pending mutations, computerisation of registration of immovable property transactions, and inter-linking of registration and land records management processes, with the goal of moving to a clear land title system. The Law Commission has been requested to formulate a model law for comprehensive land legislation by states.

6.2 PANCHAYATI RAJ

6.2.1 Setting the agenda: The Ministry of Panchayati Raj has constituted an expert committee to plan for Sixth Schedule areas. After seven Round Table Conferences with State Panchayati Raj Ministers on eighteen identified dimensions of Panchayati Raj, a set of 150 recommendations concerning every aspect of Panchayati Raj were arrived at. The Ministry drew up an annual calendar that includes activity mapping in all states, restructuring Centrally sponsored schemes, etc. In follow up, a Group of Ministers has been constituted for strengthening panchayati raj institutions and financial devolution. A majority of states / UTs have commenced activity mapping with respect of the Panchayati Raj institutions, devolved some functions to the PRIs and set up District Planning Committees. Some states / UTs have devolved funds in the form of identified budget provisions or untied funds. A Council of State Ministers of Panchayati Raj has been set up under the chairpersonship of the Minister of Panchayati Raj and has reviewed the progress regarding devolution. A committee of Chief Secretaries and Principal Secretaries of state governments has been constituted to follow up on devolution. The Planning Commission has issued guidelines for the preparation of District Plans and their incorporation into the Annual Plans of states. The Ministry of Panchayati Raj has initiated a process for formulating a common training strategy to build capacity for planning in the District Panchayats and at lower levels.

6.2.2 Backward Regions Grants Fund: A Backward Regions Grants Fund, with annual allocation of Rs. 5,800 crore for 250 identified backward districts, is being implemented through Panchayats. In order to promote district-level planning and district-level budgeting through local government institutions, preparation of District Plans is being envisaged as a pre-condition for availing of funds under the Backward Regions Grant Fund. The Backward

Regions Grant Fund aims at catalysing development in backward areas by providing infrastructure, promoting good governance and agrarian reforms and converging, through supplementary infrastructure and capacity building, the substantial existing development inflows into identified districts as part of a well conceived, participatory district plan. The Fund has a specific component to increase the capabilities of the PRIs. Panchayats can also retain outside expertise.

6.2.3 Central role under the National Rural Employment Guarantee Act: Panchayats have been given the central role in implementation and monitoring of the Rural Employment Guarantee Scheme. At least half the work is to be done by Gram Panchayats, using funds placed with them.

6.2.4 Transfer of schemes to Panchayats: Report of the Ramchandran Committee on transfer of schemes to Panchayats during the Eleventh Plan period has been circulated to states.

6.2.5 Natural resources: The UPA Government has initiated consultation with state governments for formulating a comprehensive programme for afforesting through Panchayats and establishing Panchayat-level community forests. States have been requested to amend their rules for conformity with PESA and issue guidelines for involving Gram Sabhas / Panchayats in mining. Most states having Scheduled Areas have done this.

6.2.6 Water and sanitation: Capacity building and empowerment of Village Water Sanitation Committees and Gram Panchayats to operate and maintain single village drinking water assets and intra-village distribution network of multi-village scheme is being promoted under the National Rural Health Mission.

6.3 URBAN RENEWAL

6.3.1 Jawaharlal Nehru National Urban Renewal Mission: The Jawaharlal Nehru National Urban Renewal Mission covers a total of 63 cities. It is the largest initiative since independence for urban development. It seeks to enable comprehensive development in the areas of urban infrastructure and basic services to the urban poor, linking new investment to governance reform. It gives focused attention to integrated development of infrastructure and services, with special emphasis on provision of basic services to the poor, including housing, water supply, sanitation, slum improvement, community toilets/bath, etc., so that spatial development goes hand in hand with improvement in the quality of life of ordinary people. It is a demand-driven programme that does not merely respond to investments needs of cities but also support transformation processes for deepening and strengthening institutional capacities to make our cities sustainable, economically vibrant and equitable. It is envisaged that the Central Government, state governments and urban local bodies will make combined investment of over one lakh crore Rupees under this programme over the period 2005-12. 61

out of 63 cities covered under the Mission have prepared comprehensive city development plans, charting out their long-term vision, and goals in urban governance and development. These plans also include investment plans focusing on provision of citywide urban infrastructure services and provision of basic services to the urban poor. 538 projects with a total cost of Rs. 23,950 crore have been sanctioned.

6.3.2 Pooled Finance Development Scheme: A scheme regarding setting up a Pooled Finance Development Fund to provide credit enhancement to urban local bodies for accessing market borrowings based on their credit-worthiness through a state-level pool finance mechanism has been launched. The scheme will facilitate development of bankable urban infrastructure projects through capacity building measures and appropriate financial structuring of projects, access to capital and financial markets, reduction in cost of borrowing, and development of a market in municipal bonds.

6.3.3 e-Governance: The Government has approved a project for e-governance in municipalities, under the National e-Governance Plan, for launch in a phased manner in the larger cities and towns.

6.3.4 National Urban Information System: This scheme has been launched through the Survey of India to meet the requirement of urban spatial planning through generation of digital maps and linking of town-level database in a Geographical Information System, through coverage of 137 towns / cities in the first phase.

6.3.5 Urban Metros and suburban rail services: The Delhi Metro Project has been successfully rolled out, with resulting traffic decongestion, savings in productive man-hours and fuel costs, reduction in pollution levels and road accidents, and a healthy economic rate of return. The Government has sanctioned Phase-II of Delhi Metro and its extension to Gurgaon. Extension of the Metro to NOIDA has been approved conditionally and in principle approval has been accorded for an express Metro link between New Delhi Railway Station and the Indira Gandhi International Airport. The successful implementation of the Delhi Metro project has generated demand for improved urban transport in many other cities. Work has commenced on the Bangalore Metro Rail Project, approved at an estimated cost of Rs. 6,395 crore and having a target timeframe of 2011 for completion. The Mumbai Urban Transport Project Phase-I is targeted for completion during the Eleventh Plan period and work on Phase-II at an estimated cost of Rs. 5,000 crore is also expected to begin again. Ongoing works on suburban railway services in Kolkata and Chennai are also being completed on priority. During the Eleventh Plan period, efforts will be made to introduce air-conditioned class services in suburban trains in Mumbai, Chennai and Kolkata, as well as escalators at major stations.

6.3.6 Cantonments: The new Cantonment Act, 2006 provides for better administration and better democratisation in the affairs of Cantonment Boards. It has introduced parity between elected and non-elected members of the Board, given special invitee status to local MP / MLA in Board meetings and introduced reservation for scheduled castes, scheduled tribes and

women, in line with the 74th Amendment to the Constitution. Progressive features include introduction of solid waste management, use of new and renewable energy sources, rainwater harvesting, heritage conservation, etc.

6.4 CENTRE-STATE RELATIONS

6.4.1 *Collective deliberations*: In order to collectively deliberate upon and arrive at a common understanding and strategies concerning critical issues requiring coordinated action by the Centre and States, discussions with Chief Ministers have been held frequently in various forums like the National Development Council, the Inter-State Council, the Zonal Councils, the National Integration Council, Conferences on Internal Security and Law and Order, etc. Meetings of Zonal Councils have been held after a gap of six to fourteen years.

6.4.2 *Commission on Centre-State Relations*: The setting up of the Commission has been notified.

6.4.3 *Alleviating debt burden of states*: The following measures have been taken for this:

- (i) Permission has been given to refinance loans from institutions with cheaper loans in the form of additional market borrowings / new institutional loans.
- (ii) Refinancing of NABARD loans carrying interest of 10.5% or more with additional market borrowings has been allowed.
- (iii) Option has been given for additional market borrowings at 6.0% to 6.5% interest for financing loan component of Normal Central Assistance in place of Central Government loans carrying 9% interest.
- (iv) Transfer of external assistance loans to states on back-to-back basis has been agreed to, in order to provide them the benefit of longer periods of maturity and lower rates of interest. However, in respect of special category states, the earlier dispensation of passing on the assistance in the grant:loan ratio of 90:10 has been continued.
- (v) A scheme of debt relief was introduced for rescheduling all Central loans contracted till 31.3.04 and outstanding as on 31.3.05 into fresh loans for 20 years carrying 7.5% interest from the year a state enacts the fiscal responsibility legislation.

Rs. 110,268 crore of states' debt has been consolidated. Twenty states have availed of the benefit of debt waiver to the tune of Rs. 8,575 crore.

6.4.4 *Enhanced Central transfers*: As a result of the new scheme of tax devolution under the accepted recommendations of the Eleventh Finance Commission, the share of states has

risen sharply by 81% from Rs. 78,595 crore in 2004-05 to estimated Rs. 142,450 crore for 2007-08. Central grants-in-aid are projected to rise similarly to estimated Rs. 106,987 crore in 2007-08

6.4.5 Enhanced share in mineral royalty: The Government raised upwards the rates of mineral royalty payable to state governments in 2005. This was expected to result in an annual increase of 11.16% (Rs. 96.39 crore) in mineral royalty receipts to states. The revision of royalty for coal and lignite is in process.

6.4.6 Transfer and rationalisation of Centrally Sponsored Schemes: The Planning Commission has carried out an exercise to rationalise Centrally Sponsored Schemes and identify schemes for retention, transfer to states, dropping, merging and transfer to Central sector. These would be submitted soon to the NDC for a decision. A larger exercise to restructure the schemes around the Millennium Development Goals has been initiated.

6.4.7 Fair and equitable compensation to resource-bearing states: The Inter-State Council Secretariat has taken up development of a framework for this, covering hydroelectric power, minerals and petroleum and natural gas.



7. ENABLING DEVELOPMENT: THE NORTHEAST AND J&K

7.1 THE NORTH EAST

7.1.1 Securing peace: The numbers of incidents of civilians and security personnel killed and persons kidnapped in the northeast have registered a significant decline over the past three years compared to earlier years. The UPA Government has appealed to militant groups to give up violence and to come forward for talks without conditions. NSCN(I/M), NSCN(K), UPDS, DHD, NLFT(NB), NLFT(KMK), ANVC and NDFB have entered into agreements for suspension of operations. Talks are also being held with all these outfits, except NSCN(K). All these talks have progressed in a constructive manner and have contributed to relieving the sense of alienation among some of our people. The situation in Tripura has shown marked improvement. A special package of Rs. 55 crore has been approved in pursuance of the memorandum of settlement entered into with the NLFT(N). An agreement has been signed between BNLF and the Government of Mizoram for the return of the Bru/Reang tribe from Tripura to Mizoram and a large number of people have been rehabilitated. Development projects worth Rs. 225 crore have been sanctioned for the area and assistance of Rs. 100 crore annually is being released since the year 2004-05 to the Council. Diplomatic initiatives have been taken with Bangladesh, Myanmar and Bhutan for tackling insurgent outfit operations. Special focus is being given to completing the border fencing along the Indo-Bangladesh border. The UPA Government has improved the scheme for surrender and rehabilitation of militants in the northeast. 20% of vacancies of constables in Border Guarding Forces have been allotted to areas affected by militancy, including the northeast, in order to create employment opportunities and wean youth away from the path of violence. The SRE reimbursement facility has also been extended to Meghalaya and Arunachal Pradesh, in addition to the states of Assam, Manipur, Nagaland and Tripura. Special Central Assistance is being provided for modernisation of state police forces and, under the revised Scheme, all seven states in the northeast have been made eligible for 100% Central funding. With a view to counter attempts to develop a sense of alienation in the local population in the context of counter-insurgency operations, the UPA Government has extended the Operation Sadbhavana programme, already in implementation in Jammu and Kashmir, to the Northeastern Region.

7.1.2 Roads: The UPA Government has approved a Special Accelerated Road Development Programme for the North-East (SARDP-NE). It envisages improvement of about 7,639 km of

National Highways, State Roads and General Staff roads, involving a total of 83 roads, bridgeworks etc. This will ensure connectivity with National Highways to 34 hitherto unconnected district headquarters at a total estimated cost of Rs. 12,123 crore. Phase A of the project, involving work on 1,310 km of roads at an estimated cost of Rs. 4,618 crore, has been approved and works are scheduled to be completed by 2009. Preparation of Detailed Project Reports for the improvement of the balance roads in Phase B of the project is targeted for completion by December 2007, while the works are targeted for completion within seven years.

7.1.3 Railways: Kumarghat-Agartala and Jiribam-Tupul (Imphal Road) new railway lines and gauge conversion of Lumding-Silchar lines have been taken up at a total estimated cost of Rs. 3,450 crore to provide broad gauge connectivity for Silchar and the state capitals of Tripura and Manipur and the state of Nagaland. The UPA Government has declared as national projects the construction of rail-cum-road bridge over Brahmaputra River at Bogibeel in Assam and the Rangia-Murkongselek gauge conversion project to serve as a lifeline for upper Assam and Arunachal Pradesh, which would result in greater integration of the North-Eastern Region with the rest of India. The total estimated cost of the works involved is over Rs. 2,200 crore, which would be taken up as additionality over and above the normal Railways Plan so as to complete these projects by 2010-11.

7.1.4 Airports: Several schemes for development of airports in the region have been taken up at Agartala, Barapani, Dibrugarh, Dimapur, Guwahati, Silchar, Imphal, Jorhat and Rupsi. The Government has also approved procurement of ATR aircraft by Alliance Air for improving air connectivity.

7.1.5. Hinterland waters: Government has also decided to introduce a bill in Parliament for declaring the Lakhipur-Bhanga 121 km stretch along the Barak river as a national waterway along with development infrastructure facilities at an estimated cost of Rs. 46 crore by 2008-09, to improve port-hinterland connectivity for major commercial centers like Lakhipur, Silchar and Badarpur in the Barak valley with the major ports of Haldia and Calcutta.

7.1.6 Power: The NTPC will start a 500 MW thermal power plant at Salakati in Assam by 2009, involving an investment of Rs. 3,000 crore. To provide coal linkage to the plant, the North East Coal Limited will upgrade production of coal at Margherita in Assam from 1.1 million tonnes at present to 3.13 million tonnes by 2013, through estimated investment of Rs. 3,000 crore. The Prime Minister has laid the foundation of a 750 MW gas-based thermal power plant in Tripura, with estimated private sector investment of around Rs. 3,900 crore. The Kameng hydroelectric project of 600 MW capacity has been approved at an estimated cost of Rs. 2,497 crore. Following the vacation of a stay order by the Supreme Court, work on the 2,000 MW Subansiri Lower hydroelectric project, having an approved cost of Rs. 6,285 crore, was resumed and completion is expected by 2010-11. Rajiv Gandhi Grameen Vidyutikaran Yojana will reach electricity to all non-electrified villages by 2009. The Assam Gas Cracker

Project has been approved with a project cost of Rs. 5,461 crore and project commissioning target timeframe of 2011-12. With the setting up of this project, many more downstream polymer/plastic processing units are expected to come up, generating employment. The qualifying minimum generation capacity for getting mega power project status and consequent customs duty exemption has been halved for projects located in the northeast.

7.1.7 Industrial promotion: A more liberal new industrial and investment promotion policy for the North East has been approved, continuing 100% excise duty and income tax exemption on finished products made in the Northeast and doubling of capital subsidy to 30% of the investment in plant and machinery given on investment by new as well as existing units for ten years. Sikkim has also been covered for the first time.

7.1.8 Earmarked investment in the northeast: The total budget allocation in 2007-08 for the North Eastern Region, culled out from allocations under different Ministries/Departments, has increased year after year to Rs. 14,365 crore in 2007-08. The North-Eastern Council has been revamped and strengthened. Procedures for approvals and release of funds from the Council as well as the Non-lapsable Central Pool of Resources have been streamlined.

7.1.9 Health: All states in the northeast have been covered as special focus states under the National Rural Health Mission. A northeast health package is also being developed.

7.1.10 Education: The UPA Government has earmarked funds for the northeast separately since 2004-05. Provision has been made for additional Central assistance by way of 100% grant for helping state governments in the Northeast meet 15% of the requirement of funds out of a total requirement of 25% as state share of SSA, as a one-time special dispensation for 2005-06 and 2006-07. The conversion of the State Universities in Manipur, Arunachal Pradesh and Tripura into Central Universities and the setting up of a Central university in Sikkim is expected to ensure accelerated development of the existing universities and minimise imbalance in educational facilities in the Northeast by ensuring a Central university in each state in the region. The Government proposes to set up an Indian Institute of Management at Shillong, with classes commencing from the academic session 2007-08. To fulfil the aspirations of Bodo people, setting up of a Centrally funded Central Institute of Technology at Kokrajhar, Assam under the aegis of the Bodo Territorial Council to impart education in diploma level programmes in six subjects has been approved, with commencement of classes targeted from the academic session 2007-08. A National Institute of Technology will be established in Tripura. In order to address problems faced by students and working women from the northeast while living in the national capital, a 500-seat girls' hostel in the Delhi University and a 500-seat hostel for working women have been approved.

7.1.11 Urban renewal: Cities and towns in the northeast are being provided up to 90% Central grants for projects under the Jawaharlal Nehru National Urban Renewal Mission.

7.1.12 *Bamboo*: Northeastern states have been accorded priority under the National Bamboo Mission.

7.1.13 *Incentive package for members of All India Services*: In order to address the hardships faced by members of the All India Services serving in the Northeast and to motivate and encourage serving in the region, the UPA Government has put in place an incentive package covering more attractive norms for inter-cadre deputation, positive consideration to period of stay in the Northeast, opportunity in training abroad, annual home travel concession by air, reimbursement of cost of children education, use of defence hospitals, etc.

7.2 JAMMU AND KASHMIR

7.2.1 *Peace process*: There has been appreciable improvement in the law and order situation. The numbers of incidents of violence, civilians and security personnel killed and persons kidnapped have registered significant decline. Government is engaged in talks, including at the highest level, with a large number of political groups in both regions. These talks have progressed in a constructive manner and have contributed to relieving the sense of alienation among some of our people. The process of dialogue has been taken forward through the two Round Table Conferences on Jammu and Kashmir and has been well received both by the public of Jammu and Kashmir and the media. Five working groups have been set up to focus on specific issues. Many detainees have been released. Confidence Building Measures (CBMs) have achieved new milestones in the form of Srinagar-Muzaffarabad and Poonch-Rawalkot bus services being launched and five points being opened across the LoC for earthquake relief.

7.2.2 *Reconstruction Plan*: The Reconstruction Plan for Jammu and Kashmir was announced by the Prime Minister in November 2004 and was expanded by his announcements made during his visit to Ladakh region in June 2005. The Reconstruction Plan involves an investment of approximately Rs. 24,000 crore and includes 67 projects/ schemes aimed at meeting the need to strengthen the infrastructure and catering to other development needs, while balancing the development of the three regions of Jammu and Kashmir.

7.2.3 *Expansion of economic infrastructure*: The 240 MW Uri-II project has been approved. Commissioning of the 390 MW Dulhasti project is expected soon. 353 micro-hydroelectric projects have been completed. The 450 MW Baglihar project is being provided Rs. 630 crore Additional Central Assistance. Completion of the 120 MW Sewa-II project is expected by 2008. Rural electrification projects for four districts have been sanctioned and in principal approval has been accorded to projects for another six districts. The Srinagar-Kargil-Leh road has been declared a national highway and upgrading to national highway standards is expected by 2011. The Uri-LoC road has been made functional and the Srinagar-Muzaffarabad bus service has been running regularly on it. Work on other roads has been approved and is in progress. Srinagar Airport has been declared as an international airport and completion of

physical improvements is expected soon. The frequency of flights between Kargil and Srinagar has been increased. Substantial amounts as untied grants-in-aid respectively have been released to the Ladakh Autonomous Hill Development Councils for Leh and Kargil, which are taking up a number of infrastructure projects with these grants.

7.2.4 Expansion in provision of basic services: 14 new colleges and nine new Industrial Training Institutes have become operational. Decision has been taken to set up 10 more colleges and 5 new ITIs. Total Literacy Campaign has been extended in the remaining three districts of the state. 19 ICDS projects and 6,817 *anganwadi* centres have been sanctioned to ensure one centre in each habitation as per population norms. The state has been covered as a special focus state under the National Rural Health Mission. ADB infrastructure project covering water supply, drainage and sewerage in Srinagar and Jammu has been approved and works have commenced, with the Centre also providing counterpart funding for the state's share.

7.2.5 Providing thrust to employment and income generation: The UPA Government has removed restrictions on recruitment by the State Government for filling up of relevant posts in education and health sectors. Against 24,000 jobs envisaged ultimately, over 15,000 jobs have already been created. Five new India Reserve Battalions have been sanctioned affording employment to about 5,000 local youth over five years and recruitment from the state to these as well as Central paramilitary force battalions being raised is in process. Subsidy, training provision and Central grant share under Swarna Jayanti Shahari Rozgar Yojana have been substantially enhanced for the state. Several hundred students have been trained for the IT/BPO sector and 282 trained students given job placements in the private sector. 87 tourism industry personnel have been trained to build their capacities. One-year skill development courses were imparted to 139 students on food and beverage service, cooking, housekeeping and front office operations. Following training, some trained persons have established agri-clinics. Work on conservation of Dal Lake has commenced, while projects for conservation of Wular, Manser and Tsomoriri lakes are under preparation. Financial assistance has been approved for ten Tourism Development Authorities, 11 tourism villages and four tourist circuits.

7.2.6 Providing relief and/or rehabilitation to the dislocated and the families of victims of militancy: Rehabilitation of 6,072 families of border migrants of Akhnoor Tahsil has been approved at a cost of Rs. 59.18 crore, the first instalment released and work commenced. Enhanced outlay of Rs. 3 crore has been released to the Rehabilitation Council. Two-room dwelling units have been approved for all 5,000 odd Kashmiri migrants living in camps and work has started.

7.2.7 Programmes other than the Reconstruction Plan: The Udhampur-Srinagar-Baramulla railway line is being taken up, while the Jammu-Udhampur section has been opened for passenger traffic. Doubling of the Jammu Tawi - Jalandhar railway line is in under progress. The Nimo Bazgo and Chutak hydroelectric projects (89 MW) for meeting power needs of the Ladakh region have been taken up. Rohtang pass tunnel for opening alternative approach to

Ladakh region from Himachal Pradesh has been sanctioned and work has been initiated. The qualifying minimum generation capacity for getting mega power project status and consequent customs duty exemption has been halved for projects located in the state. Programmes being implemented for development of the handicrafts sector include the Technology Mission for Wool, development of *pashmina*, traditional handicraft development, integrated development package for carpet export, integrated development package for export promotion of handicrafts (other than carpet), strengthening of infrastructure support for promotion of handicrafts sector, revival of *kani jamawar* shawl, development of sericulture and silk industries and setting up of Weavers' Service Centre. For development of tourism, soft loans have been provided to houseboat owners to renovate their boats and make them functional, soft loans have been provided to hotels for renovating and refurnishing rooms, capital grant has been provided to *shikara* owners for repair and upgrading *shikaras*, and capital subsidy and soft loans have been provided to *pony*-providers to buy new ponies. Over 15,000 persons have been benefited under these schemes. The number of tourists has swelled greatly. Urban areas in the state are being provided up to 90% Central grants for projects under the Jawaharlal Nehru National Urban Renewal Mission. Establishment of Sher-e-Kashmir University of Agricultural Science and Technology has been provided for.

7.2.8 Liberal Central assistance: The Annual Plan for Jammu and Kashmir has nearly trebled since 2003-04. In addition, large grants have been provided to the state for meeting power gap related costs since 2006-07.

7.2.9 Tax holiday: The UPA Government has extended the tax holiday available to undertakings in the states for another five years, till 2012.



8. ECONOMIC RESURGENCE

8.1 INDUSTRIAL GROWTH, INVESTMENT AND FINANCIAL MARKETS

8.1.1 Overview: Average growth rate over the three years of the UPA Government has been 8.6%. The Government has set a target of attaining an annual growth rate of 9% during the Eleventh Plan period. For the first time, the investment and savings rates have risen to 34% and 32% of the GDP respectively. There is today a big investment boom in the economy. The rate of growth of manufacturing sector output during 2006-07 has been over 11%. The global competitiveness ranking of India has moved from 50th position in 2004 to 43rd position in 2006. The performance of key sectors like automobiles, textiles, pharmaceuticals, steel, petrochemicals, cement etc. has been impressive. The Government has successfully re-energised domestic enterprise. This growth is expected to spread to more regions of the country as well as to cover more sectors, thereby giving a boost to industry-driven employment.

8.1.2 Tax reform: VAT has been introduced across states and has proved to be an unqualified success. Central Sales Tax rate has been reduced from 4% to 3% from the current financial year, with a commitment to progressively phase it out. The Empowered Committee of State Finance Ministers has agreed to work with the Central Government to prepare a roadmap for introducing a national level Goods and Services Tax with effect from 1st April 2010.

8.1.3 Institutional and strategic initiatives: A special mechanism in the form of a High Level Committee on Manufacturing for implementation has been created under the chairpersonship of the Prime Minister to ensure that issues relating to manufacturing competitiveness are sorted out as quickly as possible. The National Manufacturing Competitiveness Council and the Investment Commission have been set up and have started functioning. The National Strategy for Manufacturing prepared by the National Manufacturing Competitiveness Council has provided a basis for accelerated industrial and employment growth. The Automotive Mission Plan 2006-16 has been prepared to provide the frame for growth of the automobile sector in India.

8.1.4 Revival of the Manufacturing Sector: The UPA Government has taken a number of measures through the Budget mechanism as well as through Plan programmes to improve the competitiveness of Indian industry. This has resulted in robust growth in the last three years, particularly in the manufacturing sector, which is the main driver of growth in the economy.

The growth rate of the manufacturing sector has risen steadily from 8.7% in 2004-05 to 9.2% in 2005-06 to 11.3% in 2006-07. More importantly, this growth has been widespread, covering almost all segments of the manufacturing sector. Capital formation in the manufacturing sector is estimated to have grown by over 30% per annum during this period.

8.1.5 Regulatory administration: A bill has been introduced in Parliament to simplify and rationalise forms and registers prescribed in 16 labour enactments and to make provisions for submission of prescribed returns electronically. The interface of industry with regulatory bodies like taxation authorities and registration authorities is being made transparent, simple and hassle-free through initiatives like the MCA-21 and income tax computerisation e-governance projects under the National e-Governance Plan. A scheme for compounding of offences under the Central Excise Act and the Customs Act has been introduced to reduce litigation and encourage settlement of disputes. The UPA Government has updated and modernised intellectual property related legislations on patents, trademarks, geographical indications and industrial designs. Procedural aspects have been streamlined and rationalised for user-friendliness. Modernisation, infrastructure creation and upgrade of Intellectual Property Offices has been undertaken and modern integrated Intellectual Property Offices set up in the four metropolitan cities. In order to safeguard intellectual property rights relating to traditional knowledge, the Government has authorised National Institute of Science Communication and Information Resources to enter into a non-disclosure agreement with International Patent Offices for making the Traditional Knowledge Digital Library accessible to patent examiners.

8.1.6 Corporate affairs: Drafting and introduction in Parliament of a new bill to comprehensively revise the Companies Act is targeted during 2007-08 for providing a legal frame that is easy to understand and implement and responsive to dynamic changes in the international business scenario. In order to ensure a suitable regulatory regime for competition, the UPA Government has introduced a bill in Parliament to amend the Competition Commission Act so that issues that had prevented the Competition Commission of India from becoming fully operational on a sustainable basis get resolved. The Commission will function not only as a market regulator for preventing anti-competitive practices, but will also serve as an expert body having advisory and advocacy functions. During the year 2007, the Government aims to complete the process of enactment of amendments to the Competition Act, 2002, select the chairperson and members of the Competition Commission of India and the Competition Appellate Tribunal, appoint the staff of the Commission and Tribunal, and provide for infrastructure and amenities for the Tribunal. The offices of registrars of companies have been restructured. Under MCA21, all registry related functions of the Registrar of Companies have been transformed successfully into e-governance mode, with 80% documents now being filed by companies and professionals from their offices or homes. In order to provide greater freedom with accountability in the professionals of chartered accountants, company secretaries and costs and works accountants, the related statutes have been amended. New Indian Accounting Standards, incorporating international best practices, have been developed and notified. A bill to provide for limited liability partnerships (LLPs) has been introduced in Parliament to provide for a new form of business organisation that combines the limited liability aspect of companies with the high degree of flexibility in internal management available in partnerships.

This structure is expected to significantly benefit small enterprises and professionals engaged in providing various services, and also encourage venture capital investments. The National Foundation for Corporate Governance has been set up in association with industry and professional associations to serve as a platform for deliberations on issues related to corporate governance, with the focus being on adoption and implementation of a country strategy on corporate governance with active involvement and participation of all stakeholders dissemination of good corporate governance practices to small and medium enterprises and creating an interface on corporate social responsibility. The Government proposes to establish an Indian Institute of Corporate Affairs to provide policy research and knowledge support.

8.1.7 FII: Several measures have been taken to encourage FII and to reduce the vulnerability of the financial system to the flow of speculative capital. Some key measures are:

- (i) Making procedures for registration and operations simpler and quicker for FIIs
- (ii) Raising investment ceiling for FIIs in debt funds to \$1.75 billion
- (iii) Permitting FIIs to submit appropriate collateral, when trading in derivatives on the domestic market

According to SEBI / RBI data, cumulative FII investment in the twelve financial years from 1992- 93 to 2003-04 was US\$ 25.75 billion, whereas additional investment in next 2¾ financial years alone was nearly US\$ 22 billion.

8.1.8 FDI: FDI equity inflows have registered consistent growth during the last three years, increasing from US\$ 2.6 billion in 2003-04 to US\$ 3.7 billion in 2004-05 and to US\$ 5.5 billion in 2005-06. During the current financial year 2006-07 (April-December 2006), FDI equity inflows were US\$ 10.6 billion. FDI inflows have exceeded FII inflows for the first time. Procedure for FDI under the general permission route has been simplified. Extension of validity of foreign collaboration approvals has been relaxed. Press Note 18 has been de-notified. Increases in FDI limit from 40% to 49% in civil aviation and from 49% to 74% in telecom have been notified. 100% FDI has been allowed under the automatic route for development of townships, housing, built up infrastructure and construction development projects. Following decisions have been taken to rationalise policy and remove unnecessary hurdles and outdated restrictions:

- (i) allowing FDI up to 100% on the automatic route for distillation and brewing of alcohol, and for manufacture of industrial explosives and hazardous chemicals; new airport projects; coal and lignite mining for captive consumption for eligible activities; processing and warehousing in the coffee and rubber industries; infrastructure related to marketing, natural gas or LNG pipelines, market study and formulation, and investment or financing in the petroleum sector; power trading; wholesale trading and sourcing for exports; and, exploration and mining of diamonds and precious stones; manufacturing activities earlier attracting location restrictions;
- (ii) allowing automatic transfer of shares from residents to non-residents in financial services and activities earlier attracting SEBI Takeover Code route;

- (iii) dispensing with the condition of divestment of 26% foreign equity in favour of Indian partner / public in respect of B2B e-commerce sector;
- (iv) indicating permissible activities in development of townships, housing, built-up infrastructure and construction development and aquaculture; and
- (v) allowing FDI up to 51%, with prior approval, in 'single brand' product retailing.

8.1.9 Micro, small and medium enterprises: The Micro, Small and Medium Enterprises Development Act, 2006 provides the first-ever legal frame for covering services along with manufacturing under the concept of enterprises, progressive classification of enterprises, statutory consultative mechanism, establishment of a fund for promotion and development of such enterprises, preference in government procurement of products and services of such enterprises, effective mechanism for mitigating problems of delayed payments, etc. A major promotional package has been announced and this includes measures to address most of the concerns in areas of credit, cluster-based development, technology upgrade, marketing, infrastructure upgrade, etc. The corpus of the Credit Guarantee Fund is being revised from Rs. 1,132 crore in March 2006 to Rs. 2,500 crore over a period of five years. Following the credit policy for small and medium enterprises announced in 2005, outstanding credit to the sector increased from Rs. 135,200 crore in 2005 end to Rs. 173,460 crore in 2006 end.

8.1.10 Export-related industries: The SEZ Act, 2005 has been legislated for creation of required infrastructure and appropriate framework for rapid development of export-oriented manufacturing and services. While, there has been enthusiastic response from investors, the UPA Government is finalising a set of measures to address concerns related to land acquisition and rehabilitation.

8.1.11 Telecom services: The announcement of a 3G policy is planned soon. Greater investment and lowering of the cost to consumers have been achieved through substantial reduction in the annual license fee and entry fee for NLD and ILD licenses. Additional 45 MHz spectrum is targeted for vacation by defence services this year to enable growth of mobile services. Formulation of a comprehensive spectrum allocation policy is under consideration. The UPA Government has decided that a committee study the present structure of levies and make suitable recommendations, so that multifarious taxes, charges and fees applicable to the industry may be unified and a single levy on revenue collected.

8.1.12 IT services: A Bill to amend the Information Technology Act has been introduced to effect provisions that will assure overseas customers regarding adequacy of data protection laws and limit the liability of network service providers to cases where they are either participants or have failed to exercise due diligence. Provisions are sought to be modified in line with directives on e-commerce made applicable by the European Union and followed internationally, which will help in clearly defining duties and safeguards to be practiced by intermediaries like network service providers, thereby making them accountable and also help in bringing in investment by removing apprehensions. A number of initiatives have been taken in close concert with NASSCOM for meeting human resource requirements, greater access to foreign markets, etc.

8.1.13 Electronics, IT hardware and telecom equipment manufacturing: An attractive special incentive package for encouraging investment for setting up of semiconductor fabrication and other micro- and nano-technology manufacturing industries has been notified and has been well received. The growth potential and pro-active role of the Government has brought major telecom companies into the manufacturing space of the country.

8.1.14 Chemicals and petrochemicals: An appropriate policy framework for development of petroleum, chemicals and petrochemicals investment regions of requisite scale and level of facilities, with the involvement of world-class developers and investors is under consideration. Such regions are envisaged to have a combination of production projects, public utilities, logistics, environmental protection, residential areas and administrative services and aim at encouraging global scale investment. Law is being amended and financial provision has been made for creation of new institutes like the National Institute for Pharmaceutical Education and Research to cater to the growing requirements of research and training. A new National Policy on Petrochemicals has been prepared. Both the chemicals manufacturing Central PSEs had been sick and stood referred to the BIFR for the last 10 to 20 years. The UPA Government had taken up their revival in mission mode. Revival packages have been approved for Hindustan Organic Chemicals Ltd. and Hindustan Insecticide Ltd., involving cash infusion as well as waivers amounting to several hundred crore Rupees.

8.1.15 Mining: In order to attract private investment in the mining sector, the UPA Government is coming out with a new National Mineral Policy, which will be followed by amendments to the Mines and Minerals (Development and Regulation) Act, 1957, the Mineral (Concession) Rules, 1960 and the Mineral (Conservation and Development) Rules, 1988. This will also result in improvement of procedures for granting mining licences, particularly ensuring a smooth transition from exploration licence to prospecting and mining licences. The Geological Survey of India is being modernised and technologically upgraded through procurement of helicopter-borne geophysical survey system, ocean-going research vessel and geotechnical ships for coastal areas to explore concealed and deep-seated mineral deposits.

8.1.16 Food processing industries: Parliament has enacted the Food Safety and Standards Act, 2006 to provide an integrated law relating to food and for systematic and scientific development of food processing industries. Earlier, thirteen different laws affected food and food processing industries. The Act envisages an overarching policy framework and provision of a single window to guide and regulate food trade and industry. It seeks to secure consumer safety through food safety management systems based on self-compliance, coupled with legal responsibility. It provides for setting of standards on the basis of science, in a transparent and dynamic manner. Addressing the need for an international centre of excellence that will work synergistically with industry and similar institutions within India and outside, the National Institute of Food Technology, Entrepreneurship and Management (NIFTEM) will start functioning at Kundli, Haryana from the current year. A five-year income tax holiday and other concessions have earlier been provided for new industries set up to process, preserve and package fruits and vegetables.

8.1.17 Textiles: Textile industry has been able to generate considerable employment and promote exports and improve its performance in the post- Multi Fibre Agreement regime. A major package, including tax relief, was provided. Basic customs duty on various textile machinery and spare parts has been reduced, additional capital subsidy has been provided for processing, duties on specified textile machinery items, raw materials and spare parts has been brought down, and excise duty on polyester filament yarn has been reduced. The scope and outlays of schemes like the Technology Upgradation Fund Scheme and the Technology Mission on Cotton has been augmented to modernise the industry and to ensure availability of quality raw material at competitive prices. The Scheme for Integrated Textiles Parks has been launched to strengthen infrastructure. Under the scheme, it is proposed to set up 30 Integrated Textiles Parks by 2008, with an investment of over Rs. 13,000 crore. These parks will generate annual production of over Rs. 20,000 crore, and create over half a million new jobs. Due to focused support to cotton-growers cotton production and productivity have touched record highs. The textiles sector has grown phenomenally since the phasing out of the Multi-Fibre Arrangement (MFA) after 2004. It is expected that by 2011-2012, the textiles sector will more than double to US\$ 115 billion. The estimated investment during this period will be approximately Rs. 1,50,000 crore, which will generate employment for approximately 17 million workers.

8.1.18 Handlooms: A focused approach to helping weavers is in place with an increase in the number of cluster development centres, more yarn depots, support to technology upgrade, health and life insurance cover for weavers, and a new "Handloom Mark" for branding handloom products. 200 handloom clusters of over 5,000 handlooms each are targeted for taking up under the Integrated Handloom Development Scheme during 2007-08.

8.1.19 Jute: A comprehensive National Jute Policy has been announced for the first time to boost demand for jute and protect the interests of jute growers. Restructuring of the Jute Corporation of India has been undertaken. Steps are being taken to implement a Jute Technology Mission for holistic development of the jute sector, at an estimated cost of Rs. 355 crore. The National Jute Board Bill, 2006 has been introduced in Parliament to provide for establishment of the National Jute Board to effect synergy in the activities of various organisations in jute sector. To ensure adequate demand, the level of compulsory packaging has been increased for sugar and food grains. The level of compulsory packing in jute bags for food grain and sugar has been continued at 100% for the jute year 2006-07.

8.1.20 Plantation crops: The UPA Government has approved setting up of a Special Purpose Tea Fund for funding replantation and rejuvenation of old tea bushes for improving the age-profile of tea plantations. The Government proposes to soon put in place similar financial mechanisms for coffee, rubber, spices, cashew and coconut. In the coffee sector as well, the Government proposes to initiate a massive revival programme in the Eleventh Plan period by replacing senile coffee tracts with high yielding varieties of coffee. The UPA Government has also initiated a programme for revival of coconut plantations. Special Programmes for revival of other plantation crops will also be implemented in the Eleventh Plan period. The UPA Government has introduced weather / rainfall insurance with 50% Government subsidy on premium to provide an effective risk management aid to small coffee-growers likely to be affected by adverse rainfall incidents. Further, the extent of insurance cover under the Personal

Accident Insurance Scheme has been enhanced from Rs. 25,000 to Rupees one lakh and the scheme has been extended to cover permanent plantation growers as well, strengthening and extending the cover to both plantation growers and permanent workers deployed on coffee plantations in cases of death or permanent disability

8.1.21 Commodity derivatives: As a result of liberalization and opening up of the commodities futures market, commodities derivatives trade value relative to GDP has taken a big leap over the past three years from 5.81% (Rs. 1.29 lakh crore) in 2003-04 to 66% (Rs. 21.55 lakh crore) during 2005-06. Likely participation of Banks, Mutual Funds and Foreign Institutional Investors along with introduction of options trading after amendments to FCR Act, 1952 will boost commodity futures trading further in coming years, impart it further breadth and depth, and lead to its development into a mature system of price discovery and risk management. Keeping in view changes that have taken place in the commodity futures market, and the growing demand for allowing trading in options and new generation of commodity derivatives so as to provide wider option for risk management, the Government has introduced in Parliament a bill to strengthen and give requisite autonomy to the Forward Markets Commission, broadly on the lines of the SEBI. The bill provides for allowing trading in options, while simultaneously restructuring, strengthening and conferring more statutory powers on the Commission to enable it to regulate the commodity derivatives market effectively.

8.1.22 Securities markets: A major step has been taken for modernisation of stock exchanges with the SEBI notifying the Corporatisation and Demutualisation Schemes of 19 stock exchanges. This has made all stock exchanges 'for profit' entities, removes conflicts of interest by segregating ownership, trading rights and management. Foreign players have picked up substantial equity stake in the National Stock Exchange, opening up new possibilities. The SEBI is setting up a National Institute of Securities Management for teaching and training intermediaries in securities markets, promoting research, and creating certification databases of market and professionals.

8.1.23 Public Airlines: The decision of the UPA Government to induct new aircraft in the Air India flight after a decade will strengthen Air India to offer better services. Delivery of 68 aircrafts at a net estimated cost of nearly Rs. 35,000 crore is scheduled between 2006 and 2012. Indian Airlines too is inducting 43 Airbus aircraft at an estimated cost of nearly Rs. 10,000 crore with delivery schedule between 2006 and 2010, which will result in the replacement of the entire older fleet of Airbus 300 and Boeing 737 aircraft. Taking note of global trends in aviation industry towards mergers and consolidation of airlines and formulation of global alliance, which enable airlines to optimise fleet acquisition, leverage asset base, strengthen network and achieve economy of seats, the UPA Government has decided in principle to work towards the merger of Air India and Indian Airlines.

8.2 ENERGY

8.2.1 Energy Coordination Committee: An Energy Coordination Committee chaired by the Prime Minister has been set up to enable a systematic and coordinated approach to policy formulation and decision-making in the area of energy planning and security, covering energy related issues across coal, power and petroleum and natural gas sectors.

of 3,380 MWe are currently under construction and will take total installed capacity to 7,280 MWe. The Government has accorded in principle clearance for four new sites, namely, Kudankulam, Rajasan, Kakrapar and Jaitapur, for carrying out initial works for setting up an additional 6,800 MWe nuclear power capacity. Out of this, Jaitapur is a greenfield site. India has joined Future Gen and the International Thermonuclear Experimental Reactor Initiative.

8.2.6 New and renewable energy: The new and renewable power installed by the end of the Tenth Plan period is around 10,000 MW, around twice the Plan target.

8.2.7 Bio-fuels: A Group of Ministers is considering a National Policy on Bio-fuels, setting up of a National Bio-fuel Development Board and institution of a National Mission on Bio-diesels.

8.3 INFRASTRUCTURE

8.3.1 Committee on Infrastructure: Initiatives for creating world-class infrastructure are being reviewed and guided by the Committee on Infrastructure, chaired by the Prime Minister. The committee is vigorously pursuing creation of a policy and regulatory environment that attracts long-term private investment in infrastructure.

8.3.2 Roads: The National Highways Development Project (NHDP) is being implemented in seven phases, with estimated investment of around Rs. 2,27,000 crore over the period 2005-12. The Golden Quadrilateral for four-/six-laning of national highways connecting four major cities of the country is almost complete. The work of construction of around 7,300 km of North-South and East-West Corridors has been awarded for most of the stretches and completion is expected by 2009. The UPA Government has approved four-laning / upgrading of around 5,128 km of national highways under Phase III-A of the NHDP at an estimated cost of over Rs. 28,000 crore, and completion is targeted by 2009. Another 6,500 km of National Highways has been identified for four-laning under NHDP-IIIB, at a cost of over Rs. 33,000 crore, and detailed project reports are being worked out. Another major thrust of the UPA Government is six-laning of 6,500 km of national highways, including the Golden Quadrilateral, under Phase-V at an estimated cost of Rs. 41,000 crore with completion targeted by 2012, which has already taken off. Besides, the Government plans to construct 1,000 km of expressways under Phase-VI at a cost of Rs. 16,680 crore. It is proposed to upgrade to two-lane highways with paved shoulders another 20,000 km of national highway stretches that do not qualify for four-laning. Under the programme for the North Eastern Region (SARDP-NE), work on 450-kilometre stretch of roads has been awarded and the balance will be awarded in 2007-08.

8.3.3 Airports: The civil aviation sector has witnessed unprecedented growth in recent years. The UPA Government has initiated modernisation of major airports in the country and liberalisation of air services to cope with rapidly growing air traffic demand. Investment in airport development is on the upswing. The creation of world-class airports in India has commenced with the restructuring and ongoing modernisation and expansion of the Delhi and Mumbai airports in public-private partnership. A new runway for operations up to A-380 type of aircraft and a new international terminal building are targeted for construction at the Delhi

airport by 2008 and 2010 respectively, to enable it to handle 37 million passengers annually. At the Mumbai airport, a new terminal building jointly catering to international and domestic passengers is targeted for completion by 2010. Greenfield airports at Bangalore and Hyderabad are expected to be ready for operations in mid-2008. Plans are being made for the modernisation and development of Kolkata and Chennai airports. In principal approval has been granted to set up a greenfield airport in Goa. Construction of new international terminal buildings has been approved at the Thiruvanthapuram and Ahmedabad airports. The UPA Government is also committed to modernise 35 non-metro airports to world-class standards. The Government intends to establish an Airport Economic Regulatory Authority, which will approve tariff structure and monitor standards of performance and will provide certainty to private investors regarding regulatory and commercial regime over the concession period. With a view to attract investments in Greenfield airports, the Government has allowed 100% FDI through the automatic route, up from 74% earlier.

8.3.4 Shipping and inland water transportation: The UPA Government has taken up a programme for massive capacity expansion of port infrastructure. The programme for allocation of berths at major Indian ports for construction through the public-private partnership route is being expanded. The International Container Trans-shipment Terminal at Cochin Port is being developed in PPP mode, with an estimated investment of Rs. 2,118 crore. Work on the Sethusamudram Shipping Channel project has commenced in July 2005 and is scheduled for completion by end-2009, at a cost of Rs. 2,427 crore. The project will lead to saving in navigational distance up to 424 nautical miles (785 km) and will result in saving of time of around 30 hours. It will boost movement of cargo along the coast, enhance national security and lead to overall economic development of the region. Bills have been introduced for declaring 623 km and 1,095 km long stretches in the Mahanadi and Godavari-Krishna river systems as national waterways substantially increasing the network of national waterways from existing three national waterways to five and helping unified development of waterways for shipping and navigation and optimum utilisation for transport of cargo. The former will provide port-hinterland connectivity for the ports at Paradip, Dhamra and Kolkata as well as a link with the Ganga near Hooghly. The two will together entail development of infrastructure facilities at an estimated cost of Rs. 2,068 crore over a period of six to nine years. Government has also decided to introduce a bill in Parliament for declaring the Lakhimpur-Bhanga 121 km stretch along the Barak river as a national waterway along with development infrastructure facilities at an estimated cost of Rs. 46 crore by 2008-09, to improve port-hinterland connectivity for major commercial centers like Lakhimpur, Silchar and Badarpur in the Barak valley with the major ports of Haldia and Calcutta.

8.3.5 Railways: The UPA Government has succeeded in ensuring a turnaround of the Indian Railways. Over the past 2½ years, railway freight volumes have grown by 8-10% and growth in passenger volumes has doubled. As a result of improved supply and demand management, rational utilisation of capacity and a market-driven pricing policy, the Indian Railways are once again on track. Infrastructure development through public-private partnerships is being promoted. There has been an encouraging response to the offer to allow private container trains. Preliminary work on the proposed Dedicated Rail Freight Corridors has begun. Container business has been opened to the private sector. Increase in axle load, coupled with reduction

in turnaround time of wagons from seven to five days, has contributed to incremental loading capacity of 120 million tonnes, resulting in incremental revenues of Rs. 7,000 crore. Tariff has been rationalised by reducing the number of classes from over 4,000 to 18. Pricing policy has become market-driven and dynamic, with attractive discounts during the lean season and surcharge on busy routes during the busy season. The old strategy of resource allocation has given way to resource leveraging. Improvement in customer services and reduction in passenger fares, particularly for poorer sections, have been effected. Reforms have been introduced with a human face, without losing sight of social obligations.

In order to meet the transport demand of the economy and industry on the Delhi-Mumbai and Delhi-Kolkata trunk routes, building of two connected dedicated multi-modal freight corridors has been taken up on fast-track basis through a special purpose vehicle called the Dedicated Freight Corridor Corporation of India Ltd. at an estimated cost of Rs. 30,000 crore, with completion targeted during the Eleventh Plan period. The project will provide necessary infrastructure support for container, coal and other mineral traffic and will also improve passenger traffic on these routes. The UPA Government also proposes to undertake pre-feasibility studies and preliminary engineering-cum-traffic surveys for taking up freight corridors along the Golden Quadrilateral.

The Indian Railways will also be conducting pre-feasibility studies for construction of one high speed passenger corridor each in the northern, western, southern and eastern regions for trains running at speeds of 300 to 350 kmph to cover distances of up to 600 km in two to three hours. During the Plan period, production of rolling stock will be doubled. One new factory each for rail coaches, diesel locomotives, electric locomotives and wheels will be established. The electrified network will be extended over the Golden Quadrilateral and its diagonals, and in all directions from Kashmir to Kanyakumari and Guwahati to Amritsar.

The Rail Land Development Authority has been set up for commercial utilisation of railway land and air space, redevelopment of railway stations into world-class stations through public-private partnerships, and exploring additional areas for developing railway assets for revenue generation. The Railways are also planning facilitation of a modern supply chain infrastructure for agricultural products by offering land for setting up of modular agricultural retail chain for collection and distribution outlets coupled with backward integration of transportation. This will, in turn, facilitate establishment of a countrywide network for procurement and distribution of agricultural products.

8.3.6 Telecommunications: Facilitated by the incentives under the broadband policy announced in 2004, around 2 million broadband connections have already been provided, covering more than 600 towns. Target has been set for 9 million broadband connections. Projects for laying submarine optical fibre cables have been initiated by Central Telecom PSEs and the work of laying of BSNL's first submarine cable project from Tuticorin to Sri Lanka has been completed, while the work for laying a submarine cable to the South East Asia via Port Blair is being taken up.

8.3.7 Catalytic schemes to promote infrastructure development: A scheme has been launched for viability gap grant to infrastructure projects that are financially unviable despite being economically viable. In order to supplement lending by banks and financial institutions, which are currently deficient in providing long-term debt, a special purpose vehicle was conceived of to give long-term loans to infrastructure projects. The twin schemes for viability gap funding and long-term debt to infrastructure projects address critical gaps in private sector financing of infrastructure and ensure that infrastructure projects rendered unviable due to long gestation periods are not neglected due to unavailability of long-term debt. Through this package, the Government has leveraged scarce budgetary resources for attracting a large pool of private capital. So far, the special purpose vehicle, India Infrastructure Finance Corporation Ltd., has sanctioned 47 projects with total project cost of around Rs. 55,000 crore. 16 projects having total cost of Rs. 9,462 crore have been given in principle approval under the viability gap funding scheme. The UPA Government proposes to promote the flow of investment to the infrastructure sector by permitting mutual funds to launch and operate dedicated infrastructure funds, and that these funds may also be borrowed from the National Small Savings Fund by the IIFCL, under the viability gap funding scheme have been granted in principle approval.

8.3.8 Other infrastructure initiatives: Besides the above, a number of infrastructure related initiatives have been indicated in the sections on rural renewal, urban renewal and enabling development in the Northeast and Jammu and Kashmir.

8.4 COUNTER-INFLATIONARY MEASURES

8.4.1 Countering inflation: The rate of inflation has been hovering above 6.5% in recent times. Increase in demand for primary articles due to high GDP growth, supply side constraints due to stagnation in agricultural production on account of inadequate investment in this sector over the years till recently and rise in international prices and difficulty in availability of commodities like wheat, pulses, milk power, edible oil, crude oil and other primary commodities such as ferrous and non-ferrous metals, have all contributed to the rise in prices. The UPA Government has taken the following broad measures during the last year:

- (a) Augmenting availability through imports by lowering import duty and tasking State agencies to import on Government account
- (b) Placing restrictions on exports through measures like banning, canalisation or increase in minimum export price
- (c) Countering speculation and hoarding by imposition of regulatory measures through the Forward Markets Commission and imposition of stock limits under the Essential Commodities Act, 1955
- (d) Containing growth in liquidity by raising the repo rate, the reverse repo rate and the statutory Cash Reserve Ratio
- (e) Increasing the risk weighting and provisioning norms for exposure of banks to sectors such as commercial real estate, housing loans and personal loans, with a view to dampening demand

The impact of these wide-ranging measures has begun to be felt and the UPA Government is confident of keeping the rate of inflation within control in future.



9. BUILDING BRIDGES

9.1 EXTERNAL AFFAIRS

9.1.1 Overview: The past three years have been eventful for India's emerging role and status in the comity of nations. India's foreign policy has adapted to the rapidly changing global environment, while at the same time correlating with the remarkable changes taking place within India itself. India's engagement with the rest of the world community has grown notably, as it has become ever more important to ensure a peaceful and supportive international environment conducive to India's development goals. The UPA Government is determined to maintain India's independent foreign policy, built on national consensus and based on supreme national interests. To this end, the Government has accorded high priority to closer political, economic and cultural ties with India's neighbours and is expanding its network of international relationships, while preserving solidarity with traditional allies and strengthening new partnerships.

9.1.2 SAARC: The 14th SAARC Summit was successfully hosted by India in April 2007. At the Summit, Afghanistan was admitted as the eighth member of SAARC and for the first time, five observers – China, Japan, European Union, the Republic of Korea and the US – attended. There was a new sense of determination and purpose among the leaders of the member countries at the Delhi Summit. The Summit agreed to make operational the SAARC Development Fund, establish the South Asian University, create the SAARC Food Bank and set up the SAARC Arbitration Council. The Summit recognised the importance of physical, economic and people-to-people connectivity for smooth flow of goods services, people, technologies, knowledge, capital, culture and ideas within South Asia and directed the Inter-Governmental Group of Transport to identify and develop sub-regional and regional projects based on the prioritised recommendations of the SAARC Regional Multimodal Transport Study and develop appropriate regional agreements. The SAARC Agenda for Culture was launched. It was decided that annual SAARC Festivals would be institutionalised. The Summit also called for urgent conclusion of a Comprehensive Convention on International Terrorism.

A meaningful milestone was achieved earlier with SAFTA coming into force from January 2006. India has followed up by accepting asymmetrical responsibilities and opening up its markets to less developed South Asian neighbours without insisting on reciprocity, committing itself to allowing duty-free access to India before the end of 2007 and further reducing the list of sensitive items. The Summit directed finalisation of agreements in the services sector, investment

promotion and protection, and the harmonisation of customs procedures as well as technical and phytosanitary standards. The SAARC Standard Coordination Board has already been set up as a precursor to the SAARC Regional Standards Body. The Summit called for early development of a road map for a South Asian Customs Union and a South Asian Economic Union in a planned and phased manner. During India's chairpersonship of SAARC in the year ahead, the agenda endorsed by the Summit would be taken forward.

9.1.3 Pakistan: With Pakistan, the Government has pursued a policy of constructive engagement to establish peaceful, friendly and cooperative relations. The dialogue process is predicated upon the 6th January 2004 commitment of the President of Pakistan not to permit any territory under Pakistan control to be used to support terrorism. The Composite Dialogue made some progress over the past year with the signing of an agreement on Reducing the Risks from Accidents relating to nuclear weapons and a revised Shipping Protocol. India has the initiative of opening of five points on the LoC for movement of people, release of prisoners and fishermen, extending tariff concessions under SAFTA to Pakistan, starting of cross-LoC and cross-border bus services and the Khokrapar-Munnabao rail service. Joint Anti-Terror Mechanism has been set up during the Foreign Secretary level talks in November 2006 and will test Pakistan's resolve and commitment to combat cross-border terrorism. Efforts are under way to start the Srinagar-Muzaffarabad truck service across the LoC for trade. The two governments have already agreed in principle to expand the list of pilgrimage sites under the 1974 Protocol. However, the Government remains concerned over infiltration and cross-border terrorism, and the dialogue process is predicated on Pakistan fulfilling its commitment not to permit any territory under its control to be used to support terrorism in any manner. During the meeting of the Prime Minister of Pakistan with our Prime Minister on the sidelines of the 14th SAARC Summit held in April 2007, the Pakistani Prime Minister discussed a wide range of bilateral issues. Both the Prime Ministers agreed to review the status of each other's citizens held prisoner in the neighbouring country.

9.1.4 Other South Asian neighbours: Our relations with Afghanistan reached a new height as India, along with Afghanistan, co-hosted the second Regional Economic Cooperation Conference on Afghanistan in November 2006. The decisions of this conference will provide templates for regional cooperation and identify opportunities for mutual benefit of all the countries in the region. The UPA Government has reiterated India's full support to the restoration of multi-party democracy in Nepal and the success of the peace process. An economic assistance package of Rs. 1,000 crore was offered to Nepal. Similarly, the UPA Government is interested in a democratic, stable and prosperous Bangladesh. It has been working on facilitating legitimate trade and commerce across the border with Bangladesh. On the ethnic issue in Sri Lanka, India has conveyed to the Sri Lankan side at high political levels the need for a negotiated, political settlement that is acceptable to all sections of Sri Lankan society. Bilateral trade as well as Indian investment and tourist influx in Sri Lanka have reached new highs, which are sought to be consolidated through the negotiations on a Comprehensive Economic Partnership Agreement that will build on the success of the Free Trade Agreement. The 1949 Friendship Treaty with Bhutan has been upgraded. The Government has approved an enhanced package of assistance to Bhutan for its Ninth Plan (2002-08) amounting to a sum of Rs. 2,610 crore.

9.1.5 United States: The transformation in the Indo-US bilateral relationship is being consolidated through implementation of existing initiatives and broadening of the bilateral agenda, which now includes strategic and security issues, defence, counter-terrorism, science and technology, health, trade, space, energy, maritime cooperation and environment. The visit of the US President to India in March 2006 underscored our common commitment to carry this partnership forward. Several steps were taken by both sides to implement understanding on resumption of civilian nuclear cooperation that was reached in July 2005. India finalised its plan for separation of civilian and defence nuclear facilities, while the US Government amended its domestic laws to legally enable it to resume full civilian nuclear cooperation with India. Both sides had started negotiations on a bilateral agreement for implementation of the understanding of 18th July 2005 and the March 2006 Separation Plan.

9.1.6 Europe: The highlight of the rapidly intensifying India-EU relations was the 7th Summit at Helsinki in October 2006, at which both the sides agreed to launch negotiations on a broad-based India-EU trade and investment agreement. Bilateral initiatives have been cemented with a large number of EU member countries.

9.1.7 Russia: Trilateral meetings have been held between India, Russia and China at the summit and foreign minister level in July 2006 and February 2007 respectively to discuss international issues and trilateral cooperation among the three countries. With Russia, India's ties expanded in the areas of energy, high technology, defence and space. The Russian President was the Chief Guest at our Republic Day celebrations this year. A meeting was held between the Russian President and India's Prime Minister in 2006 and a number of Cabinet-level exchanges took place.

9.1.8 China: India-China relations witnessed sustained and comprehensive development. The visit of the Chinese President to India in November 2006 strengthened this process. The two countries agreed on a 10-pronged strategy, as reflected in the Joint Declaration, to add greater content to their strategic partnership and to develop an action-oriented template for future development and diversification of relations. Our bilateral trade with China has expanded substantially and has crossed US\$ 25 billion mark. The signing of the Agreement on Investment Protection and Promotion during the year will facilitate two-way investments flows. Cross-border trade through the land route has opened at Nathu La. New consulates have been opened in Kolkata and Guangzhou. The process of confidence building in border areas has been strengthened with border personnel meetings at a second point in the Eastern Sector (viz., Kibithu-Damai) becoming operational.

9.1.9 Japan: In recent years, there has been a marked upswing in Indo-Japan relations, which were elevated to a Global and Strategic Partnership during the visit of the Prime Minister to Japan in December 2006. Both sides also agreed to launch the Special Economic Partnership Initiative. The main element include the Delhi-Mumbai industrial corridors, setting up of multi-product SEZs / clusters, Free Trade and Warehousing Zones, encourage Japanese investment in India, Japanese support for Government initiatives on rural business and industrialisation, enhanced cooperation in the financial sector, etc. The dynamic growth in

bilateral relations has been reflected in several high level visits, positive momentum in bilateral trade, increase in Japanese investment into India and enhancement of defence and security cooperation. Discussions have begun on a Comprehensive Economic Partnership Agreement to conclude it as soon as possible, preferably within two years.

9.1.10 *The East:* In pursuance of the 'Look East' Policy, India has developed multi-faceted relationship with countries in the South East Asia and South Pacific including Australia and New Zealand. The Prime Minister participated in the India-ASEAN and East Asia Summits held in Philippines in January 2007. It was agreed at the India-ASEAN Summit that efforts would be made to finalise India-ASEAN FTA by July 2007. India's trade with most of countries in the region has shown significant improvement during the year. India has continued development assistance in the Indo-China and the Pacific islands, extended humanitarian assistance to Indonesia and the Philippines in the aftermath of natural disasters, and undertook defence cooperation and cultural exchanges. Singapore, China, Japan, Korea and other countries have shown great interest in the Nalanda Project, which seeks to create an Asian centre for inter-civilisation dialogue in India.

9.1.11 *West and Central Asia, Africa, Latin America and the Caribbean:* The Government has been working to further deepen and diversify India's relations with countries in West Asia, Central Asia and Africa. The first round of negotiations on a Free Trade Agreement between India and the Gulf Cooperation Council countries has been held. India donated emergency humanitarian assistance of Rs. 10 crore each to Palestine and Lebanon and, in the wake of the crisis in Lebanon evacuated around 1,800 Indian nationals from Lebanon, besides nationals of neighbouring countries. India has provided direct assistance to a number of countries in response to humanitarian emergencies as well as in the context of longer-term development projects. Multi-million dollar worth of concessionary lines of credit for infrastructure development projects were extended. India continued to be one of the largest contributors to peacekeeping forces in Africa. The Indian contribution to UN peacekeeping has increased three-fold over the last two years to more than 9,000 troops currently. The Pan-African E-Network Project has rolled out to enable the use of Indian expertise in areas like IT, education and healthcare for delivery of affordable distance education and medical services in remote locations in Africa. Dialogue at the highest political levels with South Africa was sustained through bilateral interactions between the Prime Minister and South Africa's President during the 1st India-Brazil-South Africa (IBSA) Summit at Brasilia in September 2006 and during the Prime Minister's visit to South Africa in September-October 2006. During the IBSA Summit, five trilateral agreements were signed. India has intensified its engagement and expanded its trade and investment with the nations of Latin America and the Caribbean. India participated in the NAM Summit at Cuba in September 2006, reflecting India's commitment to promoting South-South cooperation.

9.1.12 *Trade and economic diplomacy:* A Trade and Economic Relations Committee chaired by the Prime Minister has been set up for evolving the extent, scope and operational parameters of our economic relations with other countries in a coordinated and synchronised manner. The Committee has reviewed and guided free trade and regional trade agreements,

comprehensive economic cooperation agreements, WTO negotiations, bilateral trade and investment issues, etc. Our Framework Agreement for Comprehensive Economic Cooperation with the ASEAN involving a Free Trade Area has been usefully complemented by bilateral and sub-regional attempts towards economic cooperation, including bilateral agreements with Thailand and Singapore. Considerable stress has been made on economic diplomacy for providing increased access to international markets, sources of energy and advanced technologies as well as harnessing higher levels of FDI, especially in critical areas such as infrastructure. Recognising that our economic growth is closely linked to that of other countries, India has strengthened institutional linkages with economic groupings such as SAARC, ASEAN, BIMSTEC, Mekong-Ganga Cooperation, IBSA, G-15, G-8, Indian Ocean Rim and the East Asia Summit. India has also played a significant role in the WTO and other international economic institutions. The Government has adopted an overall liberal approach in the matter of grant of traffic rights under bilateral agreements with various foreign countries. Traffic rights have been enhanced through signing of agreements with the US, the UK, Germany, Canada, Japan, Russia, Australia, New Zealand, China, Netherlands, France, Belgium, Singapore, Mauritius, the UAE, Thailand, Italy, Taiwan, Finland, Maldives, Tanzania, Sri Lanka, Kuwait, Spain, Oman, Egypt, Sweden etc. This will not only lead to more flights and better connectivity from these countries to India but also provide more commercial opportunities to all operating carriers.

9.1.13 *Development cooperation:* An International Development Cooperation Agency is being established to implement various programmes of development cooperation extended by India to other nations in a focused and timely manner.

9.1.14 *Consular, passport and visa services:* It is proposed to open new passport offices at Amritsar, Dehradun, Raipur, Shimla, Coimbatore and Madurai in 2007. A number of measures have been taken to make the passport issue system simpler and speedier through measures like decentralisation and online applications. Indian embassies in the Gulf region have introduced provision of free legal aid for Indian workers in order to resolve labour issues. Visa waiver agreements have been entered into with 35 countries. The process of computerisation of passport and visa sections has been completed in almost all diplomatic missions.

9.2 OVERSEAS INDIANS

9.2.1 *Overseas citizenship:* The scheme for Overseas Citizenship of India has been extended to cover all overseas Indians who emigrated after January 26, 1950. Overseas Citizens have been granted parity with NRIs in respect of facilities in economic, financial and educational fields, with some exceptions, besides lifelong multi-purpose multi-entry visa and exemption from registration with local authorities. Till 2006, over 78,000 online applications had been filed and over 36,000 overseas citizenship registration certificates had been granted.

9.2.2 *Voting by NRIs:* A bill has been introduced in Parliament to permit Indian citizens outside India who are absent in their ordinary place of residence to get themselves registered in the electoral rolls of the constituency of their ordinary place of residence.

9.2.3 Social security: A Social Security Agreement has been entered into with Belgium, exempting overseas Indians on short-term contracts of up to five years from payment of social security contributions and providing for export of social security benefits for those on long-term contract, after they relocate to India on retirement. The Government has initiated the process for entering into similar agreements with other countries like The Netherlands, Sweden and France. The Government has entered into a bilateral MoU on manpower with the United Arab Emirates on a wide range of issues concerning the protection and welfare of overseas Indian workers, including non-payment or delay in payment of wages, harsh working and living conditions, substitution of contracts, retention of passports, cheating by intermediaries, physical abuse, etc. Conclusion of a similar MoU with Kuwait has been approved, which would facilitate recruitment of manpower, prohibit changes in terms and conditions of employment contracts to the detriment of workers, lay down the procedure for authentication for employment contract place responsibility on employers to arrange the work permits, and protect workers who are otherwise not covered under local labour laws. More such MoU are expected with other Gulf countries, including Bahrain, Saudi Arabia and Oman, as well as with Malaysia.

9.2.4 NRI / PIO university: The UPA Government has approved a policy frame for setting up a university for children of NRIs and PIOs.

9.3 MANAGING BORDERS

9.3.1 Border infrastructure: The UPA Government has engaged proactively with neighbours, improved border management and laid emphasis on development of infrastructure along our borders. With a view to improving infrastructure at the major entry points on our land borders, the Government has approved setting up of the Land Ports Authority of India for overseeing construction, management and maintenance of Integrated Check Posts at identified entry points on our borders with Nepal, Bangladesh, Pakistan and Myanmar. 13 Integrated Check Posts will be constructed.

9.3.2 Border fencing: The work of fencing along the India-Bangladesh border has been given greater focus and priority and an around 2,500 km of the border has been fenced out of total sanctioned length of 3,284 km. Important link roads on our side of the border are being identified for development.

9.3.3 Cross-border services: Srinagar-Muzaffarabad, Rawalkot-Poonch, Delhi-Lahore, Amritsar-Lahore and Amritsar-Nankana Sahib bus services and Khokrapar-Munnabao rail service across the Indo-Pak border / LoC have been made operational. Infrastructure at the Wagah-Attari border is being upgraded.



10. ADDRESSING DISASTERS

10.1 POLICY INITIATIVES AND PREPAREDNESS

10.1.1 *Legislative and institutional initiatives:* Orientation has been changed from a relief-centric approach to a holistic approach. The Disaster Management Act, 2005 has been enacted to provide for an institutional mechanism for drawing up and monitoring implementation of multi-disciplinary and multi-sector disaster management plans, including measures for preventing and mitigating effects for disasters. The UPA Government has set up the National Disaster Management Authority, the National Executive Committee of the Authority and the National Institute of Disaster Management in accordance with the provisions of the Act. A number of states and union territories have constituted Disaster Management Authorities at the state and district levels under the Act. The Government also proposes to set up a Flood Commission.

10.1.2 *Assistance for long-term rehabilitation and reconstruction:* Normally, the expenditure on long-term rehabilitation and reconstruction of damaged infrastructure is required to be met by state governments from their Plan resources. However, keeping in view the magnitude of the situation and requirement of funds, the Government of India has provided necessary financial assistance for long-term rehabilitation and reconstruction as well in respect of the tsunami, the earthquake in Jammu and Kashmir, and states that experienced severe floods.

10.1.3 *Assistance for other natural calamities:* The eligibility for assistance from the CRF / NCCF has been extended to cover landslides, avalanches, cloudbursts and pests attacks.

10.1.4 *Disaster preparedness:* A community-based Disaster Management Programme has been taken in 169 most hazard-prone districts, aimed at reducing disaster-risk through awareness and development of capacity for preparedness, response and mitigation at various levels. The Geological Survey of India is in the process of formulating a Landslide Hazard Risk Mitigating Code to be followed by all government and non-government agencies. Standard operating procedures for terrorist attacks using biological agents, chemical weapons and radiological weapons have been finalised and preparedness measures initiated. Proper preparedness measures have been put in place to handle outbreaks of avian flu. A major modernisation exercise has been undertaken in the India Meteorology Department. The scale

of numerical modelling for weather prediction has been improved for greater precision. High-speed computers are being procured for improving weather prediction for monsoon 2007. An interim Tsunami Early Warning System has been made operational and the full System is targeted for completion by September 2007. The Flood Forecasting Network is being upgraded through satellite-based data communication system to enable automatic collection and transmission of real time data to forecast formulation centres and dissemination of the forecasts to user agencies.

10.2 RESPONSE, RELIEF, RECONSTRUCTION AND REHABILITATION

10.2.1 *Tsunami relief, rehabilitation and reconstruction:* Implementation of the long-term Tsunami Reconstruction Programme, with an outlay of Rs. 9,870 crore, spread over four years, was continued. This involved reconstruction in various sectors such as livelihoods, ports and jetties, roads and bridges, power, water and sewerage, social infrastructure and welfare, environmental and coastal protection, tourism, etc.

10.2.2 *Relief, rehabilitation and reconstruction for floods:* 22 states and one union territory were affected in varying degrees by various natural calamities, viz., heavy rains, floods, landslides, cloudburst and cyclonic storms. The Government extended prompt and timely logistic support to the affected states in undertaking rescue and relief operations, including organising of relief materials, food, drinking water, essential medicines, clothes, tents and temporary shelters, additional stocks of essential commodities and petroleum products, and immediate repair and restoration of damaged infrastructure through the Ministries / Departments of Shipping, Road Transport and Highways, Telecommunications, Power, Drinking Water Supply and the NHAI and the BRO. A large number of defence and paramilitary personnel as well as aircraft, helicopters, boats, trucks and other vehicles were deployed in rescue and relief operations. During 2006-07, Rs. 2,996 crore were released from the Calamity Relief Fund and Rs. 1,962 crore were released till December 2006 from the National Calamity Contingency Fund, which includes 'on account' releases to the states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Orissa and Rajasthan, for immediate relief and rescue operations to states severely affected by floods, without waiting for detailed assessment of requirements. Besides, over 3.5 lakh metric tonnes of food grains were allocated under the special component of Sampoorna Grameen Rozgar Yojana and assistance of over Rs. 30 crore under the special component of the Accelerated Rural Water Supply Programme. Earlier, during 2005-06, 'on account' releases of Rs. 3,151 crore were made to a number of states severely affected of floods; an amount of Rs. 2,671 crore was released from the Calamity Relief Fund, and Rs. 2,771 crore were released to flood affected states from the National Calamity Contingency Fund.

10.2.3 *Relief, rehabilitation and reconstruction for earthquake in J&K:* Total assistance of over Rs. 542 crore has been provided through the State Government and various agencies of the Government of India. This includes a special package approved by the Government to the tune of Rs. 242.95 crore for procurement and supply of relief materials, shelter material

and construction of temporary shelters and community halls in the areas affected by the severe earthquake. A package for long-term reconstruction of damaged infrastructure is being processed for approval.

10.3 REHABILITATION OF LAND OUSTEES AND RIOT VICTIMS

10.3.1 *Rehabilitation of land oustees:* The UPA Government is in the process of preparing a new Rehabilitation Policy that will strengthen the compensation package of those who are ousted from their land due to major projects. All those whose livelihood is affected in any way will be covered under the Policy. The Policy will also provide for alternate means of livelihood. The Policy will be backed by appropriate amendments in the Land Acquisition Act and given statutory support by means of a new Rehabilitation Act.

10.3.2 *Rehabilitation packages for the victims of the 1984 and 2002 riots:* The UPA Government has approved packages of assistance for victims of the 1984 anti-Sikh riots as well as the victims of the train tragedy in Godhra and the ensuing violence in Gujarat in 2002. Additional *ex gratia* payments have been provided for in cases of death, injury and damage to residential as well as uninsured commercial / industrial property. Further, preference in recruitment in Government and PSUs has been approved, coupled with necessary age relaxation, launching of a special recruitment drive, allowing rejoining of people on jobs lost due to absence and giving pensioner benefits in relaxation of normal rules in case the age of superannuation has been crossed. Against total estimated assistance of Rs. 548 crore, assistance of Rs. 389 crore had been disbursed by March 2007.



11. OTHER INITIATIVES

11.1 Internal security initiatives: The overall internal security situation remains under control. To strengthen internal security, the Government has taken multiple initiatives, which include enhancing capabilities of the State Police forces through the Police Modernisation Scheme, Security Related Expenditure scheme, strengthening of the borders of the country by way of fencing, flood-lighting and deployment of electronic surveillance gadgets, and introducing the Coastal Security Scheme, Operation Swan and the Metropolitan and Desert Policing components of the police modernisation scheme. The Government, realising the need for unique policing requirements of mega cities and desert areas, has formulated dedicated mega city policing and desert policing schemes. The Government has emphasised the need for a well coordinated and efficient intelligence machinery at the Centre and in States. States have been asked to revamp their Special Branches by providing them additional manpower, filling up vacancies and posting competent officers with a fixed tenure, while assuring them financial and technical help for training and equipment. The Government intends to significantly improve the present police-population ratio. It has approved rising of 79 battalions to strengthen internal security. The Central Industrial Security Force and the Central Reserve Police Force have been restructured for improved effectiveness, strike-capability, and command and control structure. Close to 20,000 posts have been added to these two Forces for meeting the needs of internal security. 22 Battalions have been added to the Indo-Tibetan Border Police for better rotation and more diversified exposure. Modernisation of the Central Paramilitary Forces has been taken up at an estimated cost of Rs. 4,185 crore for equipping them with modern arms, ammunition, equipment and vehicles. The Government proposes to introduce a bill for a new Police Act for the union territories. POTA has been repealed, while ensuring adequate safeguards against terrorism.

11.2 Science and technology: A vision for development of an empowered science and technology base in the country by the year 2015 has been prepared. Steps are being initiated to attract talent, rejuvenate university research, enable women scientists to re-enter careers in science, strengthen technology business incubation processes, promote excellence in research, engage private sector in research and development, create greater science awareness and develop scientific temper among our people. The UPA Government intends to increase financial allocation for science and technology from less than 1% of GDP to 2% of GDP. The Science and Engineering Research Board has been set up to channel increased funding for during the

Eleventh Plan period. The NMITLI programme is being expanded to boost collaborative research in new areas of R&D. New schemes have been introduced for knowledge alliances in bilateral and consortium modes, setting up of incubation centres and permitting mobility of scientists between CSIR laboratories and private industry. The Ministry of Earth Sciences has been formed to look at planet earth as an entity and the Earth Commission has been formed as an enabling mechanism. A major modernisation exercise has been undertaken in the India Meteorology Department. The scale of numerical modelling for weather prediction has been improved for greater precision. High-speed computers are being procured for improving weather prediction for monsoon 2007. India will be sending a scientific team to the Arctic for the first time.

11.3 Space programme: The ninth consecutively successful launch of the Polar Satellite Launch Vehicle PSLV-C7 in January 2007 placing four satellites precisely in predetermined orbits, including CARTOSAT-2 having special resolution of less than one metre for detailed map development applications and disaster management, as well as successful demonstration of key technologies through the Space capsule Recovery Experiment (SRE-1) are recent important achievements. Chandrayaan-1 Mission is making substantial progress. Launch of INSAT-4B carrying DTH transponders in 2007 is a major milestone. EDUSAT has connected around 10,000 classrooms, benefiting rural and remote areas. The satellite-based telemedicine network has expanded to connect 182 hospitals. The Supersonic Combustion Ramjet (SCRAMJET) required for advanced rocket systems has been successfully demonstrated, and the indigenously developed cryogenic stage for the Geo-stationary Satellite Launch Vehicle (GSLV) has been successfully ground tested. For the first time, India has been entrusted the responsibility for a dedicated and full-fledged commercial launch of a foreign satellite, with Italy assigning the launch of its satellite Agile to the ISRO.

11.4 Broadcasting: The digitalisation of all 17 major studio centres of Doordarshan is near completion. A pilot project on High Definition TV (HDTV) has been approved and a production facility is being set up at Delhi. Special packages for expansion and improvement services of Doordarshan and the AIR in the northeast, Jammu and Kashmir and the island territories are under implementation. The DTH services have rolled out through Doordarshan as well as private broadcasters. The initial rollout of the Conditional Access System has been successful. Under the new policy for private FM radio services, letters of intent were issued for setting up of 245 FM radio channels in 29 cities, increasing coverage manifold from only 21 private FM radio stations licensed earlier in 12 cities. 53 private FM channels have commenced operations. During 2007, the DoT is planning to introduce Internet Protocol TV (IPTV) in 70 towns and mobile TV in 20 cities. The UPA Government has broadbased the policy for grant of licences for setting up of community radio stations by permitting civil society organisations to also set up such stations on issues related to development and social change. A pilot project has been taken up at Delhi for mobile TV.

11.5 Tourism: There has been impressive growth in foreign tourist arrivals, foreign exchange earnings and employment generation. The UPA Government has encouraged public-private

partnerships in tourism. A new scheme of Creation of Land Bank for Hotels has been introduced to help meet the shortage of hotel accommodation all over the country, especially in view of the Commonwealth Games, 2010. Policy and guidelines on eco-tourism have been formulated for involving local community and minimising the likelihood of conflicts between use of resources for tourism and livelihood of local inhabitants. Long-term multi-entry tourist visas of five-year duration have been introduced for nationals of 18 countries.

11.6 Sports and youth affairs: Massive preparations are under way for hosting the Commonwealth Games 2010. The renovation, upgrade and new construction in five stadia of the Sports Authority of India at Delhi at an estimated cost of Rs. 1,300 crore will enter the construction phase during 2007-08. The programmes of NSS and NYK have been expanded with special focus on activities in the northeast and Jammu and Kashmir.

11.7 Classical languages: A new category of classical languages has been created and Sanskrit and Tamil have been notified as classical languages. A scheme has been launched for providing scholarships for Tamil scholars.