An Explorative Report

Gap Analysis

Power | Ports | Education | Social Sector

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INTRODUCTION

Today India stands at an economic threshold. As the economy matures, it becomes important to make the growth more inclusive. Inclusiveness is critical for enabling nations to reach their full potential in a manner which can be sustained economically, socially, and politically. It is only when all sections of society, all regions of the country march forward as a single unit that true growth is achieved.

India's performance in recent years has been among the best in the world. True, the reforms initiated since the early 1990s have unshackled the economy, but despite these improvements, most poverty-related education and health indicators continue to show disturbing gender gaps, large rural-urban differences, and wide variation across states. The potential economic and social costs associated with these and other inequities are enormous. Given the current pace growth, uncertainties loom around India reaching many of the non-income Millennium Development Goals for maternal mortality rates, infant mortality rates, or gender parity in secondary enrollment ratios within the stipulated time. And with nearly 16% of world population residing in India, this would imply that the world as a whole will fall short of attaining the MDGs.

The Government of India is fully aware of these problems, and has been working to address them. Policies and schemes such as Bharat Nirman, National Rural Employment Guarantee Act, and National Rural Health Mission are steps in the right direction. However, the need of the hour is to ensure implicit and glitch free implementation of these schemes. To ensure successful run of India’s sterling performance, the benefits need to reach one and all.

Though the scourges facing India are numerous, this report focuses on Power and Ports; Education Sector; and Social Sectors in India. The intent of the report is to not only identify the gaps in the current scheme of things in each of the selected sectors, but also to suggest means to plug them.

HARD INFRASTRUCTURE
POWER AND PORTS

HARD INFRASTRUCTURE: POWER & PORTS

In understanding the means to device a solution to garner investment in to the power and ports sector we start off with a glimpse of the Target Investment required and the challenges faced in mobilizing funds in to the infrastructure sector.

Sector wise requirement of Funds

Sector	Amount	
	USD billion*	INR Crores
Power	130	616,500
Railways	66	300,000
National Highways	49	220,000
Civil aviation	9	40,000
Ports	11	50,000
Sub Total	265	**1,226,500**
Residual sectors	55	223,500
Total	320	**1,450,000**

The Target Infrastructure Investment is to be 8% of GDP by 2011-12. Half of the Domestic Savings are to be intermediated to Infrastructure to bridge the gap. However limited spreading of Risks and high Exposure to Risk Debts are challenges faced by companies who see a viable proposition in investing in the Infrastructure sector. Though 100 per cent Foreign Direct Investment (FDI) is permitted under the automatic route in various infrastructure sectors, the existing regulatory guidelines require SPVs established for infrastructure development to obtain prior approval of the Reserve Bank of India to raise External Commercial Borrowings (ECBs) to finance rupee expenditure cost of such projects. Further, corporate law requires mandatory transfer to statutory reserves before declaration of any dividend, thus resulting in cash trap for investors.

To stimulate private sector investment in infrastructure sector, a 10-year tax holiday in the block of 15-20 years has been provided to the undertaking/enterprise which develops/operates/maintains specified infrastructure facilities. However, such undertakings/enterprises are subject to Minimum Alternate Tax (MAT) on books profits adjusted for specified items, resulting in demand of higher grants from Government, lowering of IRR for the infrastructure project.

The framework of Banks, Insurance Companies, Investment and Borrowing options directly affect the Investment in Infrastructure sector. Some of the challenges presently include:

- Thus far our ***external borrowings have not been utilized efficiently***. A Low External to Debt ratio provides opportunity to invest borrowings in Infrastructure Sector. Prioritization of Capital Inflows towards Infrastructure considering the current account convertibility regime.

- ***FRBM norms and Maturity Mismatches*** make exposure to Infrastructure by Banks minimal.
- ***Absence of Credit risk transfer mechanisms, Regulatory Restrictions and an Underdeveloped Bond Market*** has reduced the risk exposure of Insurance Companies.
- Infrastructure Financing has been within the reach of a chosen few. Making infrastructure financing-especially in sectors where it has not been traditionally forthcoming--relatively more attractive for a wide spectrum of investor/ financier classes by providing more liberal regulatory regimes for infrastructure vis-à-vis non-infrastructure sectors and in some cases, offering well-designed fiscal incentives.
- Development of a ***domestic debt market, removal of TDS on Government Securities, Reduction and uniformity in stamp duty*** on issuance of debt instruments and on securitization transactions. The stamp duty applicable on debt instruments is not only high as compared to developed markets but also different across various states. Since stamp duty impacts heavily the cost of issue of the debt instrument, it makes debt less attractive vis-à-vis loans.
- The regulations relating to investments in bonds are far more restrictive compared to granting of loans. For example: ***Banks cannot invest in unrated debt instruments. Nor can they invest in unlisted debt papers beyond a certain limit (10% of their total non-SLR investments)***. No such restrictions are applicable for loans. Banks grant loans with no mark to market implications. But their bond investments are subject to mark-to-market regulations since banks are not allowed to classify any part of their bond portfolio under the held-to-maturity (HTM) category. Banks should be allowed to invest in unrated and unlisted bonds issued by at least the infrastructure companies. The current asymmetry with a bias in favor of loans makes ***banks averse to investment in corporate bonds and hence keeps a potentially important class of investors out of the corporate bond market***.

INFRASTRUCTURE POLICY: SUGGESTED CHANGES

- The resources, whether domestic or foreign, raised by banks for a long tenor (say at least 10 years) by way of bonds/term deposits for investment in infrastructure assets should have no SLR requirement. ***This will reduce the cost of intermediation for infrastructure and hence, induce banks to have a relatively larger exposure to infrastructure than other sectors.*** In addition, this will encourage banks to use long term funds for long term lending.
- The current regulatory policies treat lending to step-down project SPVs floated by infrastructure companies under the group borrower limits even if the lending is without recourse to the parent company. ***This provision does not add to stability of the banks but restricts their ability to lend***. Hence, lending to step-down subsidiary (without having recourse to the parent) should be exempt from the group exposure limit.
- Foreign borrowings by ***infrastructure companies or project SPVs may be exempted from withholding tax requirements.***
- **Liberalizing Buy-back**: In many infrastructure projects, the buyback mechanism is used indirectly to finance suppliers in the following manner. Equity is allotted to the vendors, suppliers, etc at the initial stage as a consideration for the supply of raw materials / machines received from them. ***When the project becomes operational and the company***

begins to get sufficient cash to pay for these materials / machines, buyback of these equity shares becomes necessary to help the developer retain control.

- Currently, in transportation, port and power sector, it is very difficult to replace one or more initial bidders with new partners. This jeopardizes the prospect of the project by ***reducing the flexibility in the constitution of management***. Hence, it is recommended that all the bidding documents for infrastructure projects should provide a clause for dropping the initial bidder(s) or replacing them by a new entity, if agreed to by all the parties to the contract through a deed of adherence.
- Currently, SEBI registered venture funds / private equity funds cannot be taken as bidding partners, as these funds do not meet conventional qualification criteria such as gross revenue, net worth or net cash accruals. Considering the shortage of risk capital in the country, it would make sense to ***allow these funds to become bidding partners.*** To facilitate their participation, it is recommended that the criteria to qualify as bidding partners should be not the net worth of the private equity or venture investment manager.
- Currently, in 100 percent debt schemes, individual limits are allocated to FIIs in a manner that results in ***low absolute limits for each FII, weakening their incentive to actively utilize their respective limits***. Whatever little trading that takes place under these limits is largely motivated by arbitrage. To ensure that the limits get better utilized and to attract genuine long term investors as opposed to arbitrage traders, the following recommendations are made:
    - Replace the existing allocation process (of individual limits) with a first come first serve rule for the 100 percent debt scheme, as in the case of 70:30 schemes.
    - Once the limits start getting sufficiently utilized, additional limits (for investment in long term debt instruments issued at least by infrastructure companies) should be considered.
- At present, most developers such as L&T, Gammon, GMR Infrastructure, etc., house all their infrastructure investments in a holding company as a separate business from that of the parent company. These holding companies get classified as NBFCs under RBI guidelines due to their income and asset patterns being largely financial in nature. This puts several restrictions on the holding companies as enumerated below:
    - Compliance with stringent regulatory requirements applicable to regular lending NBFCs
    - Limits on bank borrowing by these companies
    - ECBs not allowed under the automatic route
    - FDI investment in these companies not allowed without RBI approval
    - Investment in these companies by registered venture capital funds is subject to regulatory approval.

  Since the holding company corporate structures (such as L&T Infrastructure Development Project Limited) facilitate infrastructure development, they need to be treated as a separate class of NBFCs (say infrastructure NBFCs) that are exempt from these restrictions.
- ***Refinancing through ECBs***

  The existing guidelines do not permit domestic financial intermediaries to refinance existing rupee loans from external sources, although there is a potential market for it. It is recommended that refinancing of existing rupee loans through ECB should be allowed for *infrastructure* sector, because of the following benefits that it would yield:

  - Some foreign financiers, who are not keen to participate in projects in early, risky stage, may show interest in the post-construction period when the risks subside.
  - Indian lenders to infrastructure projects would like to have some of their loans refinanced in order to churn their asset portfolio, and at times, to limit their risks.
  - Local promoters will benefit from greater diversity of funding sources as well as better price discovery. Refinancing from external sources would be particularly attractive in situations similar to the current one, when domestic interest rates are relatively high and the rupee is tending to appreciate.
- ***Relaxing the all-in-price ceiling for subordinated and mezzanine debt***
  The current ceiling of LIBOR+350 basis points for ECBs makes it difficult for the issuers to raise senior debt, subordinated debt, mezzanine financing or quasi equity as the maximum permissible return is not considered enough to match the perceived risk. Keeping in view the long term nature of infrastructure projects and the need for risk capital (in the form of quasi equity), this all-in-price ceiling on ECBs should be removed for senior, subordinated and mezzanine foreign debt for infrastructure projects. This suggestion is aimed at assuring liquidity for longer tenors, and in many cases, protecting promoters of infra projects from illiquidity in domestic loan markets due to seasonal factors.
- ***Regulators***
  In the absence of regulators in certain sectors, the government should make it clear that it will govern the sector for some specified period, say for ten years. Or, it should lay some broad principles for a future regulator to follow. This is imperative for entrepreneurs to take risks involved in long term projects.
- Besides, ***double-taxation of the dividend distributed to the holding company by special purpose vehicles*** executing projects and the dividend in turn given by the parent company to shareholders is one area where the government could have a softer approach
- Freedom to levy and revise user charges in politically sensitive services like providing water and power is also vital to attract investments into these areas.

GAP ANALYSIS OF POWER SECTOR

Demand Projection

India's GDP is growing fast. Energy Intensity of GDP has been observed to follow a certain trend worldwide. Below a certain level of development, growth results in increase in energy intensity. With further growth in economy, the energy intensity starts declining. Energy intensity of GDP in India is same as in OECD countries, when GDP is calculated in terms of the purchasing power parity (PPP). Energy-GDP elasticity, the ratio of the growth rates of the two, remained around 1.3 from early fifties to mid-seventies. Since then it has been continuously decreasing. Electricity is the most important component of the primary energy. Electricity-GDP elasticity was 3.0 till the mid-sixties. It has also decreased since then. Reasons for these energy–economy elasticity changes are: demographic shifts from rural to urban areas , structural economic changes towards lighter industry, impressive growth of services, increased use of energy efficient devices, increased efficiency of conversion equipments and inter-fuel substitution with more efficient alternatives. Based on the CMIE data the average value of the Electricity-GDP elasticity during 1991-2000 has been calculated to be 1.213 and that of the primary energy- GDP elasticity to be 0.907.

Shortfall in Energy needs

Figure 2: Demand Supply Gap of Electricity in India				
Year-wise Peak Demand and Peak Met in India (1996-97 to 2002-03)				
(In Million Units)				
Year	Peak Demand	Peak Met	Shortage	Shortage
1996-97	63853	52376	11477	18.0%
1997-98	65435	58042	7393	11.3%
1998-99	67905	58445	9460	13.9%
1999-00	72669	63691	8978	12.4%
2000-01	78037	67880	10157	13.0%
2001-02	78441	69189	9252	11.8%
2002-03 (April 2002-January 2003)	**81492**	**71520**	**9972**	**12.2%**

Source: Annual Report 2002-03, Ministry of Power, GoI

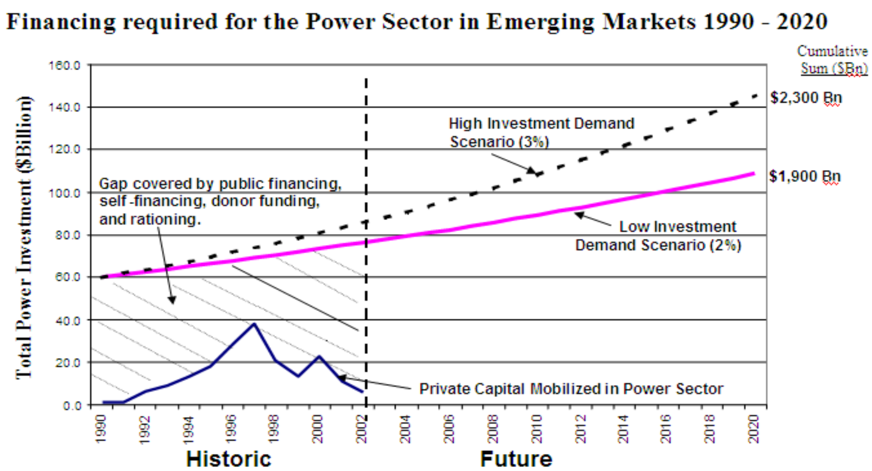
A matter of concern is that the annual per capita consumption of India, at about 350 kWh is among the lowest in the world. At the moment, different sectoral policies are not connected so that inter-fuel use is not clearly the most optimal that we should have. So we need to think in terms of what kind of right pricing policy for different uses should be so that people select the right fuel for that particular use. This is the first important element of integrating things. We also see that even within the fuel sector there are host of issues — inefficiencies, problems about future supply and security of supply. We should be able to really make sure that domestic supply keeps up with demand. That can be done through public-private partnership.

The goal should be that everybody gets energy at reasonable price-close to cost price — which a competitive or well-regulated market should be able to deliver. We also subsidize energy to a lot of people and while we accept the need to subsidize some consumers, how do we provide these subsidies so that it reaches the targeted group in a self-adjusting fashion? It is this kind of system that we should work out and give incentives to people for efficient use of resources. State after State going for free supply of power is a very undesirable development and unless you have an appropriate charge from farmers, problems of inefficiency, over exploitation of ground water, water logging and diversion of energy to kerosene and other uses would crop up.

POWER Requirements

The Installed generation capacity is set to increase by about 60,000 MW (from 125,000 MW to 185,000 MW). Of this about 20-30,000 MW is expected to be hydro-electric. Some of the key roadblocks in the Power sector are as follows:

- **Governance of distribution utilities**
  - Over 40% of energy supplied into state transmission systems is lost, not billed, incorrectly billed or payment not collected
  - Sector is a conduit for about Rs. 20,000 crore ($4.5 billion) of poorly targeted and poorly accounted subsidies each year (from budget & cross-subsidies)
  - Even in advanced reforming states, only 55-65% of electricity sales metered
- **State regulatory commissions are still finding their feet**
  - Tariffs are distorted and do not cover costs
  - Industry tariffs are high by international standards (about 8-10 cents); agricultural tariffs (accounting for 25% of consumption) are well below cost
  - Data quality is improving but progress on energy accounting/audits is slow
  - Regulations on service quality and service obligations yet to be enforced
  - Limited outreach efforts to enhance public participation
- **Fuel supply bottlenecks**
  - Early stages of competition and liberalization



Source: World Bank Report

CREATING SHIFT IN POWER POLICY: SUGGESTIONS

Power is a concurrent subject under the Constitution. The States have the greater share of generation and transmission assets and almost the entire distribution under their control. They would need to play a very proactive role in effecting institutional and result oriented changes. For optimal development of the electricity energy in its totality, an integrated approach, including capacity addition through nuclear and non-conventional energy, has to be adopted. The capacity addition targets of 6400 MW through nuclear power and 10,700 MW through non-conventional resources have been accordingly fixed for the period upto 2012.

Some vital points to be remembered include:

- Increased generation through Renovation and Modernisation (R&M) of old stations.
- Utilisation of the surplus capacity of the captive power plants into the grid.
- Demand Side Management (DSM) to flatten the demand curves (introducing time of day tariffs and metering).
- Introduction of a new system of matching time and load profiles for different zones in the country.
- Energy Conservation (The Ministry is piloting the Energy Conservation Bill, which, when enacted, will provide necessary legal framework for promoting conservation and efficiency).
- Evacuation of power from the power surplus eastern region
- Assistance would also be provided to SEBs to improve their accounting practices.
- Setting up of district level Energy Committees for monitoring and resource planning.
- Development of 60 distribution circles as Centres of Excellence for distribution reform. The funds for the project would be provided by the Centre under the Accelerated Power Development Programme (APDP). These Centres would act as models for replication in other districts.
- Hundred per cent metering and effective Management Information System (MIS) for monitoring at feeder level, backed up by detailed energy audit to bring accountability into the system at all levels.
- Taking high voltage lines up to the load centre to prevent theft of power and reduce technical losses.
- Signing of MOUs with States for undertaking distribution reforms in a time bound manner and linking the support of Government of India to achievement of predetermined milestones. (Sixteen states have signed the MOUs so far).
- Privatization / corporatization of distribution.
- Tariff rationalization by SERCs (16 States have set up SERCs and 9 have issued tariff orders).
- Solar power generation in the country may now be subsidized up to 80% by the Centre, but only for the first 50 MW installed capacity. The incentive is aimed at not only encouraging the use of green energy but also for attracting investment of about Rs 1,000 crore over the next few years.

INVESTMENT VEHICLES

We also look at different initiatives taken by other countries in power sector.

Brazil: Reforms

During the 1990s, Brazil embarked on major reforms of its utility sector. Power distributors and generators were privatised, price controls were scrapped and centralised auctions for power supply contracts were introduced. The government even managed to improve the murky business of navigating the country's courts, which had earned a reputation for not upholding contracts for private companies. The resulting more-business-friendly environment saw private sector investment start to pour in. Almost two-thirds of Brazil's electricity distribution network is now in private hands and foreign power giants such as Spain's Terna continue to snap up Brazilian grid operators today. Spain's Endesa, attracted by the increasingly progressive stance in the region in general, plans to invest $3.3bn in Latin America in 2009.*

* *http://www.moneyweek.com/file/35874/bright-prospects-for-brazilian-utilities.html*

Hungary: Privatization & Investment Rather than Competition

The restructuring of the power sector in Hungary is an intriguing case of a deliberate decision against competition, and in favour of a rapid modernization of the sector, largely financed by foreign investment. The Electricity Act of 1994 left the choice of the reform model open, so that the subsequent governments were free to install a single-buyer model. A state Energy Office was established, which was responsible for issuing licenses for respective business activity in the power sector, for construction of power plants, safety issues and for negotiating electricity tariffs. Once the formal regulatory structure was set up, the government proceeded quickly with the privatization of generation and distribution. Investors were offered a generous rate-of-return regulation (on average: 8%), they had to commit to significant investments in the modernization of capacities in generation, transmission lines, and distribution.

The second aspect of the Hungarian story is the stabilization of the regulatory environment in the second half of the 1990s, leading to a reduction of regulatory risk by creating the Hungarian Energy Office (HEO). The HEO was established in 1994 and has a fairly small staff of 90 employees. The Office regulates and supervises energy activities of gas and electricity companies, heat production of electric power stations and protects consumer interests. Regulation has proven to be reliable in Hungary: the HEO has taken a strong stand on the rate-of-return regulation, withstanding pressure of foreign investors to increase generation capacity and to overcapitalize. The HEO has established itself as an independent and competent regulator. It is important to note that the Office has a separate and independent financial management mechanism: it is self-financing through license and other regulatory fees payable by the energy companies.*

* *http://ep-bd.com/archive/21st_issue04/special_article.html*

China:

The institutional arrangements available for FDI in the Chinese power sector are: cooperative joint ventures, wholly-owned foreign ventures, equity joint ventures, build operate-transfer (BOT) projects, build-operate-own (BOO) projects, commercial loans, and stock and bond investments in existing Chinese power enterprises (Turner, 1997a). Cooperative joint ventures accord foreign investors more control than equity joint ventures but less than wholly-owned joint ventures. The advantage of cooperative joint ventures compared to wholly-owned joint ventures is that they generally facilitate intangible but critical political alliances as well as more secure access to scarce inputs like fuel, foreign exchange and expertise. Foreign firms undertaking cooperative joint ventures usually do so with local power bureaus or other local governmental authorities. BOT contracts, which have become increasingly popular in recent years, call for a foreign firm to finance, design, and construct a plant, to operate it for a fixed term, and then to turn it over to the state. BOT projects can be cooperative joint ventures, equity joint ventures, or wholly-owned ventures. Private entities generally provide commercial loans at less favourable terms (higher interest rates and shorter terms) than public sector sources. Loans are either made directly to a Chinese power company or are channelled through a Chinese bank.

STEPS REQUIRED FOR INDIAN POWER SECTOR

The union ministry of power in India has taken many steps to attract investment in the power sector. These include encouraging Independent Power Producers (IPPs), private participation in transmission, setting up of a Crisis Resolution Group and other such initiatives. The Government is providing a number of incentives to private investment and is also taking several measures to restructure the sector. These include the new Mega Power Project Policy, setting up of Power Trading Corporation and measures for reforming the State Electricity Boards.

Besides the steps already being taken by the ministry of power, the following points should also be considered:

- The electric power sector needs to become financially self sustaining in order to attract investments. Current tariffs still do not reflect the cost of supply and continue to result in massive inefficiencies of usage.
- The implementation of cost-based market pricing and increasing consumer efficiencies could reduce the need for subsidies to the power industry and could thereby greatly reduce state and federal deficits. This could free governmental funds badly needed for education, health and rural development.
- The financial viability of the Indian electric power sector is also closely linked to the management, pricing and use of ground water in agriculture. Co-management of energy and water in the agricultural sector represents a major opportunity to improve the power sector's financial performance and to reduce the rate at which groundwater is being depleted.
- ***Tax rebate on investment in UMPPs***

  The power sector, a critical sector determining the growth of the economy, has attracted far less investment than required in the past, primarily due to deficiencies in the distribution segment. Reforms in the distribution end are gradually picking up momentum, but may take 4-5 years to show significant results. The total project cost of these UMPPs is going to be enormous (estimated to be USD 36 billion) with the equity component being about USD 12 billion. Considering the general shortage of risk capital, this is going to be a huge challenge, which will be compounded by the fact that these projects would not generate dividends at least during the initial years. Incentives can be provided to individuals investing in equity of such projects through IPOs or in specific schemes floated by mutual funds to invest in listed equity of these projects. It is recommended that a tax rebate of 20% on the amount invested by individuals could be given for investments locked-in for at least 5 years. Investments by individuals in long term bonds specially raised for the power sector by financial intermediaries should also be eligible for similar fiscal incentives.

PORTS: THE MODEL CONCESSION AGREEMENT

The 12 ports, at present, have the capacity to handle 508 million tonnes (mt) of cargo a year. These ports handled 464mt of cargo in the year through March 2007, accounting for 70% of the 649mt of cargo handled by all Indian ports. The government plans to modernize and upgrade cargo handling terminals at the 12 major ports with an investment of over Rs50,000 crore through private funds to add around 500mt a year of capacity by 2012. There are proposals for construction of 15 new berths during this Plan. By 2011, the country's port sector should have a capacity of 1.5 billion tonnes, comprising one billion tonnes of capacity in major ports and 500 mt in non-major ports. Right now the capacity in the port sector is 504 mt, including 230 mt of the non-major ports.

The Model Concession Agreement has augured well for the country's port infrastructure. The following are some of the highlights:

- **Ownership**
  In the ownership norms stipulated by the MCA, the members of consortium bidding for a project are required to hold 51 per cent equity for at least three years of the terminal commencing operations. Even after three years, the consortium is not allowed to completely exit the operations — it has to maintain an equity holding of 26 per cent for the entire concession period. Further, the lead member of the consortium is mandated to have a 50 per cent holding within the share of consortium members. To ensure compliance with competition and security norms after the winning bidder takes over terminal operations, the MCA has stated that any changes or transfer of share within the consortium can only be done along with the Port authorities' approval.
- The new MCA also has a detailed chapter on *force majeure* which classifies different categories (political, non-political) of events beyond the control of both the port authorities and private developer that could affect the operations. While providing for extension of the concession period by mutual agreement, the MCA allows for an exit clause (termination of contract) if the events affect the operations for over four months. Another new feature is that it has specified performance standards for terminal operators in terms of dwell time, transit dwell time, turnaround time of vessels and volumes of commodities to be handled by a terminal in a certain period. The terminal's performance would be evaluated by port authorities every quarter for

commodity groups such as container vessels, mechanized iron ore handling, coking coal, thermal coal, imported coke, break bulk and liquid bulk.

- In case there is a shortfall by over 10 per cent of the average expected performance, the operator would have to pay one per cent of the total revenue for that quarter to port authorities as penalty.
- **Tariffs**
  The new tariff setting norms, being notified by the ministry, provide for automatic revision of rates by private firms by around 3% every year. This is because the rates will be linked to the Wholesale Price Index, a measure of inflation, to the extent of 60%. Under the new plan, tariffs will be fixed initially by the Tariff Authority for Major Ports on the basis of an estimate of capital and operating costs of building and operating a cargo handling terminal of a particular capacity, rather than on a cost-plus model, as is the practice, after winning bids are chosen. The tariff will also factor in a 16% return on capital employed. The authority is the tariff regulator for the 12 government-owned major ports in the country. The tariff thus fixed will be included in the bid documents. Winning bids will be selected on the basis of the proportion of the revenue bidders are willing to share with the port where the terminal is being set up.
- The ***development of inland waterways*** is to receive a good deal of attention in coming years. Right now, we have three National Waterways, to be increased to six. Initiation steps to make the existing National Waterways fully functional are equally important.

The port authorities can now adhere to the MCA norms and straightaway approach the inter-ministerial PPPAC (public private partnership appraisal committee) for a final approval without having to acquire an in-principle approval. Typically, enterprises specializing in different areas form a consortium to bid for projects. For the execution of a project, consortium members form a Special Purpose Vehicle (SPV) to build and operate the asset. The SPV finances the construction of the asset/infrastructure facility through a combination of debt-equity, which is serviced from the revenue flows from the operation and maintenance of such facility. There is a dire need for standardization and coordination which is required in different stages and sectors of infrastructural growth.

THE FINAL OUTLOOK

The thrust of the future policy for the port sector should be directed towards addition to capacity through creation of new ports, as well as capacity addition in existing ports, through construction of new berths and mechanization of operations, better port connectivity covering not only proximate connectivity within a radius of 10/15 km but also connectivity to hinterland.

SOFT INFRASTRUCTURE: EDUCATION

SOFT INFRASTRUCTURE: EDUCATION

The fractal nature of the generalization that education matters holds across time and space. Irrespective of the granularity of analysis, education aids development through the intermediate step of economic growth. The Union Budget of 2007-08 placed special emphasis on the primary education sector. Elementary education in India received a new thrust with the National Policy on Education which emphasized the following three aspects:

- Universal access and enrolment
- Universal retention of children up to 14 years of age, and
- A substantial improvement in the quality of education to enable all children to achieve essential levels of learning.

The following table summarizes the various schemes announced for Union Budget 2007 – 08 and the stage of implementation of the same.

S. No.	Summary of Budget announcement	Implementation Status
1	Sarva Shiksha Abhiyan (SSA) to be allocated Rs.10,671 crore. Two lakh more teachers to be appointed and five lakh more class rooms to be constructed during 2007-08.	A total of Rs.3892.24 crore has been sanctioned to States/UTs till September 2007 for implementation of Sarva Shiksha Abhiyan (SSA). 69,919 additional classrooms have been constructed and 23,629 teachers have been recruited under SSA till June 2007.
2	Expansion of coverage under Mid-day Meal Scheme by including upper primary classes in 3,427 educationally backward blocks from 2007-08.	***Implemented***
3	Doubling the provision for secondary education in 2007-08 to increase access to secondary education.	Provision for secondary education has been enhanced to Rs.4110.00 crore (Plan: Rs.3164.00 crore, Non-Plan: Rs.946.00 crore) in the Budget for 2007-08. Rs.1305 crore has been provided in the Budget 2007-08 for a centrally sponsored scheme on universalisation of access to and improvement of quality of secondary education.
4	Introduction of a National Means-cum-Merit Scholarship Scheme	***The proposed scheme is under finalization***
5	Scheme of Post-matric scholarship programme for students belonging to socially and educationally backward classes	The post-matric scholarship programme for SC and ST students is an ongoing scheme. The proposal for continuation of the scheme during the 11th Plan has been approved by the Government. The proposal for providing similar scholarships to students belonging to socially and educationally backward classes is under finalization.
6	Task Force on Skill Development for chalking out strategies for vocational education programmes	The Task Force on Skill Development constituted by Planning Commission has submitted its Final Report in end of May 2007. The proposal is being finalized.

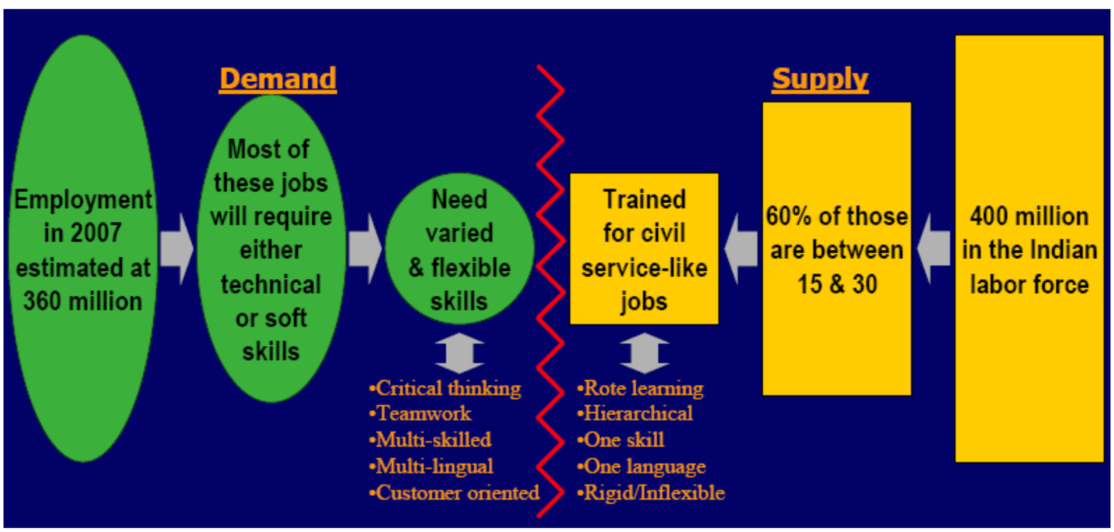
Source: Mid Term Review, Annual Budget (2007-08), GoI

India's present economic standing – both in its limited successes and its myriad failures – is to a large extent a reflection of its education system. It takes justifiable pride in the successes of its handful of elite institutions of higher education in turning out world-class super-achievers. But that exceptional success of the few is overshadowed by the dismal failure of the educational system as a whole. At the primary level, the enrollment is around 90 percent but studies have revealed that even after five years of schooling, around 50 percent of the students fail basic reading tests and are unable to perform single-digit subtractions. Ninety percent of Indian children drop out by the time they reach high school.

The scope of the report will be as follows:

- Analyze the demand and supply in the Indian economy and role of education sector
- Sector analysis and mapping of skill sets requirement v/s the education levels
- Recommend some initiatives to bridge the demand and supply gap
- Brief on technical education in India
- Planned Expenditure on the Ministry of Human Resource Development, GOI

DEMAND AND SUPPLY GAP IN EDUCATION SECTOR



Source: Planning Commission

From the following diagram, it can be observed that although the size of the labour market is substantially big in the tune of 400 million people, most of the jobs will require technical or soft skills where attributes such as critical thinking, multi-skilled and being multi – lingual will be the order of the day. The current scenario reflects a contrasting scenario where skills are primarily one-dimensional and lack of flexibility with hierarchical structures in place.

SECTORAL ANALYSIS

Supply of Workers

Demand for Workers	< 10 Pass	10 Pass	12 Pass or Higher
Organized	➢ Agribusiness & Food Processing ➢ Garments/Apparel ➢ Mining	➢ Automotive ➢ Steel	➢ Hotels & Hospitality ➢ Hospitals ➢ Education ➢ Pharmaceutical
Unorganized	➢ Construction Trades ➢ Domestic Support ➢ Some Light Manufacturing ➢ Self Employment	➢ Hotels & Hospitality ➢ Light Manufacturing ➢ Some Retail Trades ➢ Self Employment ➢ Home/Community Health Care	➢ Retail Trades ➢ IT/BPO ➢ Financial Services ➢ Self Employment

Source: Planning Commission

INITIATIVES TO BRIDGE THE GAPS IN EDUCATION SECTOR

"The existing primary school system is crying out for radical reforms"
Amartya Sen

In order to meet the increasing requirement of resources to meet the required literacy levels, there are various initiatives from various stakeholders such as the government and the private sector. They are as follows:

- Assist secondary system to train trainers and develop new curricula
- Assist spread of community polytechnics and colleges
- Train the Trainers and capacity building
    - High speed teacher certificate program for trades practitioners
    - Use / development of new teaching methodologies
- Support Competency-Based training and Certification systems
- Mandated industry involvement in ITI s and Polytechnics and industry interested
- Tax break for donations to vocational schools
- Recognition of informal learning (Big potential)
- Private sector training acceptable
- Evolving certification system
- Employers demanding better skills

TECHNICAL EDUCATION

Since the early eighties, due to rapid industrialization and economic growth, engineering and technical education in India have been developing faster than anywhere else in the world, and India now has the second largest number of engineering students in the world

Since technical education determines the development and socio-economic condition of a nation, there is a greater need for high quality technical education to produce technically skilled manpower in India. A high quality engineer or technician can obviously be created only through high quality engineering and vocational teaching and training.

Technical education is imparted at three different levels in India:

- Industrial Training Institutes (ITI), which conduct trade courses for skilled workers.
- Polytechnic Institutes, which conduct diplomas to produce middle level technicians.
- Engineering Colleges, which conduct undergraduate and postgraduate degree courses in engineering and technology.

There are engineering institutes and colleges that are supported by the state and central governments, and also a large number of private engineering colleges and institutes that provide technical education in India. The number of private institutions is increasing rapidly. The following table shows the rapid growth of engineering institutions in India.

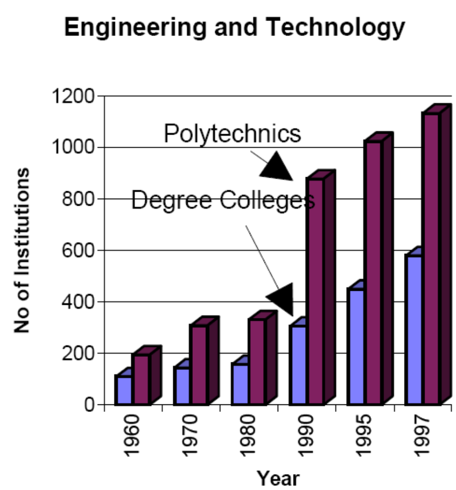


Figure shows growth of Engineering and Polytechnic Institutes in India

Government expenditure in technical education has increased by almost 400 times from the first five year plan to the eighth. Some of the industrially developed states, such as Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh, have experienced phenomenal growth both in numbers of students and engineering and technical institutions over the last two decades.

PLANNED EXPENDITURE OF HUMAN RESOURCES MINISTRY

(Rs. crore)

Grant No.	Ministry/Department	2007-08 BE	2007-08 Actuals upto 09/2007	2007-08 %	2006-07 BE	2006-07 Actuals upto 09/2006	2006-07 %
	MINISTRY OF HUMAN RESOURCE DEVELOPMENT	**28671.5**	**8221.3**	**28.7%**	**20744.0**	**8129.1**	**39.2%**
56	Department of School Education and Literacy						
	Gross	*32584.0*	*6874.6*	*21.1%*	*25874.0*	*6563.7*	*25.4%*
	Less : Recoveries	*10393.0*	*0.0*	*0.0%*	*8746.0*	*0.0*	*0.0%*
	Net	*22191.0*	*6874.6*	*31.0%*	*17128.0*	*6563.7*	*38.3%*
57	Department of Higher Education	6480.5	1346.7	20.8%	3616.0	1565.4	43.3%

Source: Ministry of Human Resource Development, GoI

CONCLUSION

That India has taken almost six decades to make itself visible to the world is significantly attributable to its failed education system. More importantly, its prospects of even moderate economic success in the future are bleak unless the educational system is urgently fixed. The fatal flaw in the system most likely arises from its near-complete government monopoly control. Practically all aspects of the system suffer from political and bureaucratic meddling. Who can run schools and colleges, what is to be taught, who is going to teach, how much they are to be paid, who is going to learn, how much fees must they be charged, what will be tested and how—every minute detail of the enterprise is rigidly defined and mindlessly enforced. Consequently the system has degenerated to become ineffective, inefficient, and irrelevant.

India is blessed every year with about 17 million new children. At any age bracket there is such a number. They all have a right to be empowered with right productive skills – not just a catch all literacy and numeracy which can only leave them in the lurch in the modern economy. We cannot afford to ignore the rights of our children to live prosperously in a world which is going to pay only those who have the right skills.

Education & skill imparting is not a slot machine – it requires gestation periods for a person who enters it to come out with reasonable skills and knowledge base. So we need to bold in our approach to expand skill and knowledge delivery systems to our people on a massive scale to enable them to be productive in a competitive globalised world. That in turn would also spread entrepreneurship thus creating a virtuous cycle of economic acceleration and knowledge-skill base growth.

SOCIAL SECTOR: RURAL DEVELOPMENT

SOCIAL SECTOR: RURAL DEVELOPMENT

Rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged. This is handled under the Ministry of Rural Development.

Budget estimates towards rural development initiative over the years are as follows

Ministry	Budget Estimates		
	2006-07	2006-07 (revised)	2007-08
Ministry of Employment and Labour	**337**	**260**	**345**
Ministry of Rural Development	**31,444**	**30,994**	**41,060**
Department of Rural Development	24,026	24,276	32,000
Department of Land Resources	1,418	1,418	1,500
Department of Drinking Water Supply	6,000	5,300	7,560
Ministry of Panchayati Raj	**75**	**75**	**100**

Source: Annual Reports, Ministry of Rural Development & Ministry of Labour & Employment

CURRENT SCHEMES: RURAL DEVELOPMENT

The following is the list of the Schemes that are currently run by Ministry of Rural Development: -

- Agricultural and Rural Debt Relief Scheme
- Accelerated Rural Water Supply Programme (ARWSP)
- Bharat Nirman Programme
- Bhoodan Movement
- Credit-cum-Subsidy Scheme
- Desert Development Programme (DDP)
- District Rural Development Agencies
- Drought Prone Areas Programme
- Employment Assurance Scheme (EAS)
- Food for Work Programme
- Ganga Kalyan Yojana
- Indira Awaas Yojana
- Integrated Rural Development Programme (IRDP)
- Integrated Wastelands Development Programme (IWDP)
- Jawahar Gram Samridhi Yojana
- Jawahar Rozgar Yojana
- Million Wells Scheme
- National Watershed Development

- Pradhan Mantri Gram Sadak Yojana (PMGSY)
- Pradhan Mantri Gramodaya Yojana (PMGY)
- Rural Infrastructure Development Fund
- Rural Sanitation Programme
- Rural Water Supply Programme
- Sampoorna Grameen Rozgar Yojana
- Scheme for Land Development
- Self Help Groups
- Strengthening of Revenue Administration and Updating of Land Records (SRA and ULR)
- Swajaldhara Rural Drinking Water Scheme
- Swarnjayanti Gram Swarozgar Yojana (SGSY)
- Training of Rural Youth for Self-Employment (TRYSEM)

LABOUR AND EMPLOYMENT

Employment generation is one of the major priorities drawing the attention of the governments and economic planners all over the world. India is no exception. The approach to tackling unemployment problem has varied from time to time. *In the Five Year Plans, the generation of employment was viewed as part of the process of development.*

It was, however, observed that the rate of growth of employment was generally much lower than the GDP rate of growth of the economy. Seasons of severe drought and failure of monsoons exposed large sections of population to extensive deprivations and compounded the situation. Successive plan strategies, policies and programmes were, therefore, re-designed to bring about a special focus on employment generation as a specific objective.

The seventies and eighties saw the emergence of special schemes like NREP, RLEGP to provide wage employment through public works programmes and schemes to promote self-employment and entrepreneurship to the unemployed and the poor. Employment levels expanded steadily during the seventies and eighties but the rate of growth of employment continued to lag behind that of the labour force. Unemployment among the educated showed a rising trend.

In 1998-99, various poverty alleviation and employment generation programmes were re-grouped under two broad categories of self-employment schemes and wage employment schemes. Funding and organizational patterns were also rationalized for better results.

NREGA

One of the most significant interventions by the government to generate employment has been the launch of the National Rural Employment Guarantee Act (NREGA) in February 2006 in two hundred most backward districts of the country. Consequently, the scheme was extended to another 130 districts and from April 2008 it would be operative in all districts. **For the current financial year, a budget provision of Rs.12, 000 crores was made for implementation of the Act.** NREGA being demand driven, so far, nearly 2.12 crore households have been provided with employment. Under NREGA, 6.399.55 lakh person days works have been taken up for creating village assets that would in turn enrich rural and women has considerably gone up in this wage employment programme economy.

Skill Development

Skill development of labour force is fundamental both to employment generation and improving productivity of labour. India has one of the largest labour forces in the world but the least number of skilled workers constituting only 5 percent compared to South Korea's 95 percent. Almost 44 percent of labour force in 1999-2000 was illiterate and 33 percent had schooling up to secondary education level only. The other bane of our work force is that while their educational attainment is very low on the one hand, 61% of those educated up to secondary level and beyond, on the other hand, are without any professional skills. This is because our general education system is not oriented towards attaining vocational skills. The midterm appraisal of the 10th Plan points out, "our education system is not generating sufficient supply of trained people especially those trained in skills that are in demand." This has created a miss-match between the supply and demand of skills.

Increasing pace of globalization and technological change provides both challenges and growing opportunities for economic expansion and job creation. "In a rapidly changing environment, new ways and means of ensuring that people who work, possess the necessary knowledge, skills and attitude are criteria for seizing the opportunities inherent in globalisation and technical progress while reducing their unwanted consequences", reports International Labour Organisation.

The Prime Minister Dr. Manmohan Singh addressing the Indian Labour Conference in early 2007 said that the country would have to meet the challenge of increasing the skilled work force from the present 5% to about 50%, which is the norm in developed countries. He said, "To make our working people employable, we must create adequate infrastructure for skill training and certification and for imparting training. Industrial Training Institutes must keep pace with the technological demands of modern industry and the expanding universe of technical knowledge".

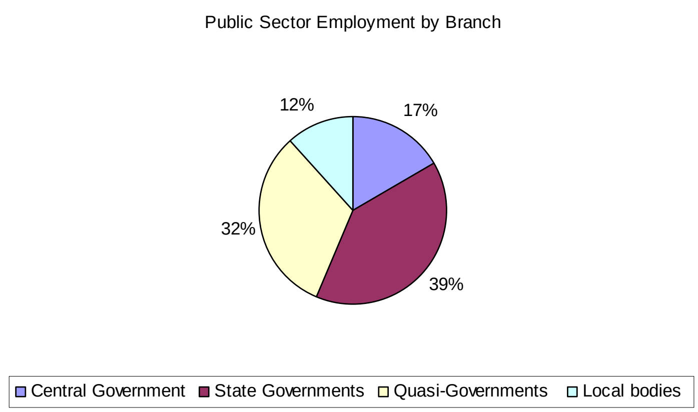
Responding to meet the challenge of the present and future needs of skill development, the Ministry of Labour and Employment has initiated a massive skill development programme. It has embarked on an initiative to impart skills to country's half of the labour force within next five years. Under this initiative vocational training will be provided to one million persons in 5 years and subsequently to one million people each year in close collaboration with State Governments, Industries, Trade Associations and other training providers. A provision of Rs. 555 crore has been made so far for this purpose.

Modernization of ITIs

The Ministry has also embarked on upgrading Industrial Training Institutes (ITIs) for meeting the emerging market needs. During the 10th Plan, 500 ITIs have been taken up for upgradation through public-private partnership. In addition 1396 ITIs are being upgraded during the 11th Plan beginning with 300 ITIs each year from the current financial year. The upgraded ITIs to be known as 'Centres of Excellence' will produce workers with world-class skills to enable them to compete in the global labour markets. The important aspects of the modernizations are multi entry and multi exit options to workers to upgrade their skills through multi skilled courses and the public-private partnership, which is being ensured through greater involvement of industry in all aspects of training.

One significant factor in the employment situation in the country is that the bulk of employment is in the unorganised sector. There has to be an endeavour to shift as much of labour force as possible from the unorganised to the organised sector. This would give workers a better deal in terms of wages. This is possible only if the rigidities in the labour market are relaxed and wage determination begins to reflect the resource endowment in the country. This would encourage establishments to adopt labour intensive technologies.

It may not be difficult to meet the formidable challenge of providing job opportunities to eight million people every year. For this the growth rate of economy has to be accelerated, special emphasis to be given to labour intensive sectors, improving labour skills and functioning of the labour market.



Source: Ministry of Labour & Employment, GoI

GAP ANALYSIS

In 1990s, out of Rs 1 spend on rural schemes only 22 paise reached targeted population. A decade later the figure stands at 8 paise.

It is a major challenge to design and implement effective social protection schemes to tackle rural poverty. The India experience suggests two lessons – first, that increasingly sophisticated targeting of poverty reduction programmes is of little value when implementation constraints are severe, and second, that livelihood protection and promotion can be mutually reinforcing, but these synergies will not be captured unless the different government departments concerned with each of these (and departments within donor organisations) engage more with each other than they have done hitherto.

Our study encompasses:

- To look into the range and thrust areas of select development schemes as implemented in a predominantly rural district.
- To examine the extent to which the benefits of these schemes have percolated down to the target groups. And to understand the pattern of success of these schemes whether distributed uniformly over larger area in the region or not, and the reasons thereof.
- To ascertain the nature and magnitude of the impact of rural development schemes on the quality of life of the villagers — both in qualitative and quantitative terms.
- To identify policy and procedural bottlenecks encountered in the implementation of development schemes, which hamstring effectiveness and efficacy of these schemes.
- To suggest alternatives and viable options having the ability to make the implementation of rural development schemes more efficacious and result-oriented, to remove the bottlenecks and to enhance their reach and coverage.

A **'top down'** approach in rural development planning, even if done by highly technically qualified persons (like IRDP), could be a failure. Similarly, clubbing of several unsuccessful schemes and re-appropriating funds for some umbrella kind of programme appears to be imprudent. Study shows that SJSY(Swaran Jayanti Swarojgar Yojana) (an amalgam of schemes like IRDP, JD and TRYSEM); even after a year of its introduction, it is not understood even by janapad functionaries. Similar is the case with JGSY, a streamlined version of JRY, which is neither known nor its purpose understood by people at the ground level.

Another concern area is the issues related to labour and unemployment. The Prime Minister Dr. Manmohan Singh addressing the Indian Labour Conference in early 2007 said that the country would have to meet the challenge of increasing the skilled work force from the present 5% to about 50%, which is the norm in developed countries. He said, "*To make our working people employable, we must create adequate infrastructure for skill training and certification and for imparting training. Industrial Training Institutes must keep pace with the technological demands of modern industry and the expanding universe of technical knowledge*"

Increasing pace of globalization and technological change provides both challenges and growing opportunities for economic expansion and job creation. "In a rapidly changing environment, new ways and means of ensuring that people who work, possess the necessary knowledge, skills and attitude are criteria for seizing the opportunities inherent in globalization and technical progress while reducing their unwanted consequences", reports International Labour Organisation.

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Further historical data shows that almost 44 percent of labour force in 1999-2000 was illiterate and 33 percent had schooling up to secondary education level only. The other bane of our work force is that while their educational attainment is very low on the one hand, 61% of those educated up to secondary level and beyond, on the other hand, are without any professional skills. This is because our general education system is not oriented towards attaining vocational skills. "Our education system is not generating sufficient supply of trained people especially those trained in skills that are in demand." This has created a miss-match between the supply and demand of skills.

So what is it that India needs? And where has the government gone wrong? And what can be done? These are question that need to be answered to maintain and sustain growth in the country. Till now all approaches have been 'top down', however the need of the hour is trying to perhaps adopt the '**bottom up approach'** in allocation and monitoring of funds.

What we need, is to introduce a New Business Model for Rural India in terms of

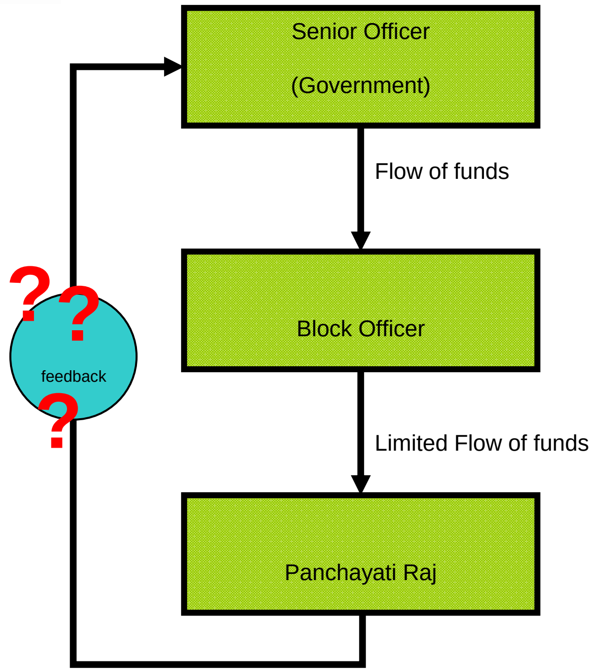
- Viability
- Sustainability
- Replicability
- Circular Flow of Information

NEW BUSINESS MODEL

- Self Sustainable PPP Model like Lokvani(Taking IT to masses)
- Institutionalization of the Panchayati raj
    - Rural People to be made Shareholders
    - Subsidies based on some parameters of reach, Improvement in Literacy Rate etc.
    - Bottom up approach
- Consolidation of various schemes:
    - Around 68 central schemes are there from different ministries and various departments for rural areas at national level. Large amount of time, effort and funds, by government and people, are involved in implementing them, often with indifferent results.
    - Effective Monitoring
    - Less Administrative Cost
- Introduction of Technology

  "It is surprising that Bihar should become the first state in India to introduce biometric tracking for NREG,"

  Indian Express, Tuesday, June 12, 2007



- Generation of employment by providing skills that are in demand, in order to generate employment
- One significant factor in the employment situation in the country is that the bulk of employment is in the unorganized sector. **There has to be an endeavour to shift as much of labour force as possible from the unorganized to the organized sector**. This would give workers a better deal in terms of wages. This is possible only if the rigidities in the labour market are relaxed and wage determination begins to reflect the resource endowment in the country. This would encourage establishments to adopt labour intensive technologies.
- There is also a wide variation in unemployment rates across the states. Measured on Current Daily Status basis, unemployment ranges from a low of around 3 percent in Himachal Pradesh and Rajasthan to a high of 21 percent in Kerala. Consolidation of state schemes to bring the states at par with each other.
- There are currently too many development schemes running parallel and the government should work towards consolidation of central level schemes into 2 – 3 stronger schemes which have a larger overall impact.

SOCIAL SECTOR: HEALTH & FAMILY WELFARE

SOCIAL SECTOR: HEALTH & FAMILY WELFARE

".. Bangladesh has lowered infant mortality rates faster than India with far less expenditure.."
World Bank's Report on India's Development

India is reaping the fruits of increasing 'Demographic Dividend' since last 5 years and it is expected to rise till 2026. But this Dividend will benefit only under the constraint of a healthy workforce. To ensure health of the workforce in long term, healthcare sector should be given a due importance in budget. Population stabilization, child survival, eradication of fatal diseases are some of the issues those need to be addressed. Further, health budget allocation is a central issue but implementation is purely a state issue because health can contribute to inclusive growth only if it is possible to fill the gap in the coverage and outreach of healthcare services in the rural areas.

Funding for Health and Family Welfare sectors over the years is shown in Table below.

(Rupees in crores)

	Approved Outlay			Expenditure		
Plan Period	Health	F.W.	Total	Health	F.W.	Total
9th Plan(1997-2002)	5118.19	15120.00	20238.19	4906.80	13968.72	18875.52
10th Plan						
Original Outlay	9253.00	27125.00	36378.00			
Revised Outlay	10252.00	26126.00	36378.00			
Existing Status	11544.00	30041.00	41585.00			
2002-03	1550.00	4930.00	6480.00	1359.82	3916.63	5276.45
2003-04	1550.00	4930.00	6480.00	1325.81	4409.27	5735.08
2004-05	2208.00	5780.00	7988.00	1772.36	4862.09	6634.45
2005-06	2908.00	6424.00	9332.00	2500.00*	6000.00*	8500.00*
2006-07	3328.00	7977.00	11305.00			

Source: Annual Report 06-07, Ministry of HFW, GoI

Expenditure on Health Sector

Year	% of GDP	% of Social Sector
2001-2002	1.25	20.7
2002-2003	1.28	21.7
2003-2004	1.26	22.2
2004-2005	1.25	22.1
2005-2006	1.41	22.6
2006-2007	1.39	23.0

Source: Ministry of Health & Family Welfare, GoI

HEALTH & FAMILY WELFARE: SOME SCHEMES & PROGRAMMES

Sr No.	Name of Scheme	Remarks
1	National Aids Control Programme	Key objectives 1. To reduce spread of HIV infection in India; and 2. Strengthen India's capacity to respond to HIV/AIDS on a long term basis. Launched in 1999 with a total budget of Rs.1425 crores
2	Accredited Social Health Activists (ASHA)	A cadre dedicated for basic rural health
3	Janani Suraksha Yojna (JSY)	To promote safe deliveries and mother-child safety. Budget Allocation of Rs 11505 Cr
4	Vector Borne Disease Control Programme	Programme was reviewed by Expert Committee in 1995 and includes diseases like Malaria, Filaria, Kala-azar, Dengue.
5	National T.B. Control Programme	This has been under implementation since 1962 on a 50:50 sharing basis between States and Centre.
6	National Cancer Control Programme	Different Schemes under programme: 1. Development of Oncology wing 2. Setting up of Cobalt Therapy Unit 3. Voluntary Organization Scheme
7	Rashtriya Arogya Nidhi (RAN)	Set up in 1996 and renamed in 2003, provides for financial assistance to patients, living below poverty line who are suffering from major life threatening diseases, to receive medical treatment at any of the super speciality Hospitals/Institutes under the Government or other government hospitals.
8	Drug De-addiction Programme	Started in 1987-88 with start of 5 drug de-addiction centres.
9	Rogi Kalyan Samiti	Set up over 8080 samitis for better services to patients at district level
10	Central Govt. Health Scheme	The Central Government Health Scheme (CGHS) was started in 1954 with the objective of providing : (a) Comprehensive medical care facilities to the central government employees and their family members. (b) To avoid cumbersome system of medical reimbursement
11	National Family Welfare Programme	Family Welfare Programme was officially launched in India in 1952 with the objective of reducing the birth rate to the extent necessary to stabilise the population at a level consistent with the requirement of the national economy.
12	Integrated Disease Surveillance Programme	For better data monitoring in rural areas
13	Reproductive and Child Health Programme	It was set up in 1997. To reduce maternal and infant mortality and morbidity. Budget Allocation of Rs 1871.67 Cr
14	Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)	The major aim is to develop AIIMS like institutions in select States.

15	National Rural Health Mission	Launched by GoI in 2005 for a period of 7 years. It aims to undertake architectural correction of the health system to enable it to effectively handle increased allocations as promised under the National Common Minimum Programme. Preamble: 1) Village health plan prepared through panchayat involvement 2) Integration of vertical Health & FW Programme provision for ASHA (accredited social health activist) in each village. Outlay in 2005-06 was Rs. 6731 crores.
16	National Population Policy	Provides a policy framework for advancing goals and prioritization strategies during the next decade to meet the reproductive and child health need of the people of India and to achieve required replacement levels of Total Fertility Rate (TFR) by 2010.
17	Universal Immunization Programme	It is aimed at reduction in mortality and morbidity among infants, younger children and pregnant mothers was started in 1985-86. The impact of the programme is reflected in significant drop in the infant mortality rate from 129 in 1976 to 71 in 1998 per 1000 live births. Child mortality (0-4) rate has declined from 26.5 in 1991 to 23.9 in 1996.

Source: Ministry of Health & Family Welfare, GoI

HIGHLIGHTS OF UNION BUDGET 2007

- Women's development allocation will be Rs.22,282 crore
- Rs 7,000 crore allocation for better tax administration to be used for social schemes(A percentage of this would be used in Health and Family Welfare)
- Provision for health and education in 2006-07 enhanced by 22.0 per cent and 31.3 per cent, respectively, to Rs. 12,564 crore and Rs. 24,115 crore, respectively.
- The allocation for Mid-Day Meal (MDM) Scheme, the largest school lunch programme in the world covering 12 crore children, has been enhanced from Rs.3,345 crore in 2005-06 to Rs. 5,348 crore in 2006-07.
- Allocation for National Rural Health Mission, launched on April 12, 2005, increased from Rs. 6,731 crore to Rs. 9,065 crore between 2005-06 and 2006-07.
- The corresponding increases in the share of total expenditure for education and health were from 9.7 per cent to 10.6 per cent and from 4.4 per cent to 5.1per cent, respectively.
- Death and disability cover for rural landless families to be introduced, known as 'Aam Aadmi Bima Yojana'
- Allocation for AIDS control programme to be raised to Rs 969 crore
- Rs 1290 crore to be provided for elimination of polio. Intensive coverage will be undertaken in 20 districts in UP and 10 districts in Bihar. This will be integrated into NRHM.

Proposed	Implemented
Health insurance schemes for senior citizens by three public sector insurance companies in addition to National Insurance Company.	New health insurance scheme for senior citizens has already been launched by New India Insurance Company Limited and United India Insurance Company Limited and will be launched shortly by Oriental Insurance Company Limited.
All districts in the country to complete preparation of District Health Action Plans by March 2007 under National Rural Health Mission. Through Monthly Health Days (MHD) convergence is sought to be achieved among various programmes such as immunization, ante natal care, nutrition and sanitation.	The first integrated District Health Action Plans have been prepared in over 500 districts in the country and the remaining districts would be covered by December 2007. 35,254 Monthly Health Days have been conducted all over the country in 2007-08 with the involvement of ICDS workers.
Allocation	
Ministry of Health and Family Welfare	Allocated Rs. 14363 crores (Rs. 11672 crores in 2006-07). 37.8% had been utilized upto Sep'07. This increase has been marginal as compared to last year's figure of 35.1%.

Source: Mid-term Review, Ministry of Finance, GoI

In our analysis of the Health and Family Welfare sector in India, vis-à-vis, the budgetary allocations and schemes, some prominent problems/gaps emerged. The government of India has come up with numerous schemes and policies, trying to cover almost all the sectors of society and covering all the major health concerns. However, despite the huge initiatives, the results aren't encouraging. These could be attributed to some gaps, defined broadly as:

- Ineffective health policies. Most of the health policies focus on selective health interventions, limiting government health money to the most 'cost-efficient' interventions. Efficiency is taken to score over the severity of health care problems, as well as equity and social justice.
- Inaccessibility to healthcare facilities for all
- Non-standardization of quality health care across regions and types of health problems
- No/negligible health insurance for masses
- User charges in government hospitals
- Absence of profitable public private partnership in healthcare

GAP ANALYSIS

With our limited understanding and scope, we have identified the following areas of improvement where emphasis should be given in the subsequent budgets:

1. *Monitoring Structure*

It is important to have a bottom-up approach for the data collection for the surveillance of the information about the epidemic bursts and basic healthcare. ISDP is the current scheme for such monitoring. This structure has to penetrate till villages. ASHA and Anganwadi workers are at the bottom of this structure. These should be incorporated in the monitoring structure. They should report the status quo straight to health centers set-up at each District level which in turn report to health centers at State level. The National Health Policy makes no mention of gender, women's health or monitory systems. Legislation has, for years, lagged behind technology. Due to lack of accurate and required data, the correct schemes aren't devised and fund allocation doesn't trickle down to the needy. Further a network of laboratories requires to be set up in order to have a sample collection and checking. Such a laboratory has to be attached at district health centers.

2. *Merging of schemes*

In order to have better Fund Monitoring, it is important to merge some of the schemes which have similar objectives. Some of them are as follows:

- Schemes related to Mother, Infant and young children's health
    - Janani Suraksha Yojna
    - Reproductive & Child Health Programme
    - Universal Immunization Programme
    - *Allocation for nutritional care of mother and infant at rural level
- Schemes related to data monitoring
    - Integrated Disease Surveillance Programme
    - Accredited Social Health Activists
    - Anganwadi Groups
- Schemes related to Insurance
    - Aam Admi Bima Yojna
    - Rashtriya Swasthya Bima Yojna
    - *Allocation for Insurance for Geriatric Programmes
- Schemes related to Patient Welfare
    - Rashtriya Arogya Nidhi
    - Rogi Kalyan Samiti (Set up to monitor 8080 samitis)

3. Public Health Systems

We believe that it's the flaws in forming and exercising the necessary partnerships that weaken the implementation phase of these plans. The MoHFW should share its agenda with interested stakeholders such as unions, consumer associations, professional organizations and community organizations. Importance should be given to identifying and engaging the potential partners in achieving health improvement. Another approach could be in manner of providing incentives to health care providers to improve access to their services by the marginalized or poor.

4. Health Infrastructure

Greater stress needs to be put on health infrastructure in the country. We need 7,415 community health centres per 100,000 of population. Only 38% of our primary health centres have all the required medical personnel. There dramatic differences between what we need, what is allocated, and what is actually in place. The figures available talk about a certain number being available for a certain number of people. But these don't reflect on the location of the centres. According to the NCAER, in nearly 20% of cases rural households travelled more than 10 km for treatment.

5. Stress on Women's health

- In rural India almost 60 per cent of girls are married before they are 18.
- 60 per cent of married girls bear children before they are 19.
- One third of all babies are born with low birth weight.
- Maternal mortality in India is the second highest in the world, estimated to be between 385-487 per 100,000 live births.
- Close to 125,000 women die from pregnancy and pregnancy related causes each year.
- 80 per cent of women are anaemic.
- 58 per cent reduce their food intake during pregnancy instead of increasing it.
- Two-thirds of deliveries still take place at home, with only 43 per cent supervised by health professionals.
- Only 52 per cent of couples in the reproductive age groups use contraception.

To address all these problems and also ensure effective monitoring by GoI, a scheme for the girl child can be proposed that would be a combination of the existing schemes.

This scheme would encompass the following areas:

- Encouraging birth of a girl child with yojanas such as government contributing a fixed amount that would be mature at an age of 18.
- Education schemes emphasising on not just enrolment but also retention of the girl child. The average Indian female has only 1.2 years of schooling, while the Indian male spends 3.5 years in school. More than 50 per cent girls drop out by the time they are in middle school. Women's organisations point out that sibling care is a major reason for girls dropping out of school and suggest that crèches be attached to schools so that girls are free to attend classes. Midday meals, free books and uniforms, and the provision of toilets are other facilities suggested to bring more girls into the school system, besides more all-girls schools and more female teachers. These schools should stress on vocational studies to ensure self-

sufficiency for women at a later stage. Also, subjects like women's and human rights and sex education should be included in the syllabus.
- The Mid-day meal scheme should be modified to include daily nutrition supplies for a child taking into account that this is probably the only meal for the child.
- Make regular medical checkups compulsory as part of education program and also continue it well after the education is over.
- Provide health insurance for women.

6. Health Awareness

Poverty and lack of awareness also hinder mothers from giving adequate care for their children. For instance, although diarrhoea is the second largest killer of babies, only 43 per cent of mothers know about ORS and only 26 per cent report ever having used it. With the education programmes the government should look at ensuring that adequate medicines are available with the local health centre.

7. Modern Family Planning Measures

India has extremely high maternal mortality rates. The current family planning measures (followed by the government) stress on sterilization rather than spacing between the children. The target based approach also causes problems and deaths of thousands of women. The government must work in union with organizations working at the grass root level to come up with realistic and holistic ideas and plans.

8. Health Insurance

Individuals are being forced to meet 83% of all health expenses, whereas the government is meeting only 17% of the individual's health expenditure.

9. Nutritional Needs of children

The issue of the unmet nutritional needs of newborn children needs to be addressed too. The first six years in a child's life are crucial. Investment in early childhood care and education (ECCE) is essential. Recognizing this, the government has launched several programmes, the most important being the Integrated Child Development Services programme. Crèches / Day Care scheme for Working and Ailing Mothers; National Fund for Child Care Services; Integrated Child Development Services (ICDS); Balwadi Nutrition Programme; Early Childhood Education through assistance to Voluntary Agencies. These need to be integrated and their implementation monitored.

10. Policy addressing AIDS orphans

India today is home to the largest number of AIDS orphans in the world (the UN estimates children orphaned by AIDS as those under the age of 18 who have lost one or both parents to the disease). However, there is no national policy to specifically address the impact of HIV/AIDS on children and even the number of orphanages providing short-term care for AIDS orphans is insufficient. Interventions must respond to the need for large-scale and long-term effects that both directly and indirectly impact on orphaned children.

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