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13TH FINANCE COMMISSION RECOMMENDATIONS - AN EVALUATION

PUBLIC - PRIVATE PARTNERSHIP IN SOCIAL SECTOR

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Editorial.....

It is really heart warning to mull over the fact that the 33rd Annual Conference Association of Economists of Tamil Nadu held at Gobi Arts and Science College, Gobichettipalayam had ushered in an academic ambience where more than 600 young brains deliberated and discussed the various issues confronting the Indian economy. The scholarly works presented by various participants not only have academic charm but also immense practical expedience. Indian economy as viewed Sand P, World Bank and IMF is at the crossroads. Many economic thinkers feel that Indian success story is almost over. IMF in its latest report pointed out that Indian GDP growth rate is hovering around 5%, for the first time after 2002 Indian economy is going to sub 5 % growth rate. The causes mentioned for the tardy growth rate of GDP are overheating, dear money policy and policy paralysis. The big ticket reforms announced by the Finance Minister met with mixed response. The protagonists viewed that it will kick start the sagging economy and boost the business sentiments. On the other hand critics pointed out that reforms announced lack human face.

The animal sprits as pointed by Dr. Manmohan Singh is inevitable need for pull the economy out of the logjam of policies. Whether the economy is on the higher growth trajectory or goring to sink in quagmire of economic crisis is a bone of contention for economists. The AET Annual conference to be held at Periyar University provides yet another platform for the both young and experienced economic thinkers to ventilate their bottled up views.

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Chairman's Message.....

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"The King is dead. Long live the King!' – When we hear an expression of this sort we are invited to rejoice with the people who proclaim thus. These people understand the vision and the mission of the King who reigned over them and firmly and fondly express a fervent hope that the King's successors will stand by the ideals at any cost and will not easily let the Kingdom collapse. And they are confident of their capacity to translate that vision in all their undertakings relating to the kingdom.

When our (Association of Economists of Tamil Nadu) Founder Chairman Rev. Dr Fr M Sebastian SJ passed away on 26th January 2004 at St Joseph's College, Thiruchirappalli, the head-quarters of AET, just a day after the conclusion of the AET Annual Conference – XXIV at MDT Hindu College, Thirunelveli, some such considerations passed through the hearts of the scholars in the Economics field. It looked as though our Founder-Chairman had a premonition and he wanted to have a smooth passing over the baton. He named me (Fr A G Leonard SJ) and appointed me as his successor at an extraordinary meeting convened by him and attended by scholars of repute and commitment from every district of Tamil Nadu. I must acknowledge at this moment it is they who are providing me, knowing full well my deficiencies in many ways, the guidance and the support in conducting these years the Annual Conferences and other activities of the AET. How best to translate the mission and vision of the Founder Chairman seems to be the only concern of the people at the helm of affairs. Every year, people come up with new ideas and the AET has always been receiving all such noble thoughts with an open mind. How I wish that each member attending the Annual Conference and associated with the AET comes up with a workable solution to our economic ills and make the world a happier place to live in!

All associated with the AET effortlessly complete the tasks accepted by them, to their fullest satisfaction And my one responsibility, as Chairman, is to go on uttering to each one of the participants the two words: Thank you. I have no more words to express to our dear members for the interest evinced and the encouragement extended. I get from each one of the AET members much more than what I hope for and that too at the most appropriate time.

The AET Annual Conference – XXXII took place at **Gobi Arts and Science College, Gobichettipalayam, Erode District.** *It must be said to the credit of the college authorities there that they were the first to host an extraordinary Executive meeting, thus fulfilling an AET resolution of holding every year additional EC meetings than the EC meeting that takes place usually during the annual conference at the venue. Visiting thus the venue well ahead of the annual conference affords the EC members an opportunity to satisfy for themselves on the infrastructural facilities available at the venue. Well, it was a gift to the EC members to be the beneficiaries of the hospitality of the Gobi college.*

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For my part, I was thoroughly impressed by the meticulously-bound volume of the dailies The Hindu and Dinamani kept at the college library and by the interest shown by the librarian and the staff in turning out an army of IAS officials every year. This practice of the college authorities could be taken up for our emulation. Economics teachers should work for producing plenty of civil servants in our country. Others would have noticed some other praise-worthy matters at the college. I would like to institute three prizes to be awarded to our youngsters presenting write-ups on the topic My Impressions on This Venue, to be subsequently becoming part of our AET journal.

We have every year an occasion to meet a variety of minds in a new centre of learning – of various age-groups and from even unheard of places from our state of Tamil Nadu. As we grow in these relationships, let us not build walls. Instead, let us build bridges.

We had our discussions on three conference themes:
01. The Thirteenth Finance Commission Recommendations – An Evaluation;
02. Public-Private Partnership in Social Sector; and,
03. Economy of Coimbatore Region (Districts of .Erode, Thiruppur, Coimbatore and The Nilgiris).

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Our AET members initiated discussion on the Evaluation of the Recommendations of the Thirteenth Finance Commission. An ordinary citizen of India obviously seeks a clear understanding of the role that a financial system operating in an economy has to play and the responsibilities that is enjoined on him in and through that economic system. He is careful not to appreciate any overlapping of the functions the several economic bodies which require his involvement and participation are to perform. He expects on the part of the judiciary, legislative and executive authorities a SHOP (simple, honest, open and plain) responsibility. His participation at the efforts and initiatives of the authorities is one borne out of hope of the improvements in the economic status of our country's citizens, individually and collectively. Every citizen accepts the fact that for an effective and efficient carrying out of the functions, viz., that of delivering the goods and services the citizens require to make the economy march ahead on the road to progress, that an in-built system exists through which the economic bodies concerned can tap the adequate and appropriate sources of finance. An economy aiming at self-sufficiency is well-aware, these days that funds from foreign countries are not reaching us as in the past. Added to that, a sizeable quantum of our India's money is in alien countries. Despite these conditions, there is a realization that there is ample money available within our country for our need. Faced with the problem of enforcing a just distribution of the resources to arrive at progressive development of nation, the framers of the Constitution of India came up with the institution of a note-worthy organ viz., Finance Commission.

It is required of the Finance Commissions to study in depth the sources to augment the finances of the governments at the State and the Centre. If the expression India, that is Bharat, shall be a union of States in the Constitution of India is to become meaningful, there should be sharing of resources for implementing developmental efforts. This sharing is to take place at two

levels: between the Centre and the States (vertical devolution) and among the States (horizontal devolution) to ensure Justice. As tax constitutes a major source of government, while paying the taxes, the citizens are to adopt the maxim: GIVE TILL IT HURTS. The economic bodies, for their part, should ensure that they obtain maximum returns from the last money proposed and actually spent. This implies a careful calculation of the quantum of money for each item undertaken and weeding out even the semblance of corruption.

Our AET Annual conferences served as an excellent platform for our youngsters who put forth their views on the sharing of resources. There are also State Finance Commissions whose functioning should be the subject of our scrutiny. As citizens, we travel in national highways and state highways. And we cannot afford to set aside our municipalities and panchayat bodies.

We observe at times that our Finance Commissions declaring awards disproportionately the 'performing' and 'non-performing' states. Well-meaning critics often point to their failing miserably in their exercise of the three virtues viz., justice, generosity and magnanimity.

Since our Indian Constitution admits amendments, we are privileged to effect changes, by rectifying, enabling and ennobling every element that eminently constitutes it. I believe our AET will endeavour to contribute its mite.

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The second theme our AET's this year annual conference is: Public-Private Sector Participation. When our country embarked on planning to improve the economy, it had two powerful and inviting models before it: viz., a model where the Public Sector ruled the economy entirely and another where the Private Sector served as the sole strength of the economy. Independent India rightly realized that it ought not to become a slave of any country any longer. Understanding full well, that in the absence of the other, the independent functioning of a sole sector often leads to disastrous consequences, the planners arrived at a model of utilizing both the sectors, attempting to incorporating in it in the meanwhile, the helpful elements and avoiding the hindering elements of each system. It is common knowledge that a late-comer stands to benefit. And that is what India experienced in the initial years of its planning exercise. But then, the problem of striking a balance between the two sectors always existed.

The importance that each sector was assigned over the plan periods could be easily seen through the quantum of investments made by them in the development efforts. The model that each plan that India adopted was We are aware that for the major part of the first fifty years of independence, the Public Sector played the role of the 'big brother'. In the 1990's, realizing that a country like India cannot afford to be growing in vacuum especially when we observed that many countries started globalizing their economies, India began incorporating the essential elements of Globalisation. Globalisation mechanism necessitated the introduction of Liberalsiation of the economy which then paved the way for initiating privatization of the economic units. In the considered opinion of many an economist, the private sector functioned with the intention to reap profits and the public sector was concerned with the service motive. But examples exist to establish

that the opposite could also be an experience at times. The public sector units cannot and should not be running at a loss and the private sector should design and implement newer ways of expressing their corporate social responsibility.

Public-Private Sector Participation refers to the simultaneous existence and the functioning of the two sectors in every economic endeavour in the country. It is not a situation of the two sectors being juxtaposed but a careful combination their contribution to achieve a purpose. These days we notice several instances of their presence. The supply of public goods and merit goods cannot and should not be the task of the public sector in any economy alone. People should appreciate a healthy mixture of the two sectors that is sought to be established these days. Despite our best efforts, we have not made the desired economic progress in social sectors of the economy. We realize that we have a long way to go in achieving greatness in areas such as education, health and social security.

As in the previous occasions the third theme of our Annual Conference relates to the economy of the region. In the 32nd Annual Conference of the AET we focus our attention on the economy of Erode District along with three other districts viz., The Nilgiris, Thiruppur and Coimbatore. On an earlier occasion, I have suggested that the AET should help in the introduction of a new subject in the field of Economics viz., **KONGU NADU ECONOMY,** *incorporating the resources and indicating the problems.*

Before I end this note, I must place on record the great things done by our beloved secretary Dr S M Suriya Kumar and our ever available Treasurer Dr G Gnanasekaran. Luckily for me and for our AET, they are rendering their services to our AET, the former as an EC member and the latter as the new Secretary. If I be permitted to borrow some Shakespearian statements, I will speak of them thus: How well in you appears the constant service of the world; when service given for duty and not for praise; you are not for the fashion of these times where none will sweat but for promotion. Our new Treasure is our committed member Dr T Kumar. We are slowly strengthening our AET. What we require from all of you is patience and perseverance.

I repeat my wish: **TOGETHER WE MUST ADD, NOT SUBTRACT**

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QUENCHING THIRST vs CLINCHING DEAL: A PERSPECTIVE ON WATER RIGHTS, INSTITUTIONS AND POLICIES IN INDIA

> *The factors needed for inducing the agricultural transformation, to "get agriculture moving", involve a complex mix of appropriate new technology, flexible rural institutions, and a market orientation that offers farmers material rewards for the physical effort they expend in their fields and households for the* ***risks*** *they face from both* ***nature*** *and* ***markets****.*
>
> *C. Peter Timmer (1998)*

Expression of excitement, explicitly as well as elegantly, of the elated feelings when elected as the President by the higher echelons of the AET and endorsed by 10 past Presidents present is, for me like standing on the peak of the Mount Everest. For this I owe much to the AET and to my enlightened Teachers.

AET, a non-elite body of professionals, is Ebony in strength and Edelweiss in charm. It was established to edify the Emeralds of Economics. AET is an esplanade for each one of us who are eager to become an eager beaver. It is an entablature founded by Rev Fr M Sebastian S.J, for whom the epitaph is enshrined in all our hearts.

The Association has earned and proved, right earnestly, that it is an elixir for emerging professionals of the ever-promising subject of Economics. On its own positive and progressive way, it has emblematized that it can empower and enshrine, not only the subject, but also its subjects. Let its euphony exhilarate, elevate and empower the budding Economists in the years to come.

This fervent hope is not an empty euphoria but it is based on the experience of the past and well-established and exalted facts.

Let me ever remain as an ordinary member of this extra-ordinary Association.

Introduction

The theme of this address is so vast and vibrant. As the issues at stake are so significant as far as water is concerned, an outline of such issues has been touched upon for further discussion, debate and analysis. The presentation has been given in six sections, briefly, to comprehend the theme.

Section I

Water Rights

One important dimension in the use (or abuse) of natural resource has been the issue of 'Rights'. As pointed out by Mollinga (2010), who has done a comprehensive analysis on Water Rights, an analysis of water rights often takes the form of arguments about the right to water. It emerges because of the prevalence of unequal access to water in most of the societies / economics. Further, when the question of 'Social Justice' is raised, then the answer lies in the provision of 'equal rights' to basic natural resources including water.

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The categorization of Water Rights is inevitable because of different perspectives through which it has been observed: different types of irrigation systems like River, Canals, Tanks, Wells; and different contexts in which it has been understood. Water Rights in farmer-managed irrigation system in India have been studied in different ways, and they have been from four perspectives:

S No	Perspective	Focus	Orientation
1	As Right to water	Equity and Social Justice	Human behavior - Social
2	As Rules	Mechanization of irrigation management	Human behavior - Institutional
3	As hydraulic property	Technological dimension	Physical structure -Property-technology- infrastructure
4	Ecological	Ecological relations	Natural structure - Interaction between technology and ecology

Under the first category, as Right to Water, a plethora of issues crop in as it is such a sensitive issue (given the nature of river flows - inter-state, inter-country) and availability of ground water and its over exploitation (due to competitive use) : Is Water a common property? Or Is it a private property? Is Water a Fundamental Human Right? Who has the rights? Who gave the Rights? At the same time, if the emphasis is 'only' on rights themselves, then the equity / distributive justice will be lost in the milieu. Here, it is sufficient to get clear of two aspects: who owns the rights? and who benefits from them?

In the case of second categorization, namely water rights as rules, then again it can be looked in to different perspectives:

S No	Perspective	Focus	Orientation
1	Rights as / and Rules	CPR debate – Governance issue	Elinor Ostrom's work on Governing the commons
2	Rights as Rules	Transaction Costs – New Institutional Economics	The works of Doughlas C North
3	Rights, Rules and Norms	Collective Action and Legal Pluralism	Robert Wade, Benda – Backmann and Van der Velak

From, the above theoretical constructs, 'Water rights as rules' can be understood under two main aspects:

I. Use Rights

II.Control Rights

The work of Palanisami (2000) on tank irrigation in Tamil Nadu and Sengupta's analysis of tank irrigation in Bihar (2000) can be referred to understand the above issues in the Indian context. Likewise, a large number of works have been done which have raised many more types of rights. For example, Natural Rights, Customary Rights, an order itself is as Positive and Negative Rights, Individual and Group Rights, Riparian Rights and so on. To put them in an order is a challenging task. This is because it encompasses History with a strong flavor of Sociology and

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Anthropology, Economics, Ecological and Political disciplines. It will suffice to say that the 'rights' perspective is more 'complex' and invites more and more debates rather than clarity. However, for operational purposes, the 'bundle' of rights developed in the context of tank irrigation can be better placed to induce further reading on this issue with respect to other sources of water.

Let me, now; give you a brief idea of what these two aspects of rights mean:

Use Rights

1) Use Rights
2) Withdrawal Rights

Control Rights

1) Management Rights
2) Exclusion Rights
3) Alienation Rights

When one looks at the third categorization namely, 'Technology' as Water Rights, the focus is on the analysis of the intimate relations between the social relations of water management and the technical infrastructure (the irrigation facilities). To put it in a nutshell: The moment a property (a physical infrastructure – irrigation facility) is created, it brings the social (human) action into the forefront. What follows naturally, is the conflict between Engineering Science and Social Science or between Engineers and Social Scientists.

The fourth one, namely Ecological relations as water rights, adds the ecology (landscape) dimension to the technology (infrastructure) dimension. It weaves land rights with water rights.

To sum up, this section (otherwise it is endless) on Water Rights, it is summarized that what has been required is an 'inter-disciplinary' approach to comprehend the issue, which alone will give not only analytical rigour but also practical rigour to resolve issues related to water.

Section II
Water Institutions

The concept of Institution is not a new one in the Indian context. It encompasses Social, Political and Economic arenas, as far as Western Writings are concerned. For a pure Indian mind, it also has a Cultural, Spiritual and Philosophical connotation. For a simple mind, it covers rules and laws (mostly informal) established by tradition and /or convention. For an analytical mind, however, institution means Policies, Laws and Principles of Administration governing a particular entity.(for a detailed analysis on Institution see Bandaragoda, 2000).

In Institutional Economics, institutions are basically "the rules of the game in a society, or more formally, the humanly devised constraints that shape human action" (North, 1990).

Specific to irrigation management, the institutions cover three elements

- Water Policies
- Water Laws
- Water Administration

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This is similar to what Saleth and Dinar (1999) described in their detailed theoretical framework. Further, especially in the Indian context, again, when one adopts an institutional framework analysis, one has to take note of the fact that declared rules, or formal institutions, can change in character in their actual use in the given context. The written codes of law are overruled/ overtaken by

- Forces of tradition – like caste system / kinship
- Forces of production system – like Feudalism
- Forces of political control – like informal " Panchayat" / Pani / Jal panchayat

As pointed out by Bandaragoda (2000) the difference between declared rules and rules-in-use is an important point for discussion. Consideration for evaluating institutional arrangements for Water Management is a field in which social relationships play a significant role. In this context of irrigation institutions, Ostrom (1992) defined institutions as the "rules–in-use", as they are more commonly acceptable than the declared rules.

Section III

Water Policy

A policy becomes imperative to resolve the issues in hand in an amicable manner. No wonder, water policies are so important and crucial in the given context (threat of an impending Third World War).

Both at the National Level and State Level, there are policies regarding augmentation of water, irrigation infrastructure, water utilization and management. Let us just take two examples – one National and another State for a brief comment on the water policy dimension. As the focus is on ground water in Tamil Nadu, I have given the main elements of Groundwater Act of Tamil Nadu, besides the national one:

The principal elements of the National Water Policies 1987 and 2002 are

- The available resources, both surface and ground water, should be made utilisable to the maximum extent; In the allocation of water, ordinarily first priority should be for drinking water, with irrigation, hydro-power, industrial and other uses following in that order
- Adequate safe drinking water facilities should be provided to the entire population both in urban and in rural areas.
- The ground water potential should be periodically reassessed and its exploitation regulated with reference to recharge possibilities and consideration of social equity
- Due care should be taken right from the project planning stage to promote conjunctive use of surface and groundwater
- Groundwater recharge projects should be developed and implemented for improving both the quality and availability of ground water resource.
- Concerted efforts should be made to ensure that the irrigation potential created is fully utilized.
- There should be close integration of water use and land use policies and distribution of water should be with due regard to equity and social justice
- Management of the water resources for diverse uses should incorporate a participatory approach
- Farmers should be progressively involved in the management of irrigation system
- Efficiency of utilization in all the diverse uses of water should be optimized and an awareness of water as a scarce resource should be fostered. Conservation consciousness should be promoted through education, regulation, incentives and disincentives.

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The Tamil Nadu Groundwater (Development and Management) Act (2003)

An Act to protect groundwater resources to provide safeguards against hazards of it's over exploitation and to ensure its planned development and proper management in the State of Tamil Nadu and for matters connected therewith or incidental thereto.

1) *It defined 'domestic purpose', in relation to a well, means extraction of ground-water from such well for the purpose of drinking, cooking, bathing, washing, livestock or sanitary, by using manual, mechanical or electrical device not exceeding one horse power*
2) *The Government shall have power to develop, control, regulate and administer the ground-water in the State and may exercise their power through the Authority in accordance with the provisions of this Act.*
3) *Wherever it is feasible, conjunctive use of surface-water and ground-water shall be undertaken to maximize beneficial use of the available water resources in the State.*
4) *No person shall, either himself or through any person on his behalf, engage in sinking any well or any other activity connected therewith in any notified area without obtaining a permit; Provided that this sub-section shall not apply for sinking of well or extraction or use of ground-water for domestic purpose.*
5) *All the wells sunk in the State on or after the date of commencement of this Act, shall be registered,*
6) *No person shall transport ground-water by means of lorry, trailer or any other motor vehicle from any notified area for any purpose without obtaining a permit under sub-section (3)*
7) *No person, either himself or through any person on his behalf, shall, carry on the business of sinking of well or extraction of ground-water or any activity connected therewith, by drilling or boring, in any notified area without obtaining a license.*
8) *Tamil Nadu Electricity Board shall not supply electrical energy for energizing*
   i. *any well sunk in contravention of the provisions of this Act or the Rules made there under; or*
   ii. *any well in respect of which the permit granted under this Act has been cancelled; or*
   iii. *any source of ground-water in respect of which certificate of registration has not been granted in accordance with the provisions of this Act or having been granted, the certificate or registration has been cancelled;*

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Section IV

Ground Realities of Ground Water

So far so good! Now the pertinent issue is to know about the happenings at the ground level? Water institutions, rights and policies with respect to ground water have more importance and relevance to a state like Tamil Nadu.

In this context, this section highlights the issues related to groundwater utilization, returns and the question of sustainability at the village level in Tamil Nadu. For this purpose results of two research works are taken in to account: Selvamurugan (2008), and Mohanasundaram (2011).

Before providing the village-level information a look into the growing rate of groundwater depletion at the national level can help to visualize the situation (Table1).

S No	States / Union Territories	Total No of Assessed Units	Safe		Semi-Critical		Critical		Over-exploited	
			Nos	%	Nos	%	Nos	%	Nos	%
1	Andhra Pradesh	1231	760	62	175	14	77	6	219	18
2	Chattisgarh	146	138	95	8	5	0	0	0	0
3	Gujarat	223	97	43	69	31	12	5	31	14
4	Haryana	113	42	37	5	4	11	10	55	49
5	Jharkhand	208	208	100	0	0	0	0	0	0
6	Karnataka	175	93	53	14	8	3	2	65	37
7	Kerala	151	101	67	30	20	15	10	5	3
8	Madhya Pradesh	312	264	85	19	6	5	2	24	8
9	Orissa	314	308	98	0	0	0	0	0	0
10	Punjab	137	25	18	4	3	5	4	103	75
11	Rajasthan	237	32	14	14	6	5	21	140	59
12	**Tamil Nadu**	**385**	**145**	**38**	**57**	**15**	**33**	**9**	**142**	**37**
13	Uttar Pradesh	803	665	83	88	11	13	2	37	5
14	Uttaranchal	17	12	71	3	18	0	0	2	12
15	West Bengal	269	231	86	37	14	1	0	0	0
	Total States including others	5705	4067	71	546	10	226	4	837	15
	Total UTs	18	11	61	4	22	0	0	2	11
	Grand Total	**5723**	**4078**	**71**	**550**	**10**	**226**	**4**	**839**	**15**

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The state-wise categories of blocks / mandals / taluks in India on the basis of extent of groundwater exploitation revealed that the states like Haryana (49%), Karnataka (37%), Punjab (75%), Rajasthan (59%), and Tamil Nadu (37%) were found having more number of over exploited regions compared to other states. At the same time, some states are having more percentage on semi-critical stage (Gujarat, Kerala and Uttaranchal). The states which are more than 50 per cent safe include Andhra Pradesh, Chhattisgarh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Uttar Pradesh, Uttaranchal and West Bengal. For all India, the safe area remained high (71%), followed by over-exploitated (15%), Semi-Critical (10%) and Critical (4%).

The states like Bihar, Himachal Pradesh, Jammu and Kashmir, Jharkhand and all the North-East states have a cent percent safe ground water position.

The point is that the situation in Tamil Nadu is more critical as it has lower percentage of safe regions and a higher rate of extraction in most of the areas (for a detailed account on this see Karunakaran (2011). Further, it is alarming when one looks into the estimated Supply-Demand gap for water in 2025 in Tamil Nadu : 2.12 MHM and it comes almost 45 % (Palanisami et al, 2003).

Findings of the village studies

- The first study is pertaining to Muriyandampalayam revenue village, Avinashi block, Coimbatore District
- The number of bore wells increased from 389 in 1990 to 1029 in 2007. As a result, the density of the bore wells (both working and failed) in the revenue village (1262 hectares of geographical area) increased from 0.31 bore well per hectare in 1990 to 0.82 bore well per hectare in June 2007. The density almost tripled over the 17 year period.
- The number of working bore wells was 295 in 1990 and it was 345 in June 2007. The number of failed bore wells also increased from 64 to 684 during the same period. Hence, the ratio of working bore wells to the failed ones also decreased from 0.76 to 0.34.
- The pre-mature bore well failure rate increased from 28 per cent to 49 per cent, due to a fast decline in the groundwater level. Consequently, the life of bore wells decreased from 12 years in 1980 to 4 years in 2005-2006
- Out of 345 working bore wells in the village, 179 (51.88 %) were low pressure (LP) bore wells, 118 (34.20%) were medium pressure (MP) and only 48 (13.91%) were found as high pressure(HP) bore wells
- The selected 183 farmers drilled 897 bore wells (332 working and 575 failed) in their farms. Average number of bore wells per farm in 2005-06 came close to 5 (4.9). Together, the 55 farmers, who left agriculture, had 132 bore wells (23 working and 109 failed). Among 23 working bore wells, 12 were low pressure and 11 were medium pressure. The average number of bore wells of these 55 farms came to 2.4
- Thus, the increased depth and density of the bore wells led to (i) the pre-mature failure of the bore wells, (ii) reduced life of bore wells and (iii) increase in the number of low pressure bore wells in the study village
- The estimation of economics of the bore well irrigation was done with an assumption of depth of 1000 feet (the average depth calculated was 759 feet with the maximum depth of 1150 feet), as it was the order of the day, with a diameter of 6.5" and the use of 10 horse power submersible motor. Hence, the investment per bore well, at current prices (2005-06) worked out to Rs 2,34,500, in the village

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- At 15 per cent discount rate, the investment made in bore wells was financially feasible for all three categories (small, medium and big farmers) of the selected farmers. However, at 20 and 25 per cent discount rates, only medium and big farmers investment in bore wells was found to be profitable
- The farmers living in the hard-rock areas developed their own strategies, to cope up with the adverse consequences of groundwater overdraft. The marginal and small farmers were the worst affected and that is why they left cultivation and sought employment in the urban labour market in the nearby towns, like Tirupur to cope up with the problem.
- Findings of the survey done in Akkarai Sengappally revenue village in Annur block, Coimbatore district revealed the following:
- The number of bore wells dug in this village has been on the increase, especially after 1990s. (one farmer was found having an historical number of bore wells : 26). At present (2010-11) only four of them are working, signifying a failure rate of 84.3 %. He is coping with this situation from his non-farm income – Real Estate business and powerful political background as the past president of the village panchayat
- The major cause of groundwater depletion in this village was discovered to be the failure of maintenance of irrigation structures.
- No official statistics is available on wells (open as well as bore wells) and their status
- After the implementation of MGNREGS, even the progressive farmers left agriculture.
- An economic analysis of bore well irrigation in this village revealed that only the farmers growing crops like Banana and vegetables and having own labour are able to cope with the situation
- At Vadapudur revenue village in Kinathukkadavu block, Coimbatore, village where a survey was done, the groundwater situation has been found better, thanks to the maintenance of village water storage structures intact. Further, the selected farmers found extra- cautious (conscious) in crop selection: avoiding water – intensive crops and better combination of wet and dry crops.

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Section V

Clinching Deals

The competitive use of water (Agricultural, Industrial and domestic purposes) and its growing demand (at a faster rate), coupled with the fast depletion of groundwater levels are clear writing on wall, that given the distant possibility of enlargement of water sources, the State has to gear up to face the situation before the time elapses.

The urban demand, or as pointed out by Narayanamoorthy and Venkatachalam (2011), along with the increasing diverting of irrigation water to non-irrigation purposes, is nothing but sort of 'stealing' water at the cost of poor farmers and food security!

Section VI

Policy implications and recommendations

The difference between the survey data and the data given by the Village Administration Officer, with respect to net irrigated area, area under different crops, number of open wells and bore wells was found highly significant. This called for the proper documentation of the events, at the village level. The appropriate and suitable methods of documentation and cross-verification were the need of the hour. The open well or the bore well should be registered by the farmers. This has not yet been done even after an Act is passed to this effect by the State government (see the brief note on this Act given in Section III)

That is, given the free electricity supply to the irrigation motors, they should have the registration of both open wells and bore wells to work out the rate of groundwater extraction, the depth and density of the bore wells.

The social cohesion, which was considered as a source of strength for the farmers earlier, was found gradually weakening.

In spite of the free supply of electricity, the cost of irrigation accounted a substantial share in the cost of cultivation of crops due to higher fixed cost of irrigation equipments and technologies. As a result, most of the farmers, especially the marginal farmers, got only a small amount as their net income. Therefore, any step taken by the government to charge for electricity will adversely affect the farming community and in turn the food grain production.

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To sum up

Having presented a few observations on the issues related to water rights, water institutions, and water policies as well as some reflections on the basis of field survey, it is pertinent to place a few points for further discussion. At the same time, caution must be exercised that it is not a comprehensive analysis and some critical issues like pricing of water, free power supply, equity, externalities, water markets and sustainability are left out. Nevertheless, consider the following with specific reference to the problem of groundwater depletion.

- The data, at the village level, on vital aspects like number of wells (both open and bore well), depth, water availability, rain water systems, are all missing. This goes against the Tamil Nadu Ground Water Act, 2003. Hence, registration must be made compulsory for all the existing and the new wells to be dug.
- There is no information or awareness about the distance between the borewells and the aquifer. The rate of bore well failures has been quite high.
- Regarding maintenance or utilization of groundwater there is no institutional system prevailing in the selected villages. Neither the farmers are aware of their rights on water storage structures. A new system should be in place to delineate rights and responsibilities.
- Though there has been a lot of claim about ground water recharging, nothing has been come out significantly. This is said to be having a great potential. So this must be given immediate attention by giving a scientific dimension to it by using technologies like GIS.

- For river / dam water distribution and utilization, the public (PWD) and private (WUAs) initiatives are found as many, even though their efficacy is yet to be established. However, for groundwater, placing one such a system in operation remains a challenge.

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GRANTS IN AID IN INDIA:
The Thirteenth Finance Commission Perception

Prelude

India is the largest democratic country with federal set up having 28 states and 7 union territories which made up of three levels of governments viz, Central Government, State Government and Local Government with clear out division of revenue and expenditure pattern. Need less to say the modern government is entrusted with more responsibilities and duties to promote not only the economic welfare of the community but also social welfare. Now a day the governments have to satisfy the international perception of the social, economic, political, institutional and environmental welfare. When compared to the central government the responsibilities are more for the states whereas the centre is having more revenue powers, thus creating an imbalance between state income and state expenditure, which is filled by the finance commission resource transfer like sharing taxes, grants in aid and loans. The Finance Commission of India came into existence in 1951. The president of India establishes the Finance Commission under the provisions of Article 280 of the constitution for the purpose of devolution of non plan revenue resources. However, the specific functions of the Finance Commission are attributed with the distribution of net proceeds of taxes to be shared between the Union and the States and the allocation of share of such proceeds among the States; the principles which should govern the payment by the Union of grants- in –aid to the revenue of the States; and any other matter concerning financial relations between the Union and the States. The present paper mainly attempts to study the Grants in Aid with respect to the Thirteenth Finance Commission.

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Rationale of Grants in Aid

The expression of Grants in Aid of the revenue has not been defined in the constitution of India. Two kinds of grants are provided by the centre to the states , the first under Article 275 which are routed through the Finance Commission and the second under the Article 282 which have traditionally been determined by the Planning Commission. Article 280 (3) b requires the Finance Commission to make recommendations are to the principles which should govern the grants in aid of the revenue of he State under Article 275 (1) However, the principles under lined on the provision of grants in aid to the states are Budgetary Needs, Tax Efforts, Economy in Expenditure and so on. An important purpose of grants in aid is to help in equalizing standards of basic social services. The standards of social services in a State may be a criterion for grants in aid. The first eight finance commissions confined themselves to the non-plan revenue accounts of the states. They determined the grants in aid equal to deficit of each state so that the non- plan revenue accounts of all the states were balanced or left with a surplus every year. Further it recommended grants to fill the normative gaps as opposed to traditional budgetary needs, it also dealt with the total revenue account and worked out to eliminate deficits in the revenue account as a whole.

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Objectives

The present paper mainly attempts to study Grants in Aid provisions during the Thirteenth Finance Commission regime in general. However, the objectives are , to trace the year wise grants in aid in India; Purpose wise grants in aid ; and State wise grants in aid during the study regime.

Data Source and Data Collection

The relevant data were gathered from the web site and the study period is confined to the period of Thirteenth Finance Commission i.e. 2011 -2015.

Major Observations

The grants in aid was allocated for Education, Forest And Wild Life Conservation, Water Supply, Power Generation, Delivery Of Justice And Others. Further with the view to disseminate innovation the grants in aid is also advocated for setting up of the Centre for Innovation of the Public System.

The grants in aid distributed to the states in the First Finance Commission was only Rs.290 Crs and it was tremendously increased to Rs.142640 Crs in the recent Finance Commission. Further it is observed that there are wide disparities among the states in India.

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It is found that the grants in aid for education was Rs.24068 Crores of which the maximum amount of grant was allocated to the state UP (Rs. 5040Crs) followed by Bihar (Rs. 4018 Crs.), West Bengal (Rs. 2359 Crs) and Madhya Pradesh (Rs. 2216 Crs) . The minimum of allocation was made to the states Mizoram (Rs. 5 Crs) and Sikkim (Rs.5 Crs). However, the states like Arunachal Pradesh, Goa, Manipur, Nagland, Tripura were allocated very meager amount as grants in aid for education.

For forest development, a sum of Rs.5000 was allocated as grant during the FC regime. However, among the states the maximum of Rs.727.84v Crs. was allocated to Arunachal Pradesh and only Rs.8.80 Crs was allocated to Haryana. Similarly for Wild Life Conservation, a sum of Rs.5715.25 Crs. was allotted as grants in aid of them, the maximum amount was allocated to Madhya Pradsesh (Rs. 727.19 Crs.) followed by Maharashtra (Rs. 711.73 Crs) in one side and on the other side the minimum of only Rs.11.75 crs allotted to Manipur. Tamil nadu received a moderate allocation of Rs. 151.42 Crs.

For Power Development a sum of Rs. 5000 Crs was allocated ofthem the maximum amount was allocated to Gujarat 9 rs.531.40 Crs and a minimum of Rs. 25.04 Crs to Manipur. The Tamil Nadu state received an appreciable amount of Rs.455.16 Crs for power development. Similarly for Water development a sum of Rs. 5000 Crs was allocated of which, the maximum of Rs. 1364 was allotted to Uttar Pradesh and only 4 Crs each was allocated to Sikkim, Mizoram and Meghalaya. The Tamil Nadu state Rs.192 Crs as grant for water sector during the Thirteenth Finance Commission regime. With regard to the Grants in Aid for water sector, the Finance Commission made certain conditions for its release viz, these grants should be spent only on non-salary maintenance items for public MMI and MI irrigation schemes; these grants should be budgeted and spent for meeting the non-plan revenue expenditure only under the heads *2700,2701 and 2702; recovery rate for irrigation has been taken as the ratio of NPRR under major heads*

700,701 and 702 to NPRE under major head 2700,2701 and 2702 and the which can be allocated into two equal instalments in a financial year.

The general recommendation of the Thirteenth Finance Commission established in 2007 and headed by Vijay Kelkar for the period 2011-2015 are, the share of states in net proceeds of sharable Central taxes shall be 32 per cent every year for the period.

Revenue accruing to a state is to be protected to the levels that would have accrued to it had service tax been a part of the sharable Central taxes, if the 88th amendment to constitution is notified and followed up by a legislations enabling states to levy service tax; Centre is to review the levy of cesses and surcharges with a view to reducing their share in its gross tax revenue; The indicative ceiling on overall transfers to states on revenue account may be set at 39.5 per cent of grass revenue receipts of the centre; The Medium Term Fiscal Plan should be a statement of commitment rather than intent; New disclosures have been specified for the budget/ MFTP including on tax expenditure, public – private partnership liabilities and the details of variables underlying receipts and expenditure projections; The Fiscal Responsibility and Budget Management (FRBM) Act needs to specify the nature of shocks that would require relaxation of the targets there under; States are expected to be able to get back to their fiscal correction path by 2011-12 and amend their FRBM Acts to the effect; State Governments are to be eligible for the general performance and special area performance grants only if they comply with the prescribed stipulation in terms of grants to local bodies; The National Calamity Contingency Funds should be merged with the National Disaster Response Funds and the Calamity Relief Fund with the State Disaster Response Funds of the respective states;

The Grant specific recommendations are a total non-plan revenue grant of Rs.51800 crore is recommended over the award period for eight states. A performance grant of Rs.1500 crore is recommended for the three special category states that have graduated from a non- plan revenue deficit situation; An amount of Rs.19930 crore has been recommended as grant for maintenance of roads and bridges; A sum of 24068 crore has been recommended as grant for elementary education; Futher, an amount of Rs.27945 crore for the state specific needs, each Rs.5000 Crore for forest, renewable energy and water specific management grants have been recommended. A total of Rs. 3,18,581 crore has been recommended during the period of Thirteenth Finance Commission .

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Conclusion

From the piece of attempt it could be observed that the amount of grants in aid has been sharply increased, the amount was not adequate to match the fiscal gap of the states since the states have to perform a variety of service and welfare functions to its community. Further there is a wide disparities found among the states in all heads of grants. Hence measures may be taken to increase the grants to the states and to reduce the inter state disparities among the states which may aggravate the problem of economic inequalities in India. However, it is fond hope that the rational allocation of grants in aid can bring the sustainable development in India.

Guarantee Programme (MGNREGP) on October 2, 2009. It is also popularly known as 100 days work scheme among the rural people.

TRENDS IN FISCAL TRANSFERS CENTRE TO STATES

INTRODUCTION

The Tor mandate this Commission to consider the impact of the recommendations made by the Eighth to Twelfth Finance Commissions on the fiscal relation between the centre and the states, especially the greater dependence of the states on devolution of funds from the centre. Following this mandate, we have reviewed the trends in fiscal transfers to states since the period covered by FC-VIII and the findings of this review have broadly informed our recommendations on various aspects of centre-sate fiscal relations.

In India, transfers from the centre to states, comprising statutory and non-statutory transfers, take place through three channels, namely, Finance commission, planning commission and the Central Ministries. Statutory transfers in the form of share in the proceeds of Central taxes and non-plan grants are on the basis of the recommendations of the Finance Commissions. Non-Statutory transfers in the form of plan grants take place through the channel of the Planning Commission and in addition there are both plan and non-plan grants from various Central Ministries. The states get loans against the net small saving collections. Theses are from the NSSF which is outside the consolidated fund of India and cannot strictly be termed as loans from the centre.

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OBJECTIVES OF THE STUDY:

- To evaluate the overall status of trends in fiscal transfers.
- To relative shares of the centre and the states revenue transfers.
- To analyze the finance commissions recommend devolution of taxes, grants-in-aid, and union Excise duties revenue to the states.

VERTICAL IMBALANCE

The relative shares of the Centre and states in the combined revenue receipts before and after transfers presented in table give an idea of the extent of vertical imbalances and extent of transfers from the centre to states. Table Relative shares of the Centre and the states in Combined Revenue receipts before and After Transfers.

Finance Commission	Percentage Share Before transfers		Percentage share After Transfer	
	Centre	States	Centre	States
Eighth (1984-89)	64.9	35.1	38.4	61.6
Ninth (1989-95)	62.1	37.9	35.3	64.7
Tenth (1995-2000)	61.3	38.7	37.1	62.9
Eleventh (2000-05)	60.9	39.1	36.9	63.1
Twelfth (2005-08)	62.9	37.1.5	36.5	63.5

Source (Ministry of Finance, Indian Finance Statistics, various years)

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The share of the states in the combined revenue receipts before transfers was 35.1 per cent in the period 1984-89 and thereafter varied in the narrow range of 37.1 to 39.1 per cent. The share of the states after transfers was 61.6 per cent in the period 1984-89 and thereafter increased marginally and fluctuated in the range of 62.9 per cent to 64.7 percent. The relative shares become just the reverse after transfers with the share of states going up and that of the Centre coming down.

FINANCE COMMISSION FISCA.L TRANSFER.

It palys a vital role in Indian federal Finance system the constitution of India came into force in 1950. The government act of 1935 divides the functions and financial powers of the government in to central and states spheres together with the concurrent areas. The Finance commission is a salient feature of the Indian constitution. It is an advisory body and deals with transfer of resources from the centre to the states.

INCOME TAX SHARING

Between the centre and the states underwent a fundamental transformation with the constitutions in 2000. The net proceeds of income tax are shared with states on a mandatory basis. The commission made recommendations regarding the combined shares of states out of the "divisible pool" of the net income tax proceeds and the proportionate share of each indivisible state within the combined share of all states.

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UNION EXCISE DUTIES:

The president of India has the discretion to refer the question of sharing of excise duties with the states to the commission. In effect this matter was always included in its terms of references. Here again the commission recommended the sharing of net proceeds of union excise duties between the centre and sates and the distribution of their collective share individual states.

GRANTS-IN AID:

The finance commission is asked by the president estimates the needs of states and recommends grants-in-aid of their revenues. It also lays down the principles with could govern three grants from the center to the states. Therefore all the state need not receive their grants and different states may receive different level of amounts. The finance commission can also recommend special purpose grants to any state which may be included in its terms helping the local bodies grants for relief in the case of natural calamities, grants for up gradation of state activities and soon.

Another aspect of the Finance commission transfers is the relative proportion of tax devolution and grants. States have by and large been seeking predominance of tax devolution because of its inherent buoyancy as compared with the grants which are fixed in nature. Another issue is the conditionalities attached to grants. He proportion of grants in total finance commission increased from 9.0 per cent in the award period of FC-X to 13.5 in the period of FC-XI and further to 18.9 per cent in the period of FC-XII compared with tax devolution, grants have a greater redistribute role. FC –XII felt that grants provided a more effective mechanism to address redistribute concerns. The commission extended the scope of grants to achieve qualification of expenditure across different states in two sectors, namely, education and

health. This is a welcome development. We are of the view the relative shares of tax devolution and grants should be better left to the judgment of the finance commissions Number of states in their response to our questionnaire have favoured finance commission to the main channel of central transfers. Even today finance commission transfers are predominant in total transfers from the centre.

CONCLUSION:

It is more important to focus policy attention on removing same of the many remaining structural changes on raising the potential percentage share in before transfers and percentage share in after transfer for the centre to state government needs of fiscal transfers. Finance commissions activities are an important pillar of Indian economy . it is helped many ways for the rapid development of out country economy. Now a days , Indian finance commission has faced lot of problems due to political intervention and some of government political not suitable for the commission activities, therefore the government should regulate the policies for the rapid development of finance commission activities .

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13TH FINANCE COMMISSION AND ITS RECOMMENDATION FOR PANCHAYAT RAJ INSTITUTION

Introduction

The Thirteenth Finance Commission was constituted by the president under Article 280 of the Constitution on 13 November 2007 to make recommendations for the period 2010-2015. Dr. Vijay kelkar was appointed as the chairman of the commission. Panchayat Raj is a system of government in which Gram Panchayats are the basic units of administration. It has three levels; Village, Block and District. The term panchayat raj is relatively new, having originated during the British administration. Raj literally means governance or government. Panchayat means ensures the direct participation of people at the grass root level.

Resources to Local Bodies

In the light of past experience, has the finance commission adopted a platform based incentive approach to determine the volume of local body grants to be provided to each state. Following previous commissions it would continue to provide grant to all the states for meeting the needs of the local bodies for the period 2010-2015. In addition, have sought to incentives devolution and performance through the introduction of a performance based component which would be available only to that component to those states which meet the stipulations related to the issues identified above by 2011-2012. They have been examined and recommended by a number of bodies including earlier finance commissions, the Second Administrative Reforms Commission (SARC), the Comptroller and Auditor General and the respective Ministries of the Government of India. They are aimed at introducing changes to improve the functioning of local bodies, ensuring predictability and transparency in transfer of funds and enhancing the functioning of State Finance Commission.

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13th Finance Commission and Panchayat Raj

The commission is required to make recommendations on the measures needed to augment the Consolidated Fund a state go supplement the resources of the panchayats and municipalities in the state on the basis of recommendations made by the Finance Commission of the state.

Some representatives suggested that 10 percent of the funds devalued to each state should be earmarked for the local bodies some suggested that 3 percent of the divisible pool should be earmarked for urban local bodies. Keeping in mind the rapid pace of urbanization, funds should be distributed among urban and local bodies in the ratio of 70:30 in stead of 80:20 as was allocated by XII Finance Commission. Earmarking of funds should not be confined to water supply and solid waste management support should also be provided for roads, storm water drains and sewerage.

The Finance commission should support the establishment of geographic information system-based on property tax system for all local bodies aimed at string thanking their revenues. Grants should be untied. Each panchayat should be given a minimum grant of Rs.10 lakh irrespective of population or

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any other criteria. Each Zilla panchayat should be given a special grant of Rs.5 crore to meet local needs. The finance commission should directly devolve funds to autonomous district councils instead of rout in it through state Governments.

Funds should be earmarked for creation of data bases at the level of local bodies while providing the flexibility to hire or out source specialized manpower to undertake this. Finance commission should be made available in a single annual grant, rater than in half-yearly instalemates. At least 5 percent of the grant should be allowed for administration expenditure. Construction of assets should also be permitted apart from maintenance of assets.

Thirteenth Finance Commission and Urban Local Bodies.

The Thirteenth Finance Commission recommendations relating to urban local bodies aims at strengthening municipal finances and urban governance in India. The 13th finance commission making a departure from the previous finance commission divided the grants to be distributed to the states for local bodies into two parts namely, General Basic Grant and General Performance Grant. The performance grant can be accessed only if the state complies with nine conditions, which be called reforms. They are; the State Government must put in place a supplement to the budget documents for local bodies. The State Government must put in place Audit system. The State Government must put in place a system of independent local body ombudsmen. The State Government put in place a system to election call transfer local body grants provided by the commission. The state government must prescribe through an Act the qualification of person eligible for appointment as a member of the state finance commission.

All local body should be fully enabled to levy property taxes without put in place hindrance. The state government must gradually put in place Standers for delivery of essential services. All municipal corporations with a population of more than one million (2001 census) must be in place a five hazard response and mitigation plan for the irrespective Jurisdiction. States are given one year need, 2010-2011. Complying with these conditions within the stipulated time frame, require comprehensive understanding and capacity at the state and urban local body level.

Grants to local Bodies

The Ministry of Rural Development has urged the 13th Finance commission to substantially support Panchayat Raj Institutions to enable them to effectively provide basic services to their constituents. Taking in to account, the demand of local bodies that they be allowed to benefit from the buoyancy of Central taxes and the constitutional design of supplementing the resources of Panchayats and Municipalities through Grants in aid the commission that local bodies be transferred a percentage of the divisible pool of taxes, as stipulated by us, after converting this share to Grant in aid under Article 275.

Strengthening the Local Body Framework

Though the recommendations provide enhanced support to local bodies, we recognize that there is no substitute for local bodies raising their own task and non tax revenues and for State Government augmenting their taxes assignment and transfers to them. Local bodies must be encouraged to fully exploit those taxation powers which have been assigned to them by their respective State Governments. The State Governments, in turn, can incentives own revenue collection for local bodies through a variety of

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methods, such as mandating some or all local taxes as obligatory at non-zero-rate of levy by deducting deemed own revenue collecting from transit entitlements of local bodies, or through system of matching grants It recommended that the system of mortification of minimum levels of service described and stipulated only for municipal corporations and municipalities would be gradually extended in future to all local bodies, both urban and rural. State Governments to consider gradually putting in place the om busman system to cover all local body functionaries inducing gram panchayats, block panchayats and sanities Panchayats at the earliest.

Summary and Conclusion

Article 280 (3) (b and C) of the Constitution should be amended such that the words on the basis of the recommendation of the finance commission of the state are changed to after taking in to consideration the recommendations of the finance commission of these taxes. State governments should appropriately strengthen their local fund audit departments through capacity building as well as personnel augmentation. The Government of India and the State Governments should issue executive instruction to all their respective departments to pay appropriate service charges to local bodies. Local bodies should consider implementing the best identified practices.

An important challenge faced by the commission was that the assessment of the resource position of the Center and States has had to be made in the face of more than normal uncertainties, given the developments in the global economy and the consequent need for resources to be devoted for stabilization and countercy local measures by the Centre as well as States. The commission's recommendations for verticals and horizontal devolution has to be consistent with the requirement that the commission suggest a suitably revised roadmap with a view to maintain the gains of fiscal consolidation from 2010 to 2015. The impact of countercyclical measures on the absolute and relative finances of Central and State governments will affect the future fiscal roadmap. This in turn, has to be taken into account in preparing the forecasts necessary to calculate consistent and appropriate vertical and horizontal devolutions.

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THE THIRTEENTH FINANCE COMMISION AND IMPROVING FISCAL OUTCOMES

Introduction

The THFC'S terms of reference had a much wider scope than those of earlier union finance commissions (UFCS), continuing a trend that began a few decades age. In particular, three new issues for the THGC'S consideration were the planned implementation of the goods and services tax (GST), environmental preservation for sustainable development, and possibly most importantly, fiscal governance reforms. That the THFC was able to buy and large make sensible recommendations on these issues in just 25 months, in addition to the traditional fiscal devolution matters dealt with by UFCS, merits our thanks.

Recent concern with the quality of Public expenditure in India and its impact on social outcomes probably began in 2005 with the budget speech of Finance Minister P Chidambaram. He introduced a machinery to measure major development outcomes that year, working with the planning Commission. The resulting guidelines have been used by different ministries to produce annual outcome budgets. While concern with outcomes of fiscal outlays is very welcome, these outcome budgets fail to link outlays to outputs, let alone outcomes. This is not even done while reviewing past performance in achieving targeted outputs. This fatal flaw persuades us to conclude that this institutional reform measure could not have resulted in much greater expenditure efficiency.

Further the key distinction between outputs and outcomes appears to be poorly understood in some budgets. Nevertheless the intent of the reform, which was to introduce basic changes in expenditure budgeting and monitoring institutions to relate financial outlays to their ultimate impact, was on target. So roping in a high-powered institution such as the UFC to help give a push to these significant and game-changing reforms was understandable. Whether it is desirable or not is open to debate. Though this is not an issue addressed in depth here, brief comment is in order.

Assessment of Recommendations:

The term of reference 6, clause vii, entrusted to the THPC with solving what is probably a key challenge facing public governance in India and much of the rest of the world-reducing public waste and inefficiency.

It then recommends grants for six specific purposes to states to improve incentives for proper public spending, to promote local level innovation in public services, and to improve the transparency of government statistics. It also explains that to improve the composition of public spending, grants are provided for the environment in response to another term of reference. Looking at the six areas closely, the following points become apparent.

In only one case is a grant tied directly to improving an outcome indicator, the infant mortality rate (IMR). However, no guidelines are given on how states are to go about ensuring this outcome. Further, no attention is paid to the possible diversion of states effort from other equally important indicators that have not been "incentivized". A good example from the same sector is the maternal mortality rate (MMR).

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Incentivizing Reform of Fiscal Institutions

It is suggested here that the THFC could have had a more significant impact on improving fiscal outcomes if it had made more use of precepts of what has come to be known as New Public Management (NPM), suitably tailored to Indian reality. These could be complemented by measures to bring about greater civil society involvement in monitoring government activity. Reforms in line with NPM would seek to overhaul public expenditure and budgeting institutions to enable better identification and targeting of outputs; to facilitate assessment of the real economic cost of these outputs, which, in turn, would improve allocation of public expenditure as well as cost efficiency; and promote accountability via both improved internal controls and more effective external audit. In addition, greater independent and grass-roots monitoring of the outputs of many important social and economic services could help limit leakages.

The first of these dimensions, normally termed "aggregate fiscal discipline", is not within the scope of the THFC'S term of reference that is under discussion here. It may broadly be considered to be addressed by another fairly recent set of institutions in India, fiscal responsibility legislations. However, the other dimensions fall squarely within the scope of this term of reference. The second dimension is usually called "strategic resource allocation" while the third is referred to as "effective and efficient service delivery".

To assess if resources are being strategically allocated and also if service delivery is effective and efficient, four things are needed. First, expenditures should be comprehensively reported in the budget-the existence of off-budget and hidden expenditures make government accounts non-transparent and weaken reforms to reduce public waste. Second, the outputs obtained from government expenditure need to be carefully identified and their appropriateness assessed. Third, evidence on the relation between outputs, which are largely within the control of the spending units, and desirable social outcomes, which are often not, needs to be scientifically collected and assessed. Fourth, the input-output link and, importantly, the resulting economic cost of producing outputs have to be ascertained and its efficiency or wastefulness assessed. This vital point cannot be over stressed-without good estimates of unit economic costs, operational efficiency and proper strategic resource allocation cannot be ensured.

This importance of consolidated reporting of expenditures has been recognized by the THFC and is adequately dealt with in its Report. The discussion related to accounting reforms in Chapter 7 of the Report (Finance Commission 2009) includes an examination of common budgetary classification, contra-entries, and funds outside the consolidated fund. For the centre, recommendations on these lines are in chapter 9, including for tax expenditure reporting and liabilities due to public-private partnerships (PPPS). The TWFC had also recommended, as a short-term measure, additional statements, which its normal accounts, which unfortunately, have yet to be implemented.

Short-term Budgetary Reform

First, major re-examination is needed in the specification of outputs or deliverables as currently done in "outcome" budgets put out by different central ministries, public-sector units, or social and economic projects such as central "flagship" programmes. This should have the objective of ensuring that the delivery of targeted outputs can be retrospectively assessed in future budgets. In this re-examination, it is important that the unit of measurement of the output be identified wherever practical so that unit cost estimation is

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enabled. Outcomes targeted by different ministries and programmes also need to be re-examined to ensure that what are identified as outcomes are indeed related to the economic or social goals of the country.

Second, after outcomes are adequately specified, evidence of the link between outputs and targeted outcomes needs to be scientifically collected and analysed, outcome by outcome. This should preferably be done through funding competent independent research. To allow assessment of the current importance of improvement in different outcomes, current levels relative to long-term development goals should also be reported.

Third, the budgetary outlay and expenditure for each deliverable should only be reported, where possible on a unit cost basis. This should only be viewed as a transition measure because the case-based outlay data currently available from budgets have serious flaws from the perspective of estimating unit economic costs. Nevertheless this should enable cross-year and, in some cases, cross -activity comparisons, even if flawed. The estimation of unit costs can be improved and brought closer to economic cost estimation in the short-term if the recommendations for additional accounts statements made by TWFC and the recommendations regarding accounts made by the THFC are implemented. In particular, use of the statements recommended by the TWFC will enable the cost of capital services from government assets and committed future expenditures to be used in a rough and ready way.

Internal (that is, management) and external (that is, audit) procedures for evaluation of performance relative to outcome budgets should be assessed and, if need be, targeted for reform to ensure that accountability for delivery of outcomes in a cost effective manner is established.

These suggestions are for the central government. For states, which have yet to implement outcome budgeting, incentivizing grants could be given so that they adopt outcome budgeting within a time frame that should be specified along with a road map.

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Unit Economic Costs Making a Beginning

As should be apparent from the discussion above, estimation of unit costs is the crux. It is probably fair to say that the union and state governments do not now have available estimates of the real economic unit cost of most outputs even when the output in question has been identified. So improving the conversion of outlays into outputs is rendered very difficult-for assessing the efficiency of expenditures, unit costs are the correct basis, and for strategic allocation, the relative costs and benefits from different expenditures needs to be assessed. To do this assessment, one side is, of course, reflected in unit costs and the other from outputs in relation to long-term outcome goals.

Conclusion

It has been suggested in the discussion here that the THFC has not chosen the best possible route to meet its mandate of recommending ways to make public expenditure more outcome oriented. However, elsewhere in its Report, it has a number of important suggestions that should help achieve output-oriented outlays, though these do not add up to a comprehensive reform package for output-oriented expenditure reform. Two major problems with its approach, are not noting the importance of unit costs of public outputs and inadequately treating the distinction between outputs and outcomes. The latter is a problem also found in central government output budgets. The THFC still deserves out admiration and thanks for what it has achieved. Perhaps the major problem lies in its terms of reference, which ask a human agency *to accomplish a superhuman task in an impossibly short time frame.*

AN ECONOMIC ANALYSIS OF PUBLIC DEBT IN INDIA (WITH SPECIAL REFERENCE TO RECOMMENDATIONS OF 13TH FINANCE COMMISSION)

Introduction:-

The last decade of the 20th century was momentous in the economic history of India. As it witnessed a successful transition of India from a controlled, in word-looking and slow growing economy to a liberalized and open economy that has now found a place amongst the fastest growing economics in the world.

The Indian economy has emerged with remarkable rapidity from the slowdown caused by the global financial crisis of 2007-09. The growth rate was estimated 8.0 percent in 2009-10. The estimates released on 31st January 2011 shows 8.6 percent. Growth is strong in 2010-11 with a rebound in agriculture and continued momentum in manufacturing there was a deceleration in services caused mainly by the declaration community social and personal services reflecting the base effect of fiscal stimulus in previous years. There in strong growth in the gross domestic product at constant market prices at 9.7 percent. India Economy is coming through with resilience and strength.

While some clouds linger such as public debt. India's external debt stood at US $265.8 billion at the end of September 2010, recording an increase of US $33.5 billion (12.8 percent) over the level of end-March 2010. The rise in debt was largely due to higher commercial borrowings, short-teem trade credit and multilateral government borrowings. The valuation effect contributed to increase of US $6.3 billion in the total increase. The maturity profile of India's external debt indicate the dominance of long term borrowings with long term debt accounting for 77.7 percent of the total external debt at the end of September 2010.

Public debt is a method by which government obtains money. Public debts are incurred thought public loans. A loan may be either voluntary or compulsory. A government may raise loans either internally or externally. External loans are voluntary in nature. Public loans may be for short, medium or long period. Short-term loans are also known as floating debt. Long term loans are also called funded debt.

Prof J.K.Mehta "public debt is a comparatively modern phenomenon and has come into existence with the development of the democratic form of government in the world"

Instruments of public debt in India:-

The government of India borrow heavily both internally and externally.

Internal borrowing of the government are chiefly meant to meet budgetary deficit. External borrowing are mean to meet budgetary deficit and also to means to meet deficit in the balance of payment

The main source of internal borrowings are: Individuals, commercial banks, financial institutions and the Reserve Bank of India. Another important instrument of government borrowing is the Statutory Liquidity Ratio (SLR). Under this system, commercial banks and other financial institutions are required to invest prescribed proportions of their assets liabilities in government securities.

The major source of External borrowings are the international agencies: International Monetary Fund IMF) and the World Bank Foreign governments and Foreign private sources. Short term borrowings from aboard are mainly used to meet balance of payment requirements. Long-term foreign borrowing are needed to finance development projects under the five year plans.

Public debt include source of financing, fixed interest nature of debt, and long residual maturity. Of the overall central Government debt, about 92 percent in internal debt and 8 percent is external debt.

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Internal debt largely consists of market loans in the form of dated securities which are contracted through auction. Most of the dated securities(97 percent) are fixed coupon and only the balance 3 percent are floating rate bonds. The weighted average maturity of these dated securities is about 10 years while the weighted average interest rate is about 7.8 percent per annum.ss

Causes of Public debt:-

In the short period the balancing of inflows and outflows of capital is not possible but in the long run the government budget tends to be in balance so, to meet temporary deficit the government raises debts.

The government borrows to meeting the need of enormous expenditure required for abnormal situations like was, floods or earth quakes and other natural calamities.

The Budgetary policy is used as an important and potent tool for accelerating the process of capital formation and economic growth.

The government borrow and invest funds in various development projects

In recent times, the phenomenal use in the functions of the government such as, wars and defence expenditure, maintenance of executive, legislature and judiciary has be come very expensive taxes alone cannot enable a government to fulfill its obligation and there fore in all countries the governments have to incur debt. During the past three years, the Indian economy has been severely buffeted by, but has successfully with stood, two shocks in rapid succession: collapse in world growth, finances, and trade with the on set of the global financial crisis in 2007-09 whose ripple effects continued into 2009-10 and persisted in 2010-11 (with fiscal stressed in Europe). Domestically, following a year of negative growth in agriculture and allied sectors in 2008-09, erratic monsoons resulted in a severer drought in 2009-10 and unseasonal late rains affecting the winter season crop in 2010-11.

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Outstanding liabilities of the central government (percent of GDP)

year	Public debt of which (I)	Internal debt	External debt	HOther Liabilities of which	Reserve Funds and deposits	Total Liabilities (I+II)
1999-00	39.58	36.59	2.99	12.72	2.43	52.31
2000-01	41.37	38.23	3.14	14.22	2.78	55.58
2001-02	43.20	40.06	3.14	16.75	3.21	59.96
2002-03	44.01	41.58	2.43	19.51	3.26	63.52
2003-04	43.12	41.45	1.67	19.92	3.35	63.05
2004-05	42.45	40.57	1.43	20.88	2.95	63.33
2005-06	41.45	38.82	2.63	21.68	3.06	63.13
2006-07	39.79	37.27	2.48	21.49	3.17	61.23
2007-08	40.66	38.29	2.37	19.41	2.69	60.07
2008-09	40.14	37.85	2.29	18.79	2.31	58.93
2009-10	48.60	40.24	2.35	17.09	20.11	59.68

Source :

Basic data from central budget documents.

http://fincomindia.nic.in\TFC\chapter.4.pdf.

The outstanding liabilities of the central government often reaching 63.33% of GDP in 2004-05 started declining consistently. This is because an economy can maintain a stable debt-GDP ratio and in cue a primary deficit as long as the average nominal interest rate on debt is lower than the nominal GDP growth rate. The decline occurred even though a new component had been added to internal debt in 2004-05which is not reflected in the fiscal deficit. The government of India introduced the market stabilization

The outstanding liabilities of the central government often reaching 63.33% of GDP in 2004-05 started declining consistently. This is because an economy can maintain a stable debt-GDP ratio and in cue a primary deficit as long as the average nominal interest rate on debt is lower than the nominal GDP growth rate. The decline occurred even though a new component had been added to internal debt in 2004-05which is not reflected in the fiscal deficit. The government of India introduced the market stabilization scheme in consultation with Market Stabilization Scheme(MSS) in consultation with the RBI in April 2004 under the scheme, the government of India raises money through the issue of dated securities the treasury bills to absorb excess liquidity in the market on a/c of foreign inflows. The amount so raised was to be kept in a separate account with the RBI and was not meant to meet the expenditure needs of the govt. Despite a sharp increase in the fiscal deficit in the years 2008-09 and 2009-10, a marginal decline in the ratio of out standing debt to GDP is projected even in these two years.

Recommendations on Public debt:-

In India the fiscal rules also include a debt reduction target. The FRBM Rules 2004 contain an incremental assumption rule for public debt which states that "the central government shall not assume additional liabilities (including external debt at current exchange rate) in excess of 9% of GDP for the financial year 2004-05 and subsequent financial year, the limit of a percent of GCP was progressively reduced by at last one percentage point o GDP

The 13th Finance commission recommended limiting the combined debt of the centre and status to 68 percent of the GDP by 2014-15. The Budget for 2010-11 announced the intent of bringing out a status paper giving detailed analysis of the situation and a roadmap for curtailing overall public debt within six months. A status paper was presented to the parliament on November 2010. The paper made a detailed analysis of the situation and chalked out a roadmap for reduction in overall debt percentage of the GDP for the general government during the period 2010-11 to 2014-15.

The centre's debt was projected to come down to 43 percent of the GDP in 2014-15 when the fiscal deficit would be limited to 3.0 percent of the GDP with combined debt of the state governments estimate decline from 2408 percent of the GDP in 2009-10 to 23.1 percent in 2014-15, consolidated general Government debt was estimated to come down from 73% of the GDP in 2009-10 to 64.9 percent in 2014-15.

The finance commission which had estimated debt to GDP ratios and a roadmap for its reduction, the CSO revised the nominal GDP significantly and as per the revised data the reduction in the level of debt as proportion of the GDP could be made even with higher that recommended fiscal deficits. As such, higher than ThFC recommended target was preferred whereby the fiscal deficit of the centre would be reduced to 3 percent in 2009-10 to 43 percent in 2014-15.

In the roadmap suggested for debt reduction during the period 2010-11 to 2014-15, the Government's commitment towards fiscal consolidation has been reiterated. With the reduction in fiscal deficit for 2010-11, the trend witnessed in the last two years of increasing debt has been arrested. The Government has undertaken concerted efforts to reduce the fiscal deficit gradually so as to bring down the debt as a proport5iojon of the GDP to the pre-crisis level of 68.7 percent by 2013-14 and further improve to about 65 percent of the GDP in 2014.15.

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Conclusion:-

The Report of the 13th finance commission said that fiscal deficit should drop to 42% in 2012-13 and to 3% in 2013-14. The government has accepted all major suggestions of the 13th finance commission. The centre must cap its total debt at 68% of the GDP by the end of the financial year 2014-15.

India Economy is coming through with resilience and strength. While some clouds linger such as public debt. India's external debt stood at US $265.8 billion at the end of September 2010, recording an increase of US $33.5 billion (12.8 percent) over the level of end-March 2010.

The rise in debt was largely due to higher commercial borrowings, short-teem trade credit and multilateral government borrowings. The valuation effect contributed to increase of US $6.3 billion in the total increase. The maturity profile of India's external debt indicate the dominance of long term borrowings with long term debt accounting for 77.7 percent of the total external debt at the end of September 2010.

Referrence:

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2. Oxford university press PP 16-17, p.58

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13th FINANCE COMMISSION

Introduction

As per the Article-280 of the Indian constitution, the president of india constitutes a Finance commission with a chairman and four other members. The main objective of the commission is to recommend the allocation of grants between states. After the passage of the 73rd and 74th constitution Amendment Acts, the terms of reference of the Finance Commission also includes to recommend measures needed to argument consolidated fund of the state to supplement. The resources of panchayats and municipalities.

The 13th Finance Commission Was Constituted in 2008 With the following members

1. Vijay L.kelkar - Chairman
2. B.K. Chaturvedi - Member
3. Indira Rangarajan - Member
4. Atul Sharma - Member
5. Sanjay Mishra - Member
6. Sumit Bose - Secretary

I. Sharing of Union Taxes

The Commission has recommended that for its award period, the share of states in the net proceeds of Union taxes may be fixed at 32%. The Commission has also recommended on the inter-se distribution of the states' share amongst the states. The details of he formula for inter-se distribution and the corresponding share of each state recommended by the Commission are indicated in Chapter 8 of the Report. It has also recommended that the total transfers to the states on the revenue account be subjected to an indicative ceiling of 39.5% of the gross tax revenues of the Centre.

II. Grants –in-Aid of Revenues of States under Article 275 of the Constitution

The Commisssion has recommended grants-in-aid of revenues of states for non plan revenue deficit, elememtary education, environment related issues, improving outcomes,maintenance of roads and bridges, local bodies, disaster relief, GST implementation and state specific grants under Article 275 of the constitution.

III. Non Plan Revenue Deficit Grant

The Commission has assessed the revenues and expenditure of the states for the period 2010-15 and has projected the deficit for each state after taking into account the amount of share in Central taxes for that states. The Commission has recommended a grant of Rs.51800 crore to meet this deficit for eight states. The amount of grant recommended for each state year- Wise is indicated in Chapter 12 of the Report. The Commission has also recommended a performance incentive grant of Rs.1500 crore for three special category states of Assam, Sikkim and Uttarakhand that have graduated out of Non Plan Revenue Deficit. The details of this grant are indicated in Chapter 12 of the Report.

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IV. Grant for Elementary Education

The Commission has assessed the requirement of providing elementary education for each state based on the Sarva Shiksha Abhiyan norms and recommended to provide a grant of Rs.24068 crore equivalents to 15% of the assessed requirement. The year- Wise allocation for each State and the conditionality for release of this grant are given in Chapter 12 of the Report

V. Environment Related Grants

The Commission has recommended three grants under this category of Rs.5000 crore each aggregating to Rs.15000 crore. The first grant of each of these Rs.5000 crore grants is forest grants is forest grant, the second is for promotion for renewable energy and the third is for water sector. The year-wise allocation for each State and the conditionlities for forest and water sector grants are indicated in Chapter 12 of the Report. The eligibility of each state for the grant for renewable energy is to be decided, as indicated in Chapter 12 of the Report, based on the achievement of each state on this front in the first four years of the award period.

VI. Grants for Improving Outcomes

The Commission has recommended six grants under this category aggregating to Rs.14446 crore over the award period. An incentive grant for reduction in infant mortality of Rs.5000 crore is to be released to states starting 2012-13 depending on the reduction in Infant Mortality Rate (IMR) achived by the states with reference to the baseline level of 2009-10 figures. Grant of Rs.5000 crore for improved delivery of justice has been recommended for Lok Adalats and Legal Aid, Alternate Dispute Resolutio Centres ,Heritage Court Buildings,State Judicial Academy and training of judicial officers and public prosecutors. The grant for Unique Identification (UID) programme amounting to Rs. 2989.10 crore is to be released based on the number of people covered under the UID database. Two grants of Rs.616 crore each have been recommended for District Innovation Funds and improving statistical systems at district and state levels, Finally, a grant of Rs.225 crore has been recommended for setting up database of employees and pensioners.

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VII. Grants for maintenance of Roads and Bridges

The Commission has assessed the requirement of ordinary repairs of roads in a state and has recommended grant of Rs.19930 crore equivalents to 90% of the assessed requirement for PMGSY roads and 50% of the assessed requirement for other roads, for four years of the award period starting 2011-12. The allocation for each year for state and the conditionality for this grant are indicated in Chapter 12 of the Report.

VIII. State Specific grants

The Commission has recommended grants aggregating to Rs.27945 crore for various state specific needs of the states. The details of this grant for each state are indicated in Chapter 12 of the report.

IX. For monitoring and implementation of all the above grants at the state level, the Commission has recommended setting up a monitoring committee under the chairmanship of the Chief Secretary of the state. In addition to the grants mentioned above, the Commission has recommended grants for GST implementation, local bodies and disaster relief which, along with the other recommendations relating to these areas, are explained below.

X. The Commission has recommended a model GST structure that includes features such as single rate,zero rating of exports, inclusion of various indirect taxes at the Central and state level in GST *ambit, major rationalization of the exemption structure,etc. The Commission has recommended a grant of* Rs.50000 crore for implementation of GST As per recommended model. This grant is to be disburses

initially in the form of compensation for loss due to implementation of GST and residual amount to be distributed amongst states in the terminal year of the award period as per the devolution formula. It has also recommended administrative structure for implementation and monitoring of this grant.

The Government has accepted these recommendations in principle. However, in view of the ongoing discussions between Centre and states on this aspect, implementation of these recommendations along with modalities may await the outcome of the discussions.

Conclusion

Orders on the recommendations under Articles 270 and 275(1) of the Constitution relating to share in Union taxes and duties and grants-in-aid, respectively, will be issued after obtaining the approval of the president. The recommendations relating to reprganisation of Funds for disaster relief, debt relief to states and borrowing ceilings will be implemented by executive orders. Other recommendations of the Commission will be acted upon in due course.

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NEW INDIRECT TAX REGIME – GST: PROSPECTS & ISSUES

Introduction:

In 1954, GST was introduced for the first time in France. Today this tax has spread across 140 countries. GST was proposed to implement on April 2010 but due to some arguments between state and central government with regards to revenue loss and compensation to the state government, the implementation is postponed to April 2012, but this time central government is keen to implement GST. Honorable Finance Minister Pranab Mukarji ensured the compensation to state due to revenue reduction on implementing GST.

What is GST?

One of the biggest taxation reforms in India. Goods and Services TAX is a comprehensive tax levy on manufacture sale and consumption of goods and services at a national level. Through a tax credit mechanism, this tax is collected on value added goods and services at each stage of sale or purchase in the supply chain.

The system allows the set-off of GST paid on the procurement of goods and services against the GST which is payable on the supply of goods or services. However, the end consumer bears this tax as he is the last person in the supply chain.

Experts say that GST is likely to improve tax collections and boost India's economic development by breaking tax barrier between states and integrating India through a uniform tax rate.

There are two types of GST

1. Unified or single GST and
2. Dual GST

In India, dual GST is expected to be proposed where in centre and state will be levying on the transaction of the value of goods or service. In India, due to federal structure, there is a proposal to introduce dual GST system

Under dual GST, it is levied by both the Central Goods and Service Tax (CGST) and State Goods and Service Tax (SGST) will be levied on the taxable value of the transaction.

Objectives:

1. To integrate state economies and boost overall growth
2. To create a single, unified Indian market to make the economy stronger.

Implication of GST:

GST will have a far reaching impact on virtually all aspects of business operating in the country, for instance, pricing of products and services; supply chain optimization; IT, accounting and tax compliance systems.

GST would replace most indirect taxes currently in place. The tax base is anticipated to be comprehensive, including virtually all goods and services, with minimum exemptions.

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The GST would replace a number of indirect taxes now being levied by the Central and State governments and is intended to remove cascading of taxes and provide a common national market for goods and services.

The introduction of goods and services tax will create an effect for abolition of taxes such as octroi, central sales tax, state level sales tax, entry tax, stamp duty, telecom license fees, turnover tax, tax on consumption or sale of electricity, taxes on transportation of goods and services, and get rid of the cascading effects of multiple layers of taxation.

Once the GST is implemented, all other state and central level taxes, including VAT, excise duty, service tax and luxury tax would be abolished. Customs duty will be leived out of GST and is likely to be replaced by VAT on imports. Currently, the various Indian States levy VAT at a 4% or 12.5 % rate depending on the type of goods, with excise duty usually levied at 8% for more commodities, services are taxed at 10.3%.

The new GST system will make the payment and collection of taxes easier and reduce manufacturing costs. Petroleum products and liquor are however likely to remain outside the GST structure. The net effect is that dealers charge GST but don't keep it, and pay GST but get a credit for it. This means that they act essentially as collecting agents for the Government.

The ultimate burden of the tax falls on the last and final consumer of the goods and services, as this person gets no credit for the GST paid by him to his sellers or service providers.

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Rate of GST:

The rate is expected to be in the range of 14 to 16%. Once the total GST is determined, the central and states have to agree on central GST and state GST rates. There will be different rates for Goods and for Services. There will be single rate of GST services and however for goods there would be few rates as under.

- Revenue Neutral rates
- Merit rates
- Special rates for gold, silver, precious metals around 1%
- Zero rate for goods of social importance.

The tax will be collected in three tiers rates:

- Goods at lower rate.
- Goods of standard rate
- Services.

During the first and second year GST on goods will charged in two rates ie goods at lower rate for necessary items and goods of basic importance, goods at standard rate for goods in general. Rates of GST on service will remain same from the beginning.

Year	Categories	Central GST	State GST	Total Tax Liability
2011 April	Goods at lower rate	6	6	12
	Goods at standard rate	10	10	20
	Services	8	8	16
2012 April	Goods at lower rate	6	6	12
	Goods at standard rate	9	9	18
	Services	8	8	16

And from third year ie April 2013, if everything is going according to planning, and there is not much burden of compensation (to state govt) on central government the tax rate will be reduced and there will be only two rates for goods and services.

1. Goods at standard rate 2. Services

Year	Categories	Central GST	State GST	Total Taxability
2013	Goods at standard rate	8	8	16
	Services	8	8	16

In GST taxable events are supply of goods and supply of services, any economic events which is not supply of goods is considered as supply of services, a service provider or trader has to collect tax in two element called CGST (For Central Government) SGST (For State Government and paid separately).

Threshold limit for GST:

The exemption limit of GST has been proposed to 10 lakh both for service and goods. So any business with a turnover below 10 lakh will be exempted from levying GST. Current threshold for excise duty is 1.5 crore, so more manufacturers liable for GST this will help to compensate State government lose to an extent.

Functioning of GST:

Generally, the dealers registered under GST (Manufacturers, wholesalers and retailers and service providers) charge GST on the price of goods and services from their customers and claim credits for the GST included in the price of their own purchases of goods and services used by them. While GST is paid at each step in the supply chain of goods and services, the paying dealers don't actually bear the burden of the tax because GST is an indirect tax and ultimate burden of the GST has to be taken by the last customer.

This is because they include GST in the price of the goods and services they sell and can claim credits for the most GST included in the price of goods and services they buy. The cost of GST is borne by the final consumer, who cannot claim GST credits, ie input credit of the tax paid.

Conclusion:

Goods and Service Tax is easily the biggest taxation reform in the country along with the proposed Direct Tax Code. In terms of macro economic reforms too, it will be at tops with the various reforms taken since 1990's. It will also serve as a useful case study for other economies which are contemplating to implement GST. The sheer scale of GST project to bring all indirect taxes in India under one fold is a major achievement and needs to be commended. The proposed GST is not the desired and true form of GST. But a single indirect tax cannot be done as India's Federal structure has to be preserved.

GST is also expected to bring many benefits to the Indian Economy. Though, all these benefits are based on the assumption that overall taxation structure is less bureaucratic and cumbersome than present. The implementation is going to be crucial so that the promised benefits are realized.

The Government also needs to be weary of inflation spurts in initial implementation phase of GST. Ideally, one should be first easing all these state-wide in-efficiencies and then implement GST. However given the challenges in India, the policymakers are hoping GST will help ease these inefficiencies and eliminate them over a period of time.

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CENTRE STATE FINANCIAL RELATIONS REFORMS IN 1991

INTRODUCTION

The Government of Indian Act 1935 was an important land mark in the History of India which to a large extant fulfilled the deciders of the people of a federation, through states were outside if came into effect from April 1937 . It opened a new chapter in the central provincial financial relations; the Act is the largest in the History of British parliament, Contained 321 sections and 10 schedules. The seventh schedule of the Act contained three list. Federal Legislative, Provincial Legislative ,Concurrent List.

Federal Legislative

The centre has exclusive powers to legislative on matters contained in List I (Union List) such as defence, foreign affairs, citizenship, railways, post and telegraph, broadcasting, airways banking coinage and currency. Entries 82 to 92B this list pertains to taxation power.

Provincial Legislative

The states enjoy the power to legislative on matters mentioned in list II (State List) such as a public order, police, public health, local government agriculture and fisheries. Entries 45 to 63 of this list relate to taxation powers of the states.

Concurrent list

The parliament and the state Legislatures have concurrent powers to make laws on any matters in List III (Concurrent List). The framers of the Constitution recognized that there was a category of subjects of common interest which could not be allocated exclusively either to the union or the states. Some of the items inculcated in the Concurrent List are: marriage and divorce, legal, medical, and others professions. This list does not contain any head of taxation. Entry 97 to list I.

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Objectives of Centre states Financial Relations

- The maximization of the growth rate of the country as a whole by so arranging the financial relationship in such a way that each unit could exploit the growth potential to that maximum possible extant.
- Affording to each state proper and adequate opportunities for attaining a level of development which would not fall too far below the general national level
- Making each unit self supporting to the extent possible so that it could discharge its responsibilities in its demarcated sphere of authority and jurisdiction without heavily learning on federal (Centre) bounty, and generosity.
- Bringing , to the extent possible , the comparatively back-ward states to average level so that the disparity amongst the states in the matter of development and social progress could be minimized, and
- To maintain national integrity and regional interest and state autonomy in a balanced manner.

Dr.J.Vasantha Arockiaselvi, Assistant Professor, & **M.Porkodi,** M.Phil, Research Scholar, Department of Economics, St.Joseph's College, Tiruchirappalli.

A Federal Polity

The Constitution of India adopted on November 26, 1949, became operative on January 26, 1950. It provides for two layers of Government, one at the Central level, and the other at the level of the states. A federal polity of this kind requires division of powers and responsibilities between the centre and the state and generally brings in its wake problems and conflicts in centre state relations. The Constitution describes in detail the legislative powers and functions of the two tiers of Government. Under Article 246 read with Seventh schedule of the Constitution, these powers have been defined through precise entries in the three lists in the schedule.

Rationale for Constitutional Arrangements

Constitutional division of taxation powers between the union and the states rests on economic and administrative considerations. Taxes with an inter-state base, and those in the case of which uniformity in rates is desirable, are vested in the central government. Also, taxes which the taxpayer can evade by shifting his habitat, or where the place of residence is not correct guide to the true incidence of the tax, belong to the centre. Taxes which are location- specific and relate to subjects of local consumption are with the states. The distribution of taxation powers between the centre and the states is meant to minimize tax problems in a federal set up such as double taxation, tax rivalry among states, duplicate tax administration, and tax evasion.

Sharing of Central Taxes

The taxation powers allocated to the Union and the states are mutually exclusive, all the taxes and duties levied by the Union are not meant entirely for the purpose of the Union. Revenues from certain taxes and duties liveable by the Union are totally assigned to or shared with the states to supplement their revenues in accordance with their needs. It is a tribute to the foresight of the founding fathers that they realized that the sources of revenue allocated to the states may not prove sufficient in view of their growing welfare, maintenance, and developmental activities. Hence specific provisions were made to set apart a proton of central revenues for the benefit to states. These provisions indicate the flexibility of Indian's Constitution in terms of distribution of financial resources between different layers of the Government.

Mechanism of Central Transfers to the states

Though the Constitution creates a dual polity based on divided governmental powers and functions. This division is not watertight. As the Administrative Reforms commissions 1968, observed, "Exact correspondence of resources and functions is not possible to secure in any federal situation but in India the balance is tilted relationship between the centre and the states consequently is that the former is always the giver and the latter the receivers. The favourable position given to the centre in regard to financial resources reflects the strong-centre theme running through the constitution and many feel that this has been an important factor in keeping the country united".

The financial resources of the state may prove inadequate for undertaking welfare , maintenance, and development activities, the framers of India's Constitution did make elaborate, albeit compels, arrangements relating to flow of funds from the centre on the states.The disequilibrium between proliferating functional responsibilities of the states and own resources is corrected by central transfers effected through three main channels .

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- Statutory transfers through the Finance Commission.
- Plan transfers through the Planning Commission.
- Discretionary transfer for centrally the planning sponsored schemes, relief from natural calamities, and relief and rehabilitations of displaced persons.

Apart from these direct transfers, resources also flow to the states indirectly through (a) establishment/ expansion of central public sector enterprises, (b), subsidized lending by banking and financial institutions and (c) subsidized borrowing by the states from the central Government and the banking system. These may be called invisible transfers

Conclusion

Indian federalism witnessed changes in both political and fiscal spheres. In the political sphere , the reorganization of states on linguistic basics , further bifurcation of states on the basis of other cultural identities, provision of constitutional basis for local governments, and constrains on the use of Article 356 by the Union level has almost become inevitable, so also many states. These political developments in the Indian federalism are not reflected in the rearrangement of fiscal powers between the Union and state governments. Rather we have seen a continuous process of centralization of state fiscal powers in India. Unless this process is reversed, there will be further developments in the political arena, ultimately leading to secession and formation of confederation of states in India.

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COMPONENT – WISE ANALYSIS OF THE 13TH FINANCE COMMISSION'S REPORT.

Introduction:

Economic development of India over the Last six decades is unique in several ways. After achieving independence in 1947, The Founding fathers adopted the middle course of a mixed economy, assigning a pivotal role to public sector and economic planning. The Planning commission was set up in March 1950 by a resolution of the Government of India which defined the scope of its work. Broadly speaking it makes an assessment of the material capital and human resources of the country.

The Functionsof the Planning commission:

It was constituted in March 1950 by an executive order of the Government of India. The broad Functions of the planning commission are:

- Assessment of material capital and human resources
- Formulation of a plan for their most effective and balanced utilization.
- Determination of priorities and allocation of resources for completing each stage of the plan.
- Determination of machinery for securing successful implementation of the plan.
- Appraised of progress and measures during the execution of the plan.
- Making of interim and ancillary recommendations on current development policies.

The 13th Finance commission's Report:

Finance minister of India Mr. Pranab kumar mukherjee

(1982-1985, Feb 2009 – May 2009, May 2009 – Continuing)

The Thirteenth Finance commission was constituted by the president on Nov 13- 2007 to give recommendations on specified aspects of centre state Fiscal relations during 2010-15. The commission submitted its report to the president on Dec 30-2009 covering all aspects of its mandate. The report of the commission covering the five year period commencing from Apr 1 -2010, together with this explanatory memorandum on the action taken on the recommendations of the commission is being laid on the table of the house in pursuance of article 281 of the constitution. Summary of the main recommendations of the commission relating to the sharing of net proceeds of Union taxes between centre and states, grants-in-aid of revenue of states under Article 275, Goods and services tax, financing of relief expenditure and roadmap for fiscal consolidation are contained in the report of the commission

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Dr.K.Arockiadoss, Associate Professer & **U.Sivagami,** M.Phil., Research Scholar, Department of Economics, St.Joseph's College (Autonomous) Trichirappalli.

Main Recommendation of the Commission:

Sharing of Union Taxes:

The commission has recommended that for its award period, the share of states in the net proceeds of union taxes may be fixed at 32% the commission has also recommended on the inter-se distribution of the states' share amongst the states. It has also recommended that the total transfers to the states on the revenue account be subjected to an indicative ceiling of 39.5% of the gross tax revenues of the centre. The Governments has accepted the above recommendations of the commission.

Grants- in-Aid of Revenues of states under Article 275 of the constitution:

The commission has recommended grants-in-aid of revenues of states for non plan revenue deficit, elementary education, environment related issues, improving outcomes, maintenance of roads and bridges, local bodies, disaster relief, GST implementation and state specific grants under Article 275 of the constitution.

Non Plan Revenue Deficit Grant:

The commission has assessed the revenues and expenditure of the states for the period 2010-15 and has projected the deficit for each state after taking into account the amount of share in central taxes for that state. The commission has recommended a grant of Rs.51800 crore to meet this deficit for eight states the commission has also recommended a performance incentive grant of Rs.1500 crore three special category states of Assam, Sikkim and Uttarakh and that have graduated out of non plan revenue deficit.

Grant for Elementary Education:

The commission has assessed the requirement of providing elementary education for each state based on the Sarva Shiksha Abhiyan norms and recommended to provide grant of Rs.24068 crore equivalents to 15% of the assessed requirement. The Government has accepted this recommendation.

Environment Related Grants:

The commission has recommended three grants under this category of Rs.5000 crore each aggregating to Rs.15000 crore. The first grant of each of these Rs.5000 crore grants is forest grant, the second is for promotion for renewable energy and the third is for water sector. The Government has accepted these recommendations.

Grants for Improving Outcomes:

The commission has recommended six grants under this category aggregating to Rs.14446 crore over the award period. An incentive grant for reduction in infant mortality of Rs.5000 crore is to be released to states starting 2012-13 depending on the reduction in infant mortality Rate (IMR) achieved by the states with reference to the baseline level of 2009-10 figures. Grant of Rs.5000 crore for improved delivery of justice has been recommended for lok Adalats and legal Aid, Alternate dispute Resolution Centers, Heritage court Buildings, State Judicial Academy and training of Judicial officers and public prosecutors. The grant for Unique Identification Programmed amounting to Rs.2989-10 crore is to be released based on the number of people covered under the UID database. Two grants of Rs.616 crore each have been recommended for District Innovation funds and improving statistical systems at district and state levels. Finally, a grant of Rs.225 crore has been recommended for setting up database of employees and pensioners.

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Grants for Maintenance of Roads and Bridges:

The commission has assessed the requirement of ordinary repairs of roads in a state and has recommended grant of Rs.19930 crore equivalent to 90% of the assessed requirement for PMGSY roads and 50% of the assessed requirement for other roads, for four years of the award period starting 2011-12.

State Specific Grants:

The commission has recommended grants aggregating to Rs.27945 crore for various state Specific needs of the states. For monitoring and implementation of all the above grants at the state level, the commission has recommended setting up a monitoring committee under the chairmanship as the chief secretary of the state.

Goods and Services Tax:

The commission has recommended a model GST Structure that includes features such as single rate, zero rating of exports, inclusion of various indirect taxes at the central and state level in GST ambit, major rationlisation of the exemption structure, etc. The commission has recommended a grant of Rs.50000 crore for implementation of GST as per the recommended model. This grant is to be disbursed initially in the form of compensation for loss due to implementation of GST and residual amount to be distributed amongst states in the terminal year of the award period as per the devolution formula. It has also recommended administrative structure for implementation and monitoring of this grant.

Local Bodies:

The commission has recommended a basic grant and a performance grant for local bodies. Both these grants in any year have been quantified based on a percentage of the divisible pool of the preceding year. For every year of the award period , the commission has recommended a basic grant amounting to 1.5% of the size of divisible pod in the preceding year. Similarly, for 2011-12 the commission has recommended a performance grant of 0.5% of the divisible pod of the preceding year and for subsequent years in the award period,1% of the divisible pool of the preceding year. It has also recommended a separate special area basic grant of Rs.20 per capital, carved out of the total basic grant, for these areas, it has recommended a special area performance grant of Rs.10 per capital for 2011-12 and Rs.20 per capital for subsequent years of the award period. As per the revenue projections of the commission, total grant recommended for the local bodies aggregates to Rs.87519 crore over the award period.The commission has also recommended distribution of the grants between urban and the inter-se distribution between states.

Disaster Relief:

The commission has reviewed the existing arrangement of financing relief expenditure in light of the Disaster management Act, 2005 and has recommended merger of the National calamity contingency Fund into National Disaster Response fund and merger of calamity Relief Funds into state Disaster Response Fund with effect from o1.04.2010 and Transfer of the balances in the existing funds into the new funds.

The commission has assessed the relief expenditure requirements of all states and recommended that 75% of the SDRF requirement for general category states and 90% for special category states be met by the centre through a grant to the states. It has also recommended a grant of Rs.525 crore for capacity building overall, to meet the central share of SDRE and for capacity building, the commission has

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recommended a grant of Rs.26373 crore. It has mandated all states to follow the required accounting practices to properly account for relief expenditure.

Fiscal Roadmap:

The commission has assesses the finances of the Union and States and Specified a combined dept target of 68% of Gross Domestic product to be met by 2014-15. It has worked out a roadmap for Fiscal Deficit and Revenue Deficit for the award period for centre, it has recommended RD to be eliminated and FD to be brought down to 3% of GDP by 2013-14 for states, the commission has worked out fiscal roadmap for each state depending on its current deficit and debt levels. The states are required to eliminate Rd and achieve FD of 3% of their respective Gross State Domestic product during the commission's award period in states, in a manner that all the states would eliminate RD and achieve FD of 3% of GSDP latest by 2014-15. The commission has also recommended that the borrowing limits of the states should be fixed by the centre in line with these targets.

Debt relief to states:

The commission has recommended two debt relief measures to be extended to all states. Firstly, it has recommended that the interest rates on loans from National small savings fund to states contracted till the end of 2006-07 and outstanding as the end of 2009-10 be reset at interest rate of9% the implication of this relief during the award period is estimated by the commission to be Rs.13517 crore the financial implication over the entire period till the maturity of the last loan covered in this relief measure is estimated to be Rs.28360 crore. The Commission has also recommended that structural reforms should be brought in the NSSF to make it more market linked.

The second debt relief recommended by the Commission is write-off of Central loans to States that are administered by central ministries other than Ministry of Finance outstanding as at the end of 2009-10. The amount of loans outstanding as at the end of 2007-08 was Rs.4506 crore as noted by the Commission. The Commission has also recommended that any further loans under Centrally Sponsored Schemes should be completely avoided. The Commission ha also recommended extension of the debt consolidation facility recommended by the Twelfth Finance Commission to States that have not yet availed this benefit. All the above mentioned debt relief is available to States only if they amend/legislate FRBM Acts in accordance with the recommendations of the Commission. The Commission has also recommended that the States will be eligible for the state specific grants only if they comply with this condition.

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GOODS AND SERVICES TAX- FEASIBILITY IN INDIA

INTRODUCTION

GST (Goods and Services Tax), refers to the tax reform which aims to bring in efficiency and harmonise the consumption tax. This would mark the end of the parallel system of consumption taxation by the central and state governments. Goods and Services Tax (GST) in India has been proposed to be implemented from April, 2011. Though initially it was proposed to be implemented from this year itself, there was a protest from a number of states on the grounds on unresolved issues and request from states like Orissa, Madhya Pradesh, Rajasthan and Tamil Nadu to defer the same. The main reason as understood by market players are that there is a state-central tussle over the share of the revenue and the loss of the control over the tax rate by the state governments.

WHAT IS GST?

Goods and Services Tax is a tax on goods and services, which will be levied at each point of sale or provision of service, in which at the time of sale of goods or providing the services the seller or service provider can claim the input credit of tax which he has paid while purchasing the goods or procuring the service.

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DUAL GST

Dual GST means, the proposed model will have two component called

1. CGST – Central goods and service tax levied by central Govt.
2. SGST – State goods and service tax levied by state Govt.

India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation. Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to mobilize resources. A dual GST will, therefore, be in keeping with the Constitutional requirement of fiscal federalism.

GST RATES

The tax will be collected in three tiers rates.

1. Goods at lower rate
2. Goods at standard rate
3. Services.

P.Deepa, Assistant Professor, Department of RIM, Arulmigu Palaniandavar Arts College for Women, Palani.

Year	Categories	Central GST	State GST	Total Tax Liability
2011 April	Goods at lower rate	6	6	12
	Goods at standard rate	10	10	20
	Services	8	8	16

INDIRECT TAXES SUBSUMED UNDER GST

The following indirect taxes from state and central level is going to integrated with GST

Central Taxes

1.Central Excise Duty.
2.Additional Excise Duty.
3.The Excise Duty levied under the medical and Toiletries Preparation Act
4.Service Tax.
5.Additional Customs Duty, commonly known as countervailing Duty (CVD)
6.Special Additional duty of custums-4% (SAD)
7.Surcharges
8.Cessess

State Taxes

1.VAT/Sales tax
2.Entertainment Tax (unless it is levied by local bodies)
3.Luxury tax
4.Taxes on lottery, betting and gambling.
5.State Cesses and surcharges in so far as they relate to supply of goods and services.
6.Entry tax not on in lieu of Octri.

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SYSTEMS OF GST

Internationally, there are three systems in vogue:

(a) Invoice System
(b) Payment System
(c) Hybrid System

(a) Invoice System:

In the invoice system, the GST (Input) is claimed on the basis of invoice and it is claimed when the invoice is received, it is immaterial whether payment is made or not. Further the GST (Output) is accounted for when invoice is raised. Here also the time of receipt of payment is immaterial.

One may treat it as mercantile system of accounting. In India the present system of sales tax on goods is an invoice system of VAT and here it is immaterial whether the taxpayer is following the cash basis of accounting or mercantile basis of accounting.

The advantage of invoice system is that the input credit can be claimed without making the payment. The disadvantage of the invoice system is that the GST has to be paid without receiving the payment.

(b) Payment System:

In the payment system of GST, the GST (Input) is claimed when the payment for purchases is made and the GST (Output) is accounted for when the payment is made. In this system, it is immaterial whether the assessee is maintaining the accounts on cash basis or not.

The advantage of cash invoice system is that the Tax (output) need not be deposited until the payment for the goods and/or services is received. The disadvantage of the payment system is that the GST (input) cannot be claimed without making the payment.

The Taxes on services in India are based on this payment system since service tax is payable on receipt basis and further Cenvat credit is only allowable when payment of the service is made.

In some countries, this system is also adopted for small traders to keep them away from the complexities of the Invoice system, which is purely a mercantile system.

(c) Hybrid System:

In hybrid system the GST (Input) is claimed on the basis of invoice and GST (Output) is accounted for on the basis of payment, if allowed by the law. In some countries the dealers have to put their option for this system or for a reversal of this system before adopting the same.

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ADVANTAGES OF IMPLICATION OF GST IN INDIA

- It will boost up economic unification of India; it will assist in better conformity and revenue resilience; it will evade the cascading effect in Indirect tax regime.
- · In GST system, both Central and state taxes will be collected at the point of sale. Both components (the Central and state GST) will be charged on the manufacturing cost.
- It will reduce the tax burden for consumers;
- It will result in a simple, transparent and easy tax structure; merging all levies on goods and services into one GST.
- It will bring uniformity in tax rates with only one or two tax rates across the supply chain;
- It will result in a good administration of tax structure;
- It may broaden the tax base;
- It will increase tax collections due to wide coverage of goods and services.
- It will result in cost competitiveness of goods and services in Global market.
- It will reduce transaction costs for taxpayers through simplified tax compliance.
- It will result in increased tax collections due to wider tax base and better conformity.

DISADVANTAGES OF IMPLEMENTATION OF GST

- Not using the correct accounting method.
- Incorrectly claiming GST credits on bank fees
- Incorrectly claiming GST credits on government charges —such as land tax, council rates, water rates.
- Incorrectly claiming a GST credit on the 'total cost' of a business insurance policy.
- Because there's a stamp duty component in the premium which is not subject to GST, a GST credit cannot be claimed on this portion of the payment.
- Not remitting GST on some government grants and incentives which are received inclusive of GST
- GST is not paid on the sale of cars and equipment including the trade of motor vehicles.
- Incorrectly claiming GST credits on wages and superannuation payments.
- Incorrectly claiming GST credits on GST-free purchases such as basic food items, exports and some health services.
- Claiming the entire GST credits on a car purchased for more than the luxury car limit.
- Sole traders and partnerships are not apportioning input tax credits and making adjustments to expenditure that's partly private and partly business use.

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CONCLUSION

The introduction of the GST method would definitely go a long way in improving and rationalizing the quality of the indirect tax regime as it incorporates all the desirable features of an efficient tax system. It is for the first time that the system of a continuous set of relief for taxes paid either on Inputs or in the previous stage of distributive trade has been proposed. The ultimate process of integration of taxes and equalization of rates is positive step which proves to be the hallmark in the proposed GST regime. Apparently, the proposed regime has given much emphasis to the system of refunds and also fails to provide any justifiable explanation for the reduction in the overall tax burden on the manufacturers / traders and more importantly the final consumers. It is felt that apart from the above issues the biggest of challenges for implementation of the GST model would come in the form of having a sound IT infrastructure to manage the impact as well as the transition towards the GST regime in a more effective and sound manner

NEW INDIRECT TAX REGIME—GST: PROSPECTS AND ISSUES
(13th Finance Commission Recommendations – An Evaluation)

Introduction

The Proposed Goods and Service tax (GST), a very important part of India's tax reforms is around us. After the successful introduction of VAT, GST — the next logical step – will be a further breakthrough. GST is a comprehensive value added tax on goods and services. It is levied and collected on value addition at each stage of sail or purchase of goods or supply of services based on input credit method but without state boundaries.

GST—Global Scenario

About 140 countries have adopted GST. Different models of GST exist, each having its own peculiarities. In many countries, standard GST rate ranges between 15-20 %. In India, VAT was introduced at the central level on selective basis in terms of MODVAT with effect from March 1, 1986, and slowly it was extended to all commodities in terms of CENVAT in 2002-03. Service tax was also added to CENVAT in 2004-05. Introduction of VAT in the state started from April 1, 2005. Now all the states and Union Territories have implemented VAT.

Finance Minister, Pranab Mukhherjee recently announced at a press conference that the proposed Goods and Service Tax (GST), which is expected to replace state-level value-added tax (VAT) and excise duty, as well as services tax on the Centre's front, will not be able to be implemented as scheduled on April 1, 2011.

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What is GST?

GST is a broad based and a single comprehensive tax levied on goods and services in an economy. GST is levied at every stage of the production –distribution chain with applicable set-offs in respect of the tax remitted at previous stages. It is basically a tax on final consumption. To put at a single place, GST may be defined as a tax on goods and services which is leviable at each point of sale or provision of service, in which at the time of sale of goods or providing the service the seller or service provider may claim the input credit of tax which he has paid while purchasing the goods or procuring the service. It is seen as panacea for removing the ill-effects of the current indirect tax regime prevalent in the country. If adopted and implemented, GST may neutralize the existing problem of taxes being levied on the top of taxes. For instance, when a shoe company produces a pair of shoes, the Central Government charges an excise duty on them as they leave the factory. At the retail level, the state where the outlet is located charges VAT without giving credit on the excise duty levied earlier. In the GST system, both central and state taxes may be collected at the point of sale. Both components (the Central and State GST) may be charged on the manufacturing cost of the goods manufactured and services provided. This system is basically designed to simplify current level indirect tax system. It integrates the union excise duties, customs duties, service tax and state VAT into a single levy known as GST. GST may be rightly termed as a national level VAT on goods and services with only one difference—in this system not only goods but also services are involved and the rate of tax on goods and services are generally the same.

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Widening the Tax Base

The GST at the Central and at the State level will thus give more relief to industry, trade, agriculture and consumers through a wide comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several taxes in the GST and phasing out of CST (Central Sales Tax). There may also be revenue gain for both Centre and the States, primarily through widening of tax base and possibility of a significant improvement in tax compliance.

GST THE NEED OF THE DAY

Any multiple tax structure can't construe a conducive environment for accelerated economic development. It is, accordingly, the demand of all the countries that the tax system should be structured in the following manner:

(1) To avoid multiple taxes and thus cascading effect on prices must go.
(2) To allow inter-State transactions taxable.
(3) Input tax credit must be allowed on all inputs including capital goods, services etc across the board.
(4) Multiplicity of tax laws must be minimized.
(5) The success of a tax system rests upon its efficiency, equity and simplicity.
(6) The compliance cost of the tax system should be minimum.
(7) It must be simple to administer.
(8) It should be wider in base and tax evasion must be difficult.
(9)There should be minimum number of tax rates and, instead of long schedules of tax rates, it must provide only negative list of goods and services being exempt or zero-rated.
(10)It must contain simpler provisions for registration, filing of returns, assessment procedures, maintaining of books of accounts, closing of business for small tax-payers.
(11)It may contain composition schemes for small tax-payers.
(12)These must abolish competition and a cold tax war between various states.

Conclusion

Even though VAT has been successful, tax revenues have increased and cascading effect of tax has been reduced, there are still short and short comings in the structure of VAT both at the Central and the State level. Several Central taxes such as additional custom duty, surcharges etc are not included in the overall framework of CENVAT, hence benefit of set-off is not available. Several taxes such as luxury tax, entertainment tax etc are not included in State level VAT scheme. CENVAT load on the goods remains included in the value of goods which is taxed under State VAT, thus cascading effect on account of CENVAT element.other words, NREGA implementation needs to take account of women's household responsibilities, particularly childcare, appropriate time of work when children are at school, location of work near the home.

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REFORMS FOR FISCAL CONSOLIDATION IN INDIA

Fiscal system refers to the mechanism through which financial resources for the government and its agencies are obtained and the scale and pattern of allocation of such resources is determined. In the Indian fiscal system, the budgetary resources and expenditures are determined through the annual budget of the central government and state governments. The government expenditure is divided into plan and non-plan expenditure. Non-plan expenditure covers defense expenditure interest payments and subsidies and grants to states. It can be divided in to revenue account and capital account. Plan expenditure could be again the split into revenue and capital components. The central government funds its expenditure mainly through taxes. Its non-tax revenue comes from interest received and surpluses of PSUs, financial institutions and other departmental under takings. Recoveries of loans from states and the government borrowing make up the capital receipts of the government. The total receipts and expenditure rarely match. The discrepancy between the two is the budget deficit. The government has to barrow to meet the short fall.

Fiscal policy is the instrument by which a government adjusts its level of spending in order to monitor and influence macroeconomic productivity levels by increasing or decreasing tax levels and public spending. This influence in turn curbs inflation increases employment and maintains a healthy value of money.

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Why fiscal consolidation

The following are the major reasons for fiscal consolidation, to promote growth and macroeconomic stability, to avoid pro-cyclical policy stance, to provide efficient standards of physical and social infrastructure, minimize the distortions to meet the challenges of globalization, to enable a common market unfettered by fiscal and regulatory impediments.

Fiscal consolidation measures

The followings are the fiscal consolidation measures taken by the government of India.

Tax Reforms: Direct Tax, Indirect Tax, the tax reforms was introduced by the chelliah committee in 1993, the main objectives are simplification of the tax system, rationalization of tax rate, fairness in tax system, improvement in tax administration. The reforms indirect taxes include moderation of tax rates widening of tax base, incentives for development in infrastructure. In the case of indirect taxes reduction in multiplicity of rates rationalization of the rate structure, drastic reduction in the scope of discretionary changes and uniform rate.

Expenditure Reforms, Wage and salaries, Interest payments, Subsidies, pension reforms, pension is one of the fastest growing items of expenditure. To overcome the problem government introduced contribution pension scheme for the new entrants and un organized sectors.

FRBM Act 2003, Tax reforms the government has introduced the GST, good and service tax, Direct Tax Code 2011 IT infrastructure, Network National Securities Depository Limited, NSDL has been selected as a Technology Partner for Direct Tax Front.

Dr.A.Xavier susairaj, Associate professor,
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Fiscal Responsibility and Budget Management Act 2003(FRBMA):

An important objective of the reoriented for that public expenditure must be reoriented for the creation of productive assets. The act provides an institutional frame work binding the government to pursue a prudent fiscal policy the main features of the act. The central government, to take appropriate measures to reduce fiscal deficit and revenue deficits. To ensure greater transparency in its fiscal operation. Central government shall not borrow from RBI except by way of advances to meet temporary excess of cash disbursements over cash receipts.

Goods and Service Tax GST

The central government has been introduced in the 2010-11 general budgets for the introduction of GST. It will offer tremendous benefits. It would improve administrative efficiency and reduce harassment to trade promote GDP and increase tax revenue collection. There will be a lower rate for goods of mass consumption, a standard rate for most other items and a premium rate for a small category of items. The FC-XIII proposed a grand bargain six elements, the design operational modalities, binding agreement between the centre and states with contingencies for changes in rates and procedures, disincentives for non compliance implementation.

Recent Trends in Fiscal Consolidation

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Finance minister Mr.Pranab Mukherjee says that Indian government will return to fiscal discipline in the coming budget after following policies of stimulus and expansion in the last two years. Fiscal expansionary policies were required in the past in the wake of global financial crisis, with growth returning to high trajectory India has been come back to the path of fiscal consolidation.

According to Jean Claade Trichet says adjusting spending while boosting long term growth is the most effective strategy. Centre reverts to fiscal consolidation path but key deficits likely to remain higher than the target of thirteenth finance commission for 2013-14. The government has reemphasized its commitment to carry on the process of fiscal consolidation. With clear evidence of economy recovery in 2009-10 as indicated by the advance estimates of the GDP, the budget for 2010-11 resumed the path of fiscal consolidation. With a partial exit from the stimulus measures. As a proportion of the GDP fiscal deficit was estimated at 5.5 percent of the GDP by the budget 2010-11. And the medium term fiscal policy statement indicated a further reduction to 4.8 percent in 2011-12.

The budget for 2010-11 followed up on the Thirteenth Finance commission (ThFC) recommendations on limiting the combined public debt to GDP ratio to 68 percent by 2014-15 with the centre debt GDP ratio decline to 45 percent. When the fiscal deficit would be limited to 3.0 percent of the GDF with combined debt of the state government estimated to decline from 24.8 percent of the GDP in 2009-10 to 23.1 per cent in 2014-15.

The consolidated central government debt was estimated to come down from 73 percent of GDP in 2h009-10. The recent budgets had indicated the reform measures that would drive the process which included subsidy reforms in fertilizers and petroleum and public expenditure management besides the tax reforms that are on the anvil. The revised estimates for 2010-11 shows that fiscal outcome is expected to improve with the centre recording lower than the budgeted level of revenue deficit on account of higher than anticipated revenues from 3G and broad band wireless access BWA spectrum auctions and sharp increase in tax collection. Not with standing a reduction in revenue deficit.

Fiscal deficit would increase marginally in absolute terms for 2010-11, reflecting the impact of lower receipts from disinvestment of public sector undertaking PSUs and utilization of higher than expected non-debt receipts for financing of rural infrastructure implementation of right to education Act and

recapitalization of public sector banks. See table:1, as shown in the table that the fiscal deficit was the lowest 6.8 percent of GDP in 2011-12 and highest 9.9 percent of GDP IN 2001-02 during the 10 years period. The table 1 highlights the gravity of high level of revenue deficits. As borne out in the table above, the revenue deficit was at a low 3.3 percent of fiscal deficit in 20112. While the level of expenditure is not very high by international comparison. The main problem in public expenditure management has been the poor quality outcomes of such expenditure tax ratio to states was 5.1 percent.

The fiscal correction in 2010-11 reflects the impact of more than anticipated one off non tax receipts and upward revision in GDP. However the sustainability of fiscal consolidation process would depend primarily up on the effectiveness of government strategy in controlling the sizable structural component of fiscal deficit. Revenue deficit in 2011-12 is budgeted to record an increase of 13.9 percent as against a decline of 20.4 percent in 2010-11.The revenue receipts as the ratio of GDP are budgeted to decline in 2011-12 reflecting lower nontax revenue receipts. The government envisages corrections in revenue and fiscal deficit under its rolling targets set by the thirteenth finance commission attributed to lower non debt capital receipts projected by the central government.

Non –tax revenues to be subdued reflecting the sharp rise in non tax revenue. The major factors that are expected to contribute to moderation in non plan revenue expenditure in 2011-12 are lower growth in salary and pension and reduction in total expenditure on subsidies. Thirteenth finance commission prescribed the debt ratio of 47.5 percent for 2013-14. Resources transfers from center to stat to increase further. The increase in states share in central tax to 32 percent recommended by thirteenth finance commission

The fiscal consolidation and anchoring inflation expectation the lower fiscal deficit GDP ratio budgeted for 2011-12 challenging on account of sizable up side risks to subsidies and downside risks to revenues from moderation in growth petroleum subsidy has been budgeted lower in 2011-12. It could be overshoot by about 0.5 percent of GDP even after partial upward revision of prices of diesel ,PDS kerosene and domestic LPG in 2011. The elimination of customs excise duty on petroleum products is estimated to also cause revenue losses to the centre the extend of 0.3 percent of GDP.

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Emerging Fiscal Challenges

Revenue led growth approach, achieving revenue deficit target, sixth pay commission, intensive expenditure reforms, quality of capital expenditure, interest rate inflationary pressure, institutional approach to fiscal reforms

Policy Options

Improved governance, removing tax induced distortions, growing out the pre e of financial savings of the government, institutional reforms monitoring the accountability and audit mechanism.

Conclusion

The fiscal system, in the country has evolved in the context of planned development strategy in a closed economy will have to be restructured to meet the challenges. Achieving fiscal consolidation is of paramount importance not only to ensure a stable macro economy but also to undertake further liberalization of capital account transactions. The most important is the need to harden the budget constraints of sub national governments by reforming the intergovernmental fiscal system. Unfinished agenda, institutional reforms a single tax system, strong unitary features has to go, end of conflicts between the planning commission and the finance commission, abolishing the planning commission with a consolidate fund. Full capital account convertibility ICT and Tax administration, self generation of funds at local level, controlling fiscal profligacy.

A STUDY ON CENTER STATE FINANCIAL RELATIONS AFTER THE ECONOMIC REFORMS OF 1991

Introduction:

The Constitution of India provides for the establishment of a Finance Commission for the purpose of allocation of certain resources of revenue between the union and the State Governments. The Finance commission is established under Article 280 of the Constitution of India the President. The qualifications, powers and procedures of the Commission itself are regulated by the Finance Commission (Miscellaneous Provision) Act 1951. Such Commissions are deemed to be civil courts for the purposes of the code of Criminal Procedure 1898.The Finance Commission is constituted to define financial relations between the centre and the states. Under the provision of article 280 of the construction, the president appoints a Finance Commission for the specific purpose of devolution of non-plan revenue resource.

Objective of the Study:

1)To Know the initiation of economic reforms in 1991.

2)To analyze the Distribution of central taxes

3)To evaluate the overall state wise share in the central taxes and duties recommended by the T.L.

Methology of the Study:

Present Paper has fully relied on secondary data for its Execution. It has used simple statistical also like percentage for lucid presentation.

Formation of Finance Commission of India:

The detailed set up and of the Finance commission has been provided in Article 280 of the constitution of India The Article States:

1)The President shall, within two years from the commencement of this Constitution and thereafter and at the expiration of every fifth year or at such time earlier time as the President considered necessary, by order constitute a Finance commission which shall consist of a chairman and four other members to be appointed by the president.

2)Parliament may by law determine the qualification which shall be requisite for appointment as member of the commission and the manner in which they shall be selected.

3)It shall be the duty of the commission to make recommendations to the President as to the distribution of the net proceeds of taxes which are to be , or may be divided between them under this chapter and the allocation between the states of the respective shares of such proceeds. It is also the duty of the purpose of development of non-plan revenue resources.

Composition of Finance Commission:

The Finance Commission of India has a chairman along with four other members and a secretary. The chairman is the person who heads the commission and presides over its activities. The Indian Parliament is authorized to determine by law the qualification of the members of the commission and method of their selection. The Chairman of the Finance Commission is selected among persons who-are, or have been ,or are qualified as judges of High Courts of India, or have Knowledge of finance, or have vast experience in

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financial matters and are in administration, or have knowledge of finance ,or have vast experience in financial President. A member can be disqualified on the following grounds when a member is found to be of unsound mind, is involved in a vile act or it his interests are likely to affect the functioning of the commission.

The tenure of the office of the Member of the Finance Commission is specified by the President of India and in some cases the members are also re-appointed. The members shall give a part time or whole time services to the commission as scheduled by the President. The salary of the members of the Finance commission is according to the provisions led down by the constitution of India.

State Finance Commissions:

State Finance Commission has been established in the various state of India so that they can help in improving the financial condition of the various local bodies such as Panchayat Raj institutions and municipal bodies that are there in the states. The Finance commission in States is also responsible for many other functions.

Setting UP of State Finance Commission:

State Finance Commissions have been set up in the various of the country according to the guidelines that have been laid down in the constitution of India, Article 243(1). According to this article, the governor of the state shall set up the Finance Commission within the period of one year that begins with the seventy-third amendment act of the India Constitution, 1992 and after that at the end of every five years. The Finance commission in the states usually comprises of the chairman, member secretary and other members .State Finance Commission receive grants from the Finance Commission that is set up the central government

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Economic Reforms after 1991:

The initiation of economic reforms in 1991 has reduced center's role in controlling the economy and recent changes in the political configuration in the country, have broken the monopoly of the political party that had ruled at the centre and the states in the initial 40 years after independence and has replaced it by the coalition government at the centre. There has been the emergency of governments in several states run by regional parties leading to the demand for greater regional autonomy to the states and vesting of constitutional status to local bodies, consequent upon the enactment of constitutional amendments. All these developments led to the demand for "co operative federalism" in the country, to guard against the emergence of monopoly at the centre. Co operative federalism accords primary to lower tiers of the government in providing public services, and contemplates the most decentralized form of governance.

But a change from Quasi- federalism to cooperation federalism needs lot of changes – political, legal and constitutional. A Constitution Review Commission has been set up recently by the Govt. of India, to consider different aspects of changes demanded in the Constitution.

The above presentation shows that federation is not just a structure but a process and, therefore, it is more important to activate the forum for interaction that going in only formal arrangements that divide the powers between the Union and the state and the local bodies. Federalism is poised for acquiring new dimensions, with world economy getting globalised and integrated and the paradigm is poised for acquiring new dimensions, with world economy getting globalised and integrated and the paradigm of desirable arrangements of functions and finances at the sub national levels undergoing changes, old ideas of desirable arrangements of function and finances at the sub national levels undergoing changes, old ideas of sovereignty at fast facing obsolescence, as nations agree on this own to abide by internationally accept conventions and standards.

Conclusion:

According to this analysis, distribution of central resources from centre to state should be more on the basic of tax efforts or contribution by the respective states. Unless and until states are not contributing to GDP through tax efforts they become dependent on centre income and have a feel that even if they are unable to raise revenue by themselves centre is there to rescue as last resort.

13th FINANCE COMMISSION REPORT ANALYSIS- ON OVERVIEWS (2010 – 2015)

INTRODUCTION

India has a federal structure, in which a clear destination is made between the union and state functions and saves of revenue, but the residual powers belong to the centre, Although the states have been assigned certain taxes which are levied and collected by them, they also share in the revenue of certain union taxes, and there are certain offer taxes which are levied and collected by the union but the proceeds of which wholly go to the states. In addition, the states receive grants – in –aid of their revenue from the union which further increase the amount of transfers between the two levels of governments. The transfer of resources from the central government to the states is an essential feature of the present financial system of India.

13th FINANCE COMMISSION REPORT

The government on February 25, 2010 presented 13th finance commission's report (2010 – 2015) in the parliament. It is worth noting that 13th finance commission, under the chairmanship of Mr. Vijay.l Kelkar had submitted its report to the president on December 30, 2009.

Finance commission in its report has told government at the centre and states to set their fiscal house in order. Report has raised the shore of taxes that the states would be entitled to receive over the next five years by 1.5% percentage points. Commissions has suggested a roadmap for the introduction of a single – rate goods and service tax (GST).

Commission's new roadmap for fiscal responsibility suggests that the overall debt of the centre and states by capped at 68 percent of GDP from the current 82 percent level and 75 percent recommended by 12th finance commission has recommended the centre to reduce the level of debt to 45 percent of GDP by march 2015 from the current level of 54.2 percent. For states the reduction in debt is recommended at 2 percentage points 25 percent.

As per commission's recommendations, the centre should transfer 32 percent of the taxes it collects to states against 30.5 percent at present. The overall ceiling including transfers from the centers gross revenue has been raised from 38 to 39.5 percent.

Among the proposals that provide a thrust to fiscal federalism, the commission has recommended that local bodies get up to 2.5 percent of the dividable tax pool of this, upon percent can be incentive – linked. Report recommends that the states constitution in centrally sponsored schemes should be 50 percent of the cost,,,, against 40 percent for such as sarve shiksha Abhiyan.

The finance commission has projected that tex receipts would register a compounded annual growth rate between March 2010 and March 2015 of over 17 percent while the normal growth in GDP is estimated at 13.2 percent.

Commission suggests to initiate fiscal consolidation in 2011-2012 so that the centre can reduce the level of fiscal deficit to 3 percent of the GDP by 2013-
2014. The Government should also ensure Zero revenue deficit so that borrowing are use to meet investments requirements.

Prescribing a zero revenue deficit as the golden role, the commission has recommended that the Endeavour for all states should be toattaion in that level by 2014-15.

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In its action – taken report, the government has accepted most issof the recommendations of the 13th finance commission. The govt has accepted GST and new fiscal responsibility roadmap in principle and proposals will be worked out to meet the targets setout by the commission.

CENTRE TO CREATE FOURTH LIST FOR GST

In a landmark decision, the UPA government has resolved to amend the constitution to enable states to have the same powers as the centre in administering the proposed goods and services tax (GST).

For the purpose, a new fourth list is proposed to be created in the seventh schedule of the constitution. Designed to deal exclusively with GST, the fourth list visualizes a governing council headed by union finance minister and comprising state finance ministers as its members. The council will have overriding powers on issues of indirect taxes – neither parliament nor state legislatures can taken an independent view. As of now there are three lists – union state and concurrent.

States are satisfied with the guarantee that the fourth list is supposed to provide, with their positive response obviating the need for the centre to make a presidential reference to ascertain from the supreme court whether it court move unilaterally on the issue.

The law ministry, in consultation with the finance ministry has prepared a draft bill which will be sent to the states for their approval next week. The council, as proposed in the fourth list will have overriding powers on states so that don't deviate from the GST regime. The proposed amendment is also in line with the demands of trade and industry which wanted certainly and uniformly across the country on the new indirect tax structure.

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RISING TREND OF TAX REVENUE

The tax revenue in India has been showing a continuous rising trend in absolute terms. The total amount of tax revenue from centre, states and union territories amounted to Rs. 627 crores in 1950-51 which rose to Rs.1,350 crores in 1960-61, Rs. 4752 crores in 1990-91, Rs. 3,17,733 (BE) in 2004-2005 and Rs. 3,51,200 (BE) in 2005 – 2006.

DIRECT AND INDIRECT TAXES

Another major feature of Indian tax system is the direct and Indirect taxes. Further, there is the dominance of indirect taxes over direct taxes. For example, in India the governments indirections. Direct taxes ratio in 1950-51 was 63:37 which rose to 82:18 in 1994 – 95 which is evident from the table given above.

1. States to get 32 percent of central taxes compared to 30.5 percent now
2. Up to 2.5 percent of divisible pool may be transferred as grants to local bodies.
3. Total transfers to states on the revenue account be capped at 39.5 percent of the centre's gross tax revenue, compared to 37.5 percent.

ABOUT FISCAL CORRECTION

1. centre should target a revenue surplus by 2014 – 2015
2. Combines debt of centre and states should be capped at 68 percent of GDP by March 2015. Currently at 82 percent.
3. In the case of macro economic shocks, centre to borrowing limits.
4. The medium term fiscal plan should be made a statement of commitment.

ABOUT THE GOODS AND SERVICES TAX

1. Single rate for goods, services proposed

2. To make, GST purely consumption based, taxes and cases should be subsumed.
3. Petrol, Diesel, Alcohol, Tobacco may be charged to GST with additional levies by the centre and states.
4. Only public services unprocessed food items, health education and transactions between employer and employee be exempted.

CONCLUSION

The finances of state governments traditionally follow a paten similar to me canter, states own tax receipts, as a proportion of GDP ,increased from 5.6 percent in 2002-03 to 6.2 proportion in 2006-07 (RE) and are projected to further improve to 6.3 percent of GDP IN 2007-2008 (BE). The tax receipts inclusive of tax transfers from the Center during the same period increased from 7.9 percent to 9 percent and further to 9.2 percent respectively. The total revenue receipts increased to 12.9 percent of GDP in2007-2008 (BE). The total expenditure ,on the other land, declined from 18.7 percent of GDP IN 2003-2004 to 16.3 percent in 2007-2008 (BE). As result, in 2006-2007 (RE) all states put together have achieved revenue deficit of 09.1 percent and fiscal deficit of 2.7 percent of GDP.

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LOCAL FINANCE AND 13TH FINANCE COMMISSION RECOMMENDATIOS: SOME OBSERVATIONS

Introduction:

The recommendation of the Thirteenth Finance commission is of for reaching significance for strengthening local governance in India. The commission initiated a process to reform and vitalizes the self governing institutions to enable them to pay the Seventy third and Seventy fourth Constitution Amendment Acts. The commission's recommendations will strengthen and take forward the urban governance reform agenda launched by the Government of India under Jawaharlal Nehru National Urban Renewal Mission (JnNURM) in 2005. The Thirteenth Finance commission has attempted to strengthen the finance of Urban Local Bodies (ULB) with the broader context of strengthening urban governance.

The Finance commissions constituted by the president of India every five years began to consider measure to augment the consolidated Fund of states to supplement the resources of the panchayat and municipalities only after passage of the 73rd and 74th constitution Amendment Act in 1992. But as the Tenth Finance Commission was constituted before the implementation of the two constitution Amendment Acts, the commissions Term of Reference did not include the consideration of the needs of the Local Bodies. There was specific reference to the Local Bodies in Terms reference of the subsequent Finance Commissions. 13th FC has several recommendations to improve finances and governance of Local Bodies particularly the Urban Local Bodies.

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Local Government / Local Finance

The local government assumes greater importance not only because of the service it renters to the community, but also for the opportunity it provides to the people to take an active part in the decision making at the local level. As has been viewed by Lord Ribbon, local institutions were desirable as an instrument of political and popular education through which the people of India could be trained to take an intelligent share in the administration of their own affairs. Local Administration has an important position in democratic government in a vast country like India. There are considerable differences in social, economic, political factors like density of population, geographical features and natural resources among the regions, districts and villages. For these reasons it becomes necessary to entrust the responsibility of meeting the special and local needs and problems of each locality to its own administrative unit. Besides these, there are number of functions which can be performed efficiently only by the Local Bodies. In India generally, the Local Bodies consists of village panchayats, district level local boards, Municipalities and Municipal Corporations. They are given certain functions and funds are required to meet these functions.

Importance of Local Finance

Local (government) finance is an important agent for multidimensional and local development for the following reasons. In the first place, in many countries, hard-pressed national governments are increasingly shifting functions to local governments in the expectation that additional local resources can be mobilized to pay for them. Local expenditures and local revenue are thus likely to constitute an increasingly important component of total public sector activity. Secondly, regardless of how large local governments are in terms

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of raising revenue, they often play a big role in the provision and utilization of important public services. Total public utilities are responsible for such essential services as water supply, sewage, electric power, public transport, telecommunications etc. Local governments also provide a variety of related services including removal and disposal of waste, street lighting and street cleaning. In addition, local governments are often responsible for providing police and fire protection. In some countries, they also play an important role in providing such social services as primary education and other common local government activities include the provision of market and slaughter houses, tourist services, and sports and cultural facilities, including parks.

Local governments often play an important role in providing infrastructure, especially in the urban local areas in which increasingly large proportions of the population live in developing countries. Financing of local infrastructure and services are may have significant implications for national development pattern, as well as for the political accountability and administrative efficiency of local government institution themselves. The role and structure of local (government) finance for any country thus depends upon the actual and potential role to be played by such alternative modes of providing local public services.

The Local Bodies in India do not play an important role financially and economically in entire system of public finance in our country. The share of public revenue is very small as compared to developed countries. The duties and powers of the Local Bodies are many and varied. But financial resources are very meager. The financial resources are not sufficient to meet the function and these resources are inelastic. The Local Bodies mainly depend on the grants-in aid from the state governments. But these grants are irregular insufficient and inelastic. The special aspects of Local Bodies in India are they have independence and they do have power to raise according to their needs.

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The Importance of Finance Commissions in India

The thirteenth Finance commission was constituted by the president under Article 280 of the constitution on 13 November 2007 to make recommendation for the period 2010-15. Dr.Vijay Kelkar was appointed as the chairman of the commission. Dr.Indira Rangarajan, Atual Sarma, Shri B.K. Chturvedi, Sanjay Mishra are other members and Shri.Sumit Bose was appointed as Secretary to the commission.

Finance Commission is also required to lay down the principles governing the grants-in aid to states out of the consolidated fund of India. It should also suggest measures to augment the resources of states to supplement the resources of Panchayats and Municipalities. At times the government can also ask the finance commission to make suggestions on specific issues. The Thirteenth Finance Commission was asked to make recommendations on accounting off budget subsidies. The institution of the finance commission as a body acting as an independent arbiter in matters relating to the transfer of resources from Centre to the States is unique in Indian federalism. Although there are multiple channels of transfers operating simultaneously in India, the largest shares of resources are being transferred through Finance Commission. The relative importance of finance commission transfers is greater for low- income States compared to the economically better- off States due to greater dependence of the former on Central transfers to carry out their expenditure responsibilities. In this context, the implication of Finance Commission transfers on finance, particularly on low-income states, assumes critical importance.

The finance commission is very important element in understanding the political economy of India and it defines a critical part of the economic relationship between the Centre and states on the one hand and among states on the other, especially in the form of sharing of resources. A constitutional body, it is set up once every five years, recognizes the changing dynamics of the economy, both with its interactions with the rest of the world and its evolution within and decides the devolution formula between the union government and states. It is in fact a unique special consideration among emerging markets and something that was contributed significantly in keeping the country together politically and economically.

Functions of the Finance Commission

Distribution of net proceeds of taxes between Centre and states to be divided as per their respective contribution to the taxes is the main issue of Finance Commission. Determine factors governing Grants-Aid to the states and the magnitude of the same work with State Finance Commissions and suggest measures to augment the consolidated Fund of the states, so as to provide additional resources to Panchayats and Municipalities in states.

Procedure and Powers of the Commission

The commission has the power to determine their own procedure and have all powers of the civil as per the court of civil procedure 1908. It can summon and enforce the attendance of any witness or ask any person to deliver information or procedure a document, which it deems relevant. It also can ask for the production of any public record or document from any court or office. They shall be deemed to be a civil court for purpose of sections 480 and 482 of the code of criminal procedure 1898. The Commission provides that certain tax revenues of the Union Government shared between the Centre and the states. The finance commission can recommend what percentage of such revenues should go to the states and also how the funds are shared among the states.

Why the resources are shared between Centre and States?

This is necessary due to the fact that the bulk of taxation powers are with the Centre, but expenditure is in the domain of States. In fact, most federal system needs a new mechanism to address the issue of vertical distribution of resources. Canada has a federal system very similar to that of India. There too, a mechanism is in place to address the issue of vertical imbalance and horizontal equity – how the resources are shared amongst states themselves.

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Suggestions:

1. There should be proper distribution of financial resources between state government and Local Bodies certain taxes should be reserved for Local Bodies.
2. There should be proper integration between function of Local Bodies and their mobilization of resources.
3. The Local Bodies should be compelled to exercise the taxation powers resting with them.
4. The share meant for the local fund in the state property tax should be raised and the amount should be given to Local Bodies.
5. The tax powers of the Local Bodies should be increased.
6. The non-tax sources of revenue of the Local Bodies should also be increased and strengthened.
7. Some taxes should be reserved for the Local Bodies alone as these have not been provided in the Indian constitution of these taxes, tax on land buildings, terminal tax on advertisement in the news papers may be the main ones.

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THIRTEENTH FINANCE COMMISSION - A REVISED ROADMAP FOR FISCAL CONSOLIDATION

The Overall Macro-Fiscal Position

The fiscal roadmap for 2010-15 needs to take account of the combined macro-fiscal position of the Central and State Governments and to set macro-fiscal targets with reference to the overall position. The two key indicators in this context are the combined fiscal deficit and the combined debt to GDP ratio. The latter is not a simple aggregation of the outstanding liabilities of the Center and State Governments. Inter-government transaction such as loans to states from the Center need to be netted out. Table No.1 provides a picture of the combined fiscal deficit of the Center and State Governments from 2004-05 to 2008-09(BE). Combined liabilities have fallen consistently from 91.7 percent of Gross Domestic Product (GDP) in 2004—05 to 81.9 per cent by the budget estimates for 2008-09. The combined fiscal deficit also fell from 7.3 per cent in 2004-05 to 5.0 per cent in 2008-09(BE). Subsequent to the budget for 2008-09, there was a global slowdown which continued in the year 2009-10.

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Table No.1 Aggregate fiscal Position of Center and States

(per cent of GDP)

	2004-05	2005-06	2006-07	2007-08	2008-09
RD	3.6	2.6	1.2	0.6	0.4
FD	7.3	6.6	5.3	5.3	5.0
Debt	91.7	91.2	88.2	86.2	81.9

Thirteenth Finance Commission Recommendations of fiscal consolidation

- Revenue deficit of the Center needs to be progressively reduced and eliminated, followed by emergence of a revenue surplus by 2014-15
- Target of 68 per cent of GDP for combined debt of Center and State to be achieved by 2014-15. Fiscal consolidation path embodies the steady reduction in augmented debt stock of Center to 45 percent of GDP by 2014-15 and for the states to less than 25 per cent of GDP by 2014-15
- MTFP to be reformed and made a statement of commitment rather than a statement of intent. Tighter integration between the multi-year framework provided by MTFP and annual budget exercise
- The following disclosures to be made along with the annual Central budget/MTFP:

  a) Detailed breakup of grants to states under the overall category of non- plan and plan grants.
  b) Statement on tax expenditure to be systematised and the methodology to be made explicit.
  c) Compliance costs of major tax proposal to be reported.

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d) Revenue Consequences of Capital Expenditure to be projected in MTFP.
e) Fiscal impact of major policy changes to be incorporated in MTFP.
f) PPP liabilities to be reported along with MTFP.
g) MTFP to make explicit the values of parameters underlying projections for receipt and expenditure and the band within which they can vary while remaining consistent with targets.

- Transfer of disinvestment receipts to the public account to be discontinued and all disinvestment receipts be maintained in the consolidated fund.
- GOI should list all public sectors enterprises that yield a lower rate of return on assets than a norm to be decided by an expert committee.
- The FRBM Act specify the nature of shocks that would require a relaxation of FRBM targets.
- In case of macroeconomic shocks, instead of relaxing states' borrowing limits and letting states borrow more, the Center to borrow and devolve the resources using the finance Commission tax devolution formula for inter-se distribution among states.
- Structural shocks such as arrears arising out of Pay Commission awards to be avoided by, in the case of arrears, by making the pay award commence from the date on which it is accepted.
- Independent review mechanism to be set-up by the Center to evaluate its fiscal reform process. The independent review mechanism to evolve into a Fiscal Council with legislative backing over time.
- Given the exceptional circumstances of 2008-09 and 2009-10, the fiscal consolidation process of the states was disrupted. It is expected that states would be able to get back to their fiscal correction path by 2011-12, allowing for a year of adjustment in 2010-11.

a) States that incurred zero revenue deficit or achieved revenue surplus in 2007-08 should eliminate revenue deficit by 2011-12 and maintain revenue balance or attain a surplus thereafter. Other states to eliminate revenue deficit by 2014-15.
b) The general category states that attainted a zero revenue deficit or a revenue surplus in 2007-08 should achieve a fiscal deficit of 3 per cent of GSDP by 2011-12 and maintain such thereafter. Other general category states to achieve 3 per cent fiscal deficit by 2013-14.
c) All special category states with base fiscal deficit of less than 3 per cent of GSDP in 2007-08 could incur a fiscal deficit of 3 per cent in 2011-12 and maintain thereafter. Manipur, Nagaland, Sikkim and Uttrakhand to reduce their fiscal deficit to 3 per cent of GSDP by 2013-14.
d) Jammu & Kashmir and mizoram should limit their fiscal deficit to 3 per cent of GSDP by 2014-15.

- States to amend/ enact FRBM Acts to build in the fiscal reform path worked out. State specific grants recommended for a state to be released upon compliance.
- Independent review/monitoring mechanism under the FRBM Acts to be set up by all states.
- Borrowing limits for states to be worked out by MoF using the fiscal reform path, thus acting as an enforcement mechanism for the fiscal correction by states.
- Loans to states from National Small Savings Fund contracted till 2006-07 and outstanding at the end of 2009-10 to be reset at 9 per cent rate of interest subjects to conditions prescribed.
- National Small Savings Scheme to be reformed into a market-aligned scheme. State Government also required to undertake relvant reforms at their level.
- Loans from GoI to states and administered by ministries/departments other than MoF, outstanding as at the end of 2009-10, to be written off subject to conditions prescribed.
- A window for borrowing from the Central Government to be available for the fiscally weak states that are unable to raise loans from market.
- For states that have not availed the benefit of consolidation under DCRF, the facility, limited to consolidation and interest rate reduction, to be extended subject to enactments of FRBM Act.

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- Benefit of interest relief on NSSF and write-off available to state only if they bring about the necessary amendments/enactments of FRBM.

Consolidated Fiscal Roadmap

Based on the fiscal reform path prescribed for the Center and states, the consolidated position during the award period will be as per Table No.2. Average lending from the Center to states on account of external aid for the period 2006-09 has been Rs.6050 core. The stock of central loans consolidated as per the recommendation of FC- XII and loans of those states whose loans have not yet been consolidated, put together, amount to Rs.1.23 lakh crore. Assuming that these have to be paid in twenty equal instalments, the recovery from these loans would be Rs.6175 crore, which is almost equal to the average disbursement of loans. Thus, we have assumed that there would be no net disbursement of loans from the Center to states during the projection period.

It is important to recognise that for successful fiscal consolidation, the key lies in maintaining the growth dynamism of our economy. There is a two-way relationship between growth and fiscal consolidation; or what is called the 'strategy of expansionary fiscal consolidation', where fiscal consolidation leads to higher growth due to higher levels of public and private investments, which in turn, further facilitates maintenance of fiscal stability.

Suggestions and Conclusion

Despite the commendable correction achieved by the Center and states through implementation of the Fiscal Responsibility and Budget Management (FRBM) legislation across the 2005-10 period, the closing debt-GDP ratio for 2009-10 is estimated at 82 per cent, well above the FC - XII target of 75 per cent. Our starting point was to determine the feasible target for the debt - GDP ratio, consolidated across the Centre and the states, by 2014-15. We have taken elimination of the revenue deficit as the long term and permanent target for both the Center and the states. Our prescribed fiscal consolidation path for the Central Government entails a decline in the revenue deficit from 48.8 per cent of GDP as projected for the fiscal year 2009-10, to a revenue surplus of 0.5 per cent of GDP by 2014-15. Our projections of revenues of states into 2010-15 enjoin greater tax effort on the part of states with a poor revenue collection record, thus implicitly rewarding states with higher levels of past achievement. We have sought to design grants with a view to incentivising improvements in accountability of, transparency in and innovation at, the cutting edge of the public goods delivery process. Thus, the Commission's approach is geared to advancing the fiscal reforms agenda in all these dimensions.

Expenditure reform are an important driver of the Commission's approach to the fiscal roadmap for the future. Two game-changing tax reform, namely GST and the new Direct Tax Code, will give considerable impetus to revenue growth. Expenditure reforms at all levels of the government have a strategic role in the Commission's approach towards fiscal consolidation. A major thrust of the proposed expenditure reforms is also inclusive by reducing existing untargeted and regressive subsidies. Other reforms are aimed at improving the productivity of public expenditure. These include,

- performance - linked incentives to states and local bodies;
- measures to improve transparency and accountability, e.g., stricter audit procedures;
- 'institutional deepening' for better expenditure management, e.g., creation of the local body ombudsman, fiscal council and independent evaluation organizations;
- promotion of innovations and their diffusion so as to reduce cost as well as to improve quality of public services
- largest fiscal transfers to the local bodies, to encourage speedier implementation of the 73rd and 74th Constitutional amendments regarding the transfer of function and functionaries in consonance with subsidiary principle.

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ANALYSIS OF PUBLIC DEBT IN THE 13TH FINANCE COMMISSION REPORT INTERNAL & EXTERNAL DEBT IN INDIA

Introduction:

Public Debt (excluding liabilities in public account and including external debt at book value) as percentage of GDP has shown steady decline from 43.1 per cent in 2003-04 to 38.8 per cent in2007-08. The decline during this period is even more pronounced (from 43.1 per cent to 35.4 percent) after netting of liabilities on account of accrued during this period. The reduction in public debt to GDP ratio could be attributed largely to correction in fiscal deficit in absolute terms and also to high rate of growth of GDP in the above mentioned period.

The corrective trend however underwent a reversal during 2008-09 and in 2009-10 as the fiscal deficit went up due to the counter cyclical measures undertaken by the Government to stimulate Indian economy from the adverse impact of global economic meltdown. At the same time, there was also moderation in the growth rate of GDP during2008-09 and 2009-10. As a result of the above, the public debt to GDP ratio deteriorated from 35.4 per cent in 2007-08 to 37 per cent in 2008-09, 40.1 per cent in RE 2009-10 and further to 41.1 per cent in BE 2010-11. During this period, the percentage of public debt in total debt increased from 65.9 per cent in 2007-08 to73.1 per cent in BE 2010-11. This shows larger reliance on market related instruments for deficit financing. Public Debt consists of both internal and external debts of the government.

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Public Debt:

During recent years, public debt in India has been growing at an alarming rate. The under developed nature of the economy & institutional credit deficiencies makes the financing of economic development a complicated problem. Hence the government has to play a key role in stimulating the rate of capital formation & in promoting the economic development of the economy. So public debt can be used by the government as means for mobilising the resources. This paper aims to analysis the internal and external debts of central government Of India

A. Internal Debt

The internal debt is a major component of public debt of the central government of India. The following are the various components of internal debt.

1. Market Loan

These have a maturity period of 12 months or more at the time of issue and are generally interest bearing. The government issues such loans almost every year. These loans are aised in the open market by sale of securities or otherwise. Total market loans as at the end of March 2005 are estimated at Rs. 7,58,999 cores.

2. Bonds

The Government borrows funds by way of issue of bonds. The government obtains funds through the issue of bonds such as National Rural Development Bonds, Central Investment Bonds. The bonds are issued at different maturity periods, which may range from 3 years to 10 years period. They provide medium-term to long-term funds to the government.

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3. Treasury Bills

A major source of short-term funds for the government is obtained by issue of treasury bills. At present, government issues 91 day and 364 day treasury bills. The treasury bills are purchased by commercial banks and others. The amount of debt as a result of Treasury bills decreased from Rs. 64,760 crores in 1997 to Rs. 7,184 crores as at the end of March 2006.

4. Special Floating and Other Loans

These represents India's contribution towards share capital of international financial institutions like IMF, World Bank, International Development Agency and so on. These are non-negotiable and non-interest bearing securities. The Government of India is liable to pay the amount at the call of these institutions. Accordingly, it is a short-term debt upon the Government of India.
At the end of March 2006, special and other loans rose to Rs. 21,631 crores.

5. Special securities issued by RBI

The government obtains temporary loans for a period of maximum 12 months from RBI and issues special securities, which are non-negotiable and non-interest bearing. Such securities provide short term funds to the Government.

6. Ways and Mean Advances

The Government of India obtains ways and means advances from the Reserve Bank of India to meet its short period expenditure. These debts are purely temporary in nature and are usually repaid within three months.

7. Securities against small savings

Since 1999-2000, under the new accounting system, national small savings have been converted into the Central Government securities. As a result there has been a sharp increase in internal debt and corresponding decline in small savings. At the end of March 2006, securities against small savings amounted to Rs. 2,06,631 crores.

B. External Debt

External debt refers to the liabilities of the Indian Government, public sector, private sector and financial institutions to overseas parties.
The government of India has raised foreign loans from U.S.A, U.K, France, U.S.S.R, Japan, etc.
External Debt rose from Rs. 31,525 crores in 1990-91 to Rs. 68,392 crores in 2005-06.
The external debt can be broadly divided into two groups :-

A. **Long term debt :**

i. Multilateral borrowings,
ii. Bilateral borrowings
iii. Loans from IMF, World Bank, etc.

B. **Short term debt :**

It is to be noted that the overall external debt of India comprises of Government debt and Non-government debt. The Government debt is owed by Government authorities, both Central and State Governments, whereas the non-Government debt is owed by private parties in India. In terms of composition, India's external debt has shifted in favors of private debt over the last decade.

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C. Other Internal Liabilities

The government does not include liabilities under Public Debt. However, the government is liable to make repayment of these liabilities.

1. Small Savings

In recent years small savings have increased due to rising money income in the economy.
Recently the Government of India launched a number of small savings instruments. These include 9% Relief Bonds 1987, Kisan Vikas Patras, Indira Vikas Patras, etc.
The outstanding amount of small savings increased from Rs. 2,209 crores in 1971 to Rs. 4,18,110 crores at the end of March, 2006.

2. Provident Funds

Provident funds are divided into two categories :-

1. Employee Provident Funds meant for employees.
2. Public Provident Funds meant for general public.

Outstanding amount under provident fund stood Rs. 66,217 crores at the end of March 2006.

Conclusion

The main reason for increase in internal public debt in India during 1961-2004 was the requirement of funds for financing various developmental programmers as both tax and non-tax revenues were totally inadequate to finance the government expenditure. The external public debt in India Increased significantly during 1961-2004 as it was utilized to make import payments and solve balance of payment problems.

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A STUDY OF PERFORMANCE EVALUATION OF INDIRECT TAX IN INDIA

Introduction

Indirect taxes are a major source of tax revenue for governments worldwide and continue to grow as more territories move to more consumption –oriented tax regimes. Indirect tax policies, legislation and auditing are all under increased scrutiny by governments and tax officials. Most businesses are reaching accordingly and are focusing on their indirect tax strategies, with a particular emphasis on ensuring compliance and achieving efficiencies The present paper attempts to evaluate the performance of indirect tax in India in terms of revenue generation, assesses base and its share in the total tax kitty of India. In addition, the relative position of the share of indirect tax in relation to GDP and total tax revenue of the country has also analyzed. The analysis of data reveals that indirect tax in India is progressing faster in terms of revenue collection. Although indirect tax accounts more than half GDP of India, indirect tax is contributing quite negligible share towards the total tax basket of the country.

Indirect sector in India has been the sunrise area of taxation since its inception. It has shown phenomenal growth. Indirect tax has been playing a predominant role in Indian economy and contributing more than fifty per cent to the GDP of the country. Indirect tax in relation to GDP is more vibrant in the economy and acting as the trigger for the development of the country from developing nation to developed nation in the direction of vision 2020. Therefore, the government has seen that the indirect tax as one, which can be used to boost revenues to meet its expenditure targets.

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The objectives of the present study are as follows:-

1. To gain a brief insight into the indirect tax prevailing in India
2. To assess the progress of indirect tax in terms of revenue growth
3. To find out the tax GDP ratio

Sources of data

For the purpose of the study, secondary data sources have utilized. The data for the period 2001 to 2010 has collected from various publications and websites of Government of India and Central Board of Excise and Customs. In addition, various issues of Economic survey, e-journals and e-books.

III. Literature Survey

Value added tax was first introduced by Maurice Laure, a French economist, in 1954. The tax was designed such that the burden is borne by the final consumer. Since VAT can be applied on goods as well as services it has also been termed as goods and services tax (GST). During the last four decades VAT has become an important instrument of indirect taxation with 130 countries having adopted this resulting in one- fifth of the world's tax revenue. Tax reform in many of the developing countries has focused on moving to VAT. Most of these countries have gained thus indicating that other countries would gain from its adoption (Keen and Lockwood,2007).McLure (2003) outlines characteristics of a well designed indirect tax regime in the context of Canada. While consumers should be taxed at single rate sales of inputs to business should not carry any tax liability. With regard to exports the tax should be levied under the

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destination principle, i.e. exports should be tax-free and imports should be taxed at the same rate as domestic products..

Indirect Taxes Pre-Reforms

The indirect tax structure was extremely irrational between the reforms. The Constitution gives the permission to levy a multitude of indirect taxes. But the most important ones are customs and excise duties charged by the Central government and sales tax excepting inter state sales tax to be charged by the state government. The indirect taxes levied by the centre like customs, excise and central sales tax and the major indirect taxes levied by the states and civic bodies like passenger and goods tax, electricity duty and octopi when taken together did not present a rational system.

Indirect Taxes Post Reforms

Even post reforms, the indirect tax regime in India is still in the early stages of growth. Both the Central and State governments charge a multitude of indirect taxes. The central government charges tax on goods at the point of import (Customs duty), manufacture (Excise duty), inter state sales (Central sales tax or CST) and on provision of services (Service tax). The state governments charge tax on goods sold within the state (Sales tax/Value Added Tax or VAT), and on the goods that enter the state (Entry tax). In the present scenario corporate would have to analyze the tax cost involved in a transaction, have enough backup documentation to support their tax positions and keep looking for ways for tax maximization.

India has, in a sense, always had a greater reliance on indirect taxes than direct taxes and if anything the trend observed in other countries of a move towards a higher

proportion of indirect taxes is reversed in India. It has historically been easier to tax the consumption of goods and services indirectly than trying to tax incomes. A

significant proportion of economic activity – primarily in the agricultural sector – continues to take place outside of the direct tax system. India is seeking to increase

the overall tax to GDP ratio and is focused on raising the proportionate contribution of direct taxes to overall tax revenues

India is seeking to increase the overall tax to GDP ratio and is focused on raising the proportionate contribution of direct taxes to overall tax revenues. The trend of the tax GDP ratios in India over the past ten years is shown in the table No.1

Year	Total tax revenue(All India) (A+C)			Central Taxes (gross) (A)			States' share in central taxes (B)		
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
2000-01	3.41	11.11	14.52	3.25	5.72	8.97	0.89	1.58	2.47
2001-02	3.21	10.59	13.80	3.04	5.17	8.21	0.94	1.40	2.34
2002-03	3.56	10.96	14.51	3.40	5.40	8.80	0.87	1.41	2.29
2003-04	3.98	11.06	15.03	3.82	5.42	9.23	1.03	1.41	2.45
2004-05	4.23	11.03	15.26	4.08	5.33	9.41	1.14	1.34	2.47
2005-06	4.52	11.33	15.86	4.38	5.50	9.88	1.20	1.39	2.59
2006-07	5.40	11.80	17.20	5.25	5.80	11.05	1.41	1.44	2.86
2007-08	6.44	11.15	17.59	6.31	5.68	11.99	1.63	1.47	3.10
2008-9 (R.E)	6.21	10.79	17.00	6.08	5.19	11.26	NA	NA	2.91
2009-10 (B.E)	5.97	10.03	16.00	5.84	4.45	10.29	1.59	1.09	2.68

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Year	Central Taxes (net) (A-B)			States' own taxes (C)			States' tax revenue (B + C)		
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
2000-01	2.36	4.14	6.50	0.16	5.39	5.55	1.05	6.97	8.02
2001-02	2.09	3.77	5.87	0.17	5.42	5.59	1.11	6.82	7.94
2002-03	2.52	3.99	6.51	0.16	5.56	5.72	1.04	6.97	8.01
2003-04	2.78	4.01	6.79	0.16	5.64	5.80	1.20	7.05	8.24
2004-05	2.94	4.00	6.94	0.15	5.70	5.85	1.29	7.03	8.32
2005-06	3.18	4.11	7.29	0.14	5.83	5.98	1.34	7.22	8.56
2006-07	3.84	4.36	8.20	0.15	6.00	6.14	1.56	7.44	9.00
2007-08	4.68	4.20	8.88	0.13	5.47	5.60	1.76	6.94	8.71
2008-09(R.E)	NA	NA	8.36	0.13	5.60	5.74	NA	NA	8.64
2009-10(B.E)	4.25	3.36	7.61	0.13	5.58	5.71	1.72	6.67	8.39

Conclusion

Indirect taxes to evolve, needed to balance the revenue-raising abilities of government with the need to ensure that businesses do not become overwhelmed with the burden of tax collection. In more established VAT systems-such as the EU-there needs to be a willingness to learn from the successes of other countries. that have more recently implemented VAT or GST systems and to create effective and efficient systems that create a true 'win-win' for governments and tax payers alike- to ensure that the future is decided by constructive and to recognise that both social and economic objectives can also be accommodated in the evolution of indirect tax systems

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SARVA SHIKHA ABHIYAN (SSA) UNDER THIERTEENTH FINANCE COMMISSION IN INDIA

Introduction and Background

The thirteenth Finance Commission is perhaps more inclusive rather than the previous finance commissions in its analysis of fiscal developments in the country and recommendations on issues not only relevant to inter-governmental finance, but also the issues relating to educational attainment by central and state governments(Govinda Rao, 2010) As far as grants for elementary education to states are concerned, it has 15 per cent to the Sarva Shikha Abhiyan (SSA) expenditures and also the state has allocated grants to compensate the states for any loss of revenue arising from Goods and Services Tax reform, grants for reduction in infant mortality rate, environment related grants for forest development, renewable energy and water sector management, incentive grants for improving outcomes in five different areas, separate grants for road maintenance, and state specific grants to meet their special needs. Thus, the scope of coverage by the Commission is much wider than the past.

In the process, it has loaded the centre more than and even more, the states with a large number of conditionalities to micro-manage their fiscal systems. It may be seen that under the Sarva Shiksha Abhiyan (SSA), dropout rates for both boys and girls of all social groups must be reduced sharply. The school dropout rate was around 31% in 2003-04 and it was much higher in many states.

With the Employment Guarantee Scheme with an aim to increase family income, the pressures are expected to somewhat reduce. Under the scheme opening of crèches for children at the work site will reduce the incidence of girls dropping out to take care of younger siblings. Further, the scheme also allocated more grants for formation of SHGs by mothers and that should be given the task of preparing mid-day meals. A set of national testing standards will be created and a chain of institutions that test and evaluate children according to set norms will be established. In addition to these, making available ICT solutions, shared management personnel, and management skills with the school committees are crucial elements.

Very importantly, the 13th Finance Commission (13th FC) has made an award of Rs 24,068 crore for grants in aid for elementary education. While making its award, the 13th finance commission has also observed that: "The SSA began with a matching fund requirement of 15 per cent from states in 2001-02. Till 2006-07, the matching fund requirement was 25 per cent. It has increased progressively to 35 percent in 2007-08 and 2008-09 and to 40 per cent in 2009-10. It is expected to go up to 45 per cent in 2010-11 and to 50 per cent in 2011-12, the terminal year of the Eleventh Five Year-Plan. It is assumed that the same ratio will continue in the remaining years of the award period.

In this context, various states have expressed difficulties in providing this matching share, especially since the size of their annual plans has increased over the years. It is observed that, in the given circumstances augmenting the resources of the states to cater to this need will be the most appropriate way to provide grants for the elementary education sector.

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Objectives

i. To bringout the major issues relating to the role of Sharva Shiksha Abhiyan in elementary education under thirteenth finance commission.

ii. To probe into the role of thirteenth finance commission in allocating grants to the development of elementary school education at sate level

Discussion

a. Major issues of elementary education and Sarva Shiksha Abhiyan under 13th finance commission

It is seen that the Government has been taking necessary steps to implement the Right of Children to Free and Compulsory Education Act during 2009-10. The committee on Implementation of Right of Children to Free and Compulsory Education Act, 2009 and the resultant revamp of Sarva Shiksha Abhiyan has suggested follow up action onchanging the norms of SSA in harmony with the requirements of RTE. Proper implementation of the Act calls for collective efforts on the part of the Central& State Governments, schools, teachers and civil society to ensure the right to education to all the children.

During 2009-10 Sarva Shiksha Abhiyan continued its schemes and programmes to achieve universal elementary education. National Programme of Education for Girls at Elementary Level Scheme (NPEGEL), by addressing the needs of girls in educationally backward districts, supported girls to enroll and attend schools. Similarly Kasturba Gandhi Balika Vidyalaya Scheme (KGBVs) provides for setting up of residential upper primary schools for girls from SC, ST, OBC and Muslim communities. So far, It is seen that 2565 KGBVs are operational. An important achievement under SSA has been the recruitment of 10.22 lakh teachers from the inception of the programme till December 2009. In 2009-10, 40.6 lakh teachers have been approved for in-service training. In addition, during the year 2009-10, Mid Day Meal programme witnessed several improvements in the Scheme. Some of these are revision of Food Norm for Upper Primary Children and revision of cooking cost from Rs. 1.68 per child per day to Rs. 2.50 for primary and from Rs. 2.20 to Rs. 3.75 for upper primary.

Very importantly, it is noticed that to improve the quality in education teachers are being provided academic support by Block Resource Centers (BRC) and Cluster Resource Centers (CRC), which are functioning as resource centres catering to a group of schools for conducting various in-service training programmes and also extending regular academic support and supervision to schools. Across the country 6491 BRCs and 72011 CRCs have been established which are providing academic support to the teachers (Annual report, MHRD, 2008-9).

"The National Council for Teacher Education Regulation, 2009" was notified in August, 2009. The new Regulation inter-alia provides for compulsory online receipt of applications, enhanced qualification for recruitment of teacher educators, improved teaching learning / instructional resources in teacher education institutions, increased number of working days for practical and school Report to the People on Education based experience, and compulsory accreditation of the teacher training institutions by National Assessment and Accreditation Council (NAAC) for additional courses and for additional intake to existing courses. The NCTE is conducting orientation programmes for teacher educators for effective use of ICT. It has also undertaken the demand-supply analysis of teachers and teacher educators and the study has been completed in respect of several States, enabling more scientific planning in the area of teacher education. The National Curriculum Framework on Teacher Education (2009) is a major step forward in the process of reforming the curriculum, syllabus and overall quality of the various teacher education courses. The National Council for Educational Research and Training (NCERT) submitted its Report in August, 2009 on comprehensive evaluation of the Centrally Sponsored Scheme on Teacher Education. The Government has held extensive consultations with the State Governments and other stakeholders for revision of the Scheme.

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b. Discussion on allocation for elementary education at state level

The Union government's total allocation for education in 2010-11 (B.E.) stands at 0.71 per cent of GDP, which is slightly better than the 0.64 per cent recorded for 2009-10 (R.E.). However, such gradual and small increases in the budget outlays for education cannot result in any visible increase in overall public spending on education in the country.

In addition to the 0.71 per cent of GDP allocated in Budget 2010-11 for the Ministry of Human Resource Development (MHRD), States will be given access to Rs.3,675 crore for elementary education under the 13th Finance Commission grants for 2010-11. There has been a significant stepping up in the outlay for the Rashtriya Madhyamik Shiksha Abhiyan from Rs.550 crore in 2009-10 (R.E.) to Rs.1,700 crore in 2010-11. Other areas showing increased outlays in Budget 2010-11 include the adult education and skill development scheme, educational loan interest subsidy in university and higher education, scholarship for college and university students and the upgradation of existing polytechnics and setting up of new ones. However, in the context of education, what is most discouraging about budget 2010-11 is its complete silence on the financing of the Right to Education Act, which the Union government is reportedly planning to notify from April 1. In view of this, there have also been reports in the media about the Union government's initiative to modify the norms and unit costs under the SSA so as to make the provisioning under this flagship programme in line with the Right to Education Act. However, the allocation for the SSA has been increased only by 14.5 per cent from Rs.13,100 crore in 2009-10 (R.E.) to Rs.15,000 crore in 2010-11 (B.E.).

iv. Conclusion

From the foregoing discussion it is clearly understood that union government allocation to elementary education has increased significantly. In the context of Sarva Shiksha Abiyan, it may brought out that uttar Pradesh received a highest amount of grant – in – aid Rs. 5040 crores followed by Chattishgarh Rs.4018, Madhya Pradesh received 2216 crores. In the care of Tamil Nadu, the Grant-in-aid for education, especially under Sarva Shikha Abhiyan has tremendously increased as compared to the previous years. But in the care of sickim, Nagaland, Mizoram and Goa, the Grant-in-aid for education as compared to the rest of states. It leads to function in the development of school education among the states of India. In this context, it may be concluded that the union govt should look into the perspective of school education of different states accordingly the Sarva Shiksha Abhiyan programme may be given more important under finance commission and the fund allocation should also be improved under this programme for the states which have a high school dropout ratio.

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AN ANALYSIS OF INDIA'S THIRTEENTH FINANCE COMMISSION RECOMMENDATIONS

Introduction

The Constitution of India envisages a federal structure with distinct responsibilities for the Union and the States. Analysts have pointed out that the responsibilities enjoined on the States are not matched with the capacity to generate revenues for fulfilling them, and that delivery of programmes in education, health, agriculture, irrigation, internal security and local administration require resources far in excess of the constitutional ability of the states to tax. The Constitution, however, provides a mechanism for the devolution of revenues from the Union to the states from out of central tax revenues. The criteria for vertical and horizontal devolution are based on the recommendations of a finance commission that is appointed every five years for that purpose. The Thirteenth Finance Commission (TFC), dealing with the devolution of resources from the Centre to the States, has just submitted its report for the period 2010 to 2015 and the Finance Minister has, in his budget speech, indicated that the Government would accept their recommendations for devolution.

Objectives :

1. To analyse the development of finance commission recommendations over the period of last 50 years.
2. To analyse the central government tax, Deficit and Expenditure Trends.

Methodology :

In this study secondary data are used. Secondary data have been collected from various journals and books ect...

Thirteenth Finance Commission:

The **Thirteenth Finance Commission** will come into power in the year 2010. The President of India under the chairmanship of Dr. Vijay L. Kelkar will head it. The Thirteenth Finance Commission of India will focus deeply on making suggestions for people coming from various places.

Summary of Key Recommendations made by the ThFC

Share of the States in the net proceeds of Central tax collections fixed at 32% over the ThFC's award period (the share was set at 30.5% by the TwFC). Indicative ceiling for revenue transfers (taxes and grants) from the Centre to the States set at 39.5% of the gross revenue receipts of the Centre (was set at 38% by the TwFC). Total grant to be provided by the Centre to the State Governments over ThFC award period set at Rs. 3,185.81 billion (more than twice the amount recommended by the TwFC). Loans

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worth Rs. 45.06 billion from GoI to the State Governments for Centrally sponsored schemes and Central plan schemes (administered by ministries/ departments other than the MoF) to be written off.Interest rate on loans to the States from the NSSF contracted until 2006-07 and outstanding at the end of 2009-10 to be reset at 9% (from either 9.5% or 10.5% at present based on the date on which the loans were contracted), with an estimated benefit of Rs. 135.17 billion for the State Governments. NSSF to be reformed into a market-aligned scheme. Target for reducing the consolidated debt stock of the Centre and the States set at 68% of GDP by 2014-15; 45% of GDP for the Centre and 25% of GDP for the States. Timelines specified for elimination of revenue deficits and reduction in the financing gap to 3% of GDP for the Centre and 3% of GSDP for the States. Thereafter, the States are to maintain their financing gap at 3% of GSDP. In the event of macroeconomic shocks, additional resources to be raised by the Centre and passed on to the States in accordance with the horizontal devolution formula. A long-term and permanent target of eliminating revenue deficit of the Centre and the States has also been prescribed. Structural shocks such as payout of Pay Commission related arrears to be avoided by making the award take effect from the date of acceptance of the same. Borrowing limits for the States to be calculated by GoI on the basis of the recommended fiscal reform path for the years between 2011-12 and 2014-15.

Comments:

Surprisingly, a large number of recommendations are of the nature of governance advice, likethe reduction of subsidies in the power sector and criticism of use of plan funds for non-plan purposes. On the issue of Goods and Services Tax (GST), though the TFC has made strong recommendations about the need for a grand alliance between the Centre and the States, it is handicapped by the fact that studies do not reflect knowledge of the processes of tax collection at the level of the States. This is possibly because the experts who have attempted this portion of the report are people with experience in direct taxes, but with little knowledge or experience of the intricacies of taxation of goods and services and transactions. The recommendations on the GST front appear quite naïve and shorn of any detailed analysis.

Having taken care of its constitutional responsibilities of devolution, the TFC then turns to the issues of fiscal discipline, a new term of reference, and it is in this area that it has made some fundamental recommendations. First, it has suggested that the revenue deficit of the Centre should be reduced and eliminated by 2014-15. It has also recommended that the combined debt of the Centre and the States should be brought down to 68.0 per cent of the combined GDP by 2014-15. This would mean a reduction in the debt stock of the Centre to 45.0 per cent of the GDP by that time. More importantly, the TFC has recommended tighter discipline and more transparency in disclosure of debt. This would include reporting of plan as well as non-plan grants to States, as well as explicit statements of liabilities, compliance costs and costs of major policy changes. It has suggested that disinvestment receipts should be maintained in the consolidated fund. Future pay awards should not have a retrospective component.

Concern over public finances, public debt and the revenues of the states had been expressedin the report of FC-XII; this was perhaps the first time that a Finance Commission looked atthe larger picture beyond the considerations of the agenda for devolution. That Commissionhad recommended debt relief for the states as well as incentives for fiscal discipline – theTFC has carried these thoughts forward. It has recognised that the efforts made soon after theFC-XII report yielded substantial benefits in the form of greater revenue mobilisation and tighter fiscal discipline, and it would like a similar environment to be created again, havingwitnessed the fiscal expansion since 2007. Most importantly, the contribution of this report is the requirement that it places on greater transparency of the use of public debt, and an attempt to enforce a stricter accountability over the use of public finances, including parliamentary disclosures on slippages. The acceptance of these recommendations would be a major step to ensure that public finances in India are not affected by internal or external shocks in the future, and that there is true disclosure at all times on the nature of the debt.This is an important contribution that has been made by the TFC.

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Conclusion :

The ThFC's recommendation that the share of States in the divisible pool of Union taxes be increased and that the level of Central grants to the States be raised significantly would boost the States' revenue receipts over the period 2010-11 to 2014-15. However, in ICRA's view, renewed buoyancy of Central and State tax revenues, and structural improvements accruing from greater expenditure control would be essential to improve the States' revenue balances in the medium-to-long term.Considering the desired reduction in the debt stock to a more sustainable level, the ThFC has prescribed timelines for the States to eliminate revenue deficits and restrict the financing gap to 3% of GSDP. The adjustment timelines set by the ThFC, which draw a distinction between the General and Special Category States, are customised to the fiscal situation and capabilities of the States. The designation of 2010-11 as a year of adjustment and recovery provides for a smoother transition following the slippages seen in the last two years of the TwFC period. ICRA is of the view that the mechanism of setting annual borrowing limits in accordance with the fiscal reform path set by the ThFC would ensure that the overall financing gap is in line with the ThFC's recommendations. However, the possibility remains that the States would meet the overall financing gap targets, while at the same time incur revenue deficits and consequently under-spend on the capital account (that is, spend less than 3% of GSDP, which is the level envisaged by the ThFC). Thus, overall, ICRA believes that although the ThFC has prescribed a realistic fiscal reform path for the States, it is the commitment of the State Governments to following the prescription that will largely determine the extent to which fiscal consolidation is actually achieved

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AN ASSESSMENT OF REVENUE AND EXPENDITURE PATTERN OF THE 13TH FINANCE COMMISSION

The Terms of Reference require the Thirteenth Finance Commission 'to review the state of the finances of the Union and the states, keeping in view, in particular, the operation of the states' Debt Consolidation and Relief Facility (DCRF) 2009-10 introduced by the Central Government on the basis of the recommendations of the Twelfth Finance Commission'. In doing so the Commission has, among other things, been asked to take account of:

i) 'The resources of the Central Government for five years commencing 1 April 2010, on the basis of the levels of taxation and non-tax revenues likely to be achieved at the end of 2009-10.

ii) The demands on the resources of the Central Government, particularly on account of the projected gross budgetary support to the central and state plan, expenditure on civil administration, defenses, internal and border security, debt-servicing and other committed Expenditure and liabilities.

Policy Considerations Informing the Assessment

A major challenge faced by this Commission, as noted in chapters 3 and 4, was the macroeconomic situation extant since late 2007-08. The Indian economy has faced several exogenous shocks in the past years. First, sharp increases in commodity prices have impacted public finances by raising the cost of financing fuel and fertilizer subsidies. Second, the global financial crisis has led to a slowdown in Gross Domestic Product (GDP) growth, impacting the revenue base and necessitating significant incremental counter-recessionary public expenditure. While the situation has improved considerably in the last few months, it may still be some time before the world economy reverts to its pre-recession growth trajectory. The advanced economies are likely to recover rather slowly and investors worldwide are likely to evince greater discretion and caution while making fresh commitments. Added to this would be the threat of inflationary pressures due to the increased pressure on crude oil prices in the wake of economic recovery. This could further aggravate the existing domestic inflationary pressure due to increasing food prices. Several experts in this field are of the view that there is also a risk that arises from the possibility of another setback in the world of finance, where even a small adverse event has an amplified capacity for destabilisation. These risks call for a prudent assessment of the growth prospects of the Indian economy and require the Commission to carefully calibrate its assessment of the future growth of GDP and correspondingly, of the revenue base. Accordingly, the Commission has not assumed a constant GDP growth rate over its award period but has employed a calibrated approach. It has also been urged by the experts that the Commission maintain, at least, the level of adjustment envisaged in the Fiscal Responsibility and Budget Management (FRBM) Act 2003, during its award period, given that the Indian economy may quite reasonably be expected to revert to a trend nominal growth rate of at least 13.5 per cent in the medium term. Accordingly, we have adopted nominal growth rates of 12.50 per cent in 2010-11, 13 per cent in 2011-12 and 13.5 per cent in each of the years from 2012-13 to 2014-15. The MoF projections are broadly similar, while

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those of the Planning Commission are higher. The inflation scenario adopted by us is in line with the RBI projections of a rate of 4.5 per cent to 5 per cent. MoF, however, has assumed a lower inflation rate of 3 per cent to 4.5 per cent over the period 2010-15. In order to project the revenues and expenditures of the Centre for the period 2010-15, we have followed a two-step approach comprising a reassessment of the base year figures and, based on this, their projection for the award period (2010- 15). The 2009-10 (BE) figures reflected in the Union Budget presented on 6 July 2009 have, by and large, been taken as the base for projections. However, with regard to some items of revenue and expenditure, suitable adjustments have been made after careful consideration

Tax Revenues

The Commission considered various scenarios with respect to future tax revenue streams. If all taxes grow at the Trend Growth Rate (TGR) for the period 1909-10 to 2010-11, the implied buoyancy would be 1.43. TGRs for shorter periods yield even higher buoyancies. It was felt that assuming such high buoyancy for the projection period would be unrealistic, given that the 2004-08 period witnessed an unprecedented growth in the direct and service tax base. Thus, it was decided to moderate the buoyancy estimate and the tax revenues for the period 2010-15 have been projected by using an overall buoyancy of 1.33. This is derived by calculating the buoyancy of gross tax revenue, excluding service taxes for the period 1999-2010 (service taxes had a high outlier buoyancy of 4.54 during this period). This has been applied on the base year estimates of individual taxes to arrive at year-wise projections for revenue from each tax item. The resultant tax-GDP ratios are reported in Table1. Our projections are somewhat lower than the projections of the MoF. As the introduction of GST will not affect tax revenues as the rates implemented would be revenue-neutral. On the contrary, as explained, it is likely to improve revenues. This 'upside' potential of GST has not been factored into our projections and, to that extent, they are conservative.

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Table .1: Tax-GDP Ratio

(Per cent)

Years	2009-10 BE	2010-11	2 011-12	2012-13	2013-14	2014-15
Tax-GDP ratio	10.95	11.35	11.78	12.24	12.72	13.22

Non-tax Revenues

Under non-tax revenues, interest receipts from State and UT Governments have been projected to decline by 2 per cent each year from the base year onwards. This is to take account of the fact that the Centre's loan portfolio to states is reducing as past loans are amortized and no new loans are being issued, as per existing policy.

Plan Expenditure

In making our recommendations we have been asked to consider, among others, the demands on the resources of the Central Government, especially on account of the projected GBS to the central and state plans. In the dispensation of recent Finance Commissions, GBS emerged as a residual after fully providing for the requirements of the Centre on the non-plan revenue account. If the GBS is taken upfront

as a demand on the Centre's resources, the Finance Commission transfers will have to be tailored accordingly. This, in a way, reverses the current practice of arriving at the GBS residually and alters the basic character of the Finance Commission transfers. We have examined the matter in detail and our approach has been guided by the methodological issues involved in first taking GBS as a demand on the resources of the Central Government and then recommending transfers to the states. Projections of GBS are available only for the Eleventh Five-Year Plan period (2007-12) and do not fully cover our award period. Further, these are not broken down year-wise and the estimates of each year are arrived at during the finalization of the annual plans. There is a tendency to project GBS at higher than realizable levels in order to have a larger plan size. After fully providing for the projected GBS and other demands on the resources of the Centre, there may not be enough fiscal room to fully meet the requirements of the Centre on non-plan revenue account and maintain the current level of transfers to states, while bridging the gaps in the non-plan revenue accounts of the states. The requirements on the non-plan revenue account, of both the Centre and the states, being mostly committed in nature, have to be provided for in the first instance and cannot be provided for in a residual manner. There are also major problems in assessing the requirements of GBS normatively. After examining all these aspects, we are of the view that there are far too many practical difficulties in taking the GBS for plan as a demand on the resources of the Centre and that the balance of advantage clearly lies in arriving at the GBS residually, as has been then practice in the past.

To sum up :

1. The policy regarding use of proceeds from disinvestment should be liberalized to include capital expenditure on critical infrastructure and the environment, in addition to capital expenditure on the social sectors

2. Record of landholdings of the PSUs should be properly maintained to ensure that this scarce resource is put to productive use or made available for other public projects.

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THE 13TH FINANCE COMMISSION ISSUES AND DESIGN OF TRANSFERS OF RESOURCES FROM CENTRE AND STATES

The Constitution consistent with the principles of federal finance, taking into account the current and likely future macroeconomic and fiscal scenarios, so as to secure fiscal stability and adequate resource availability for the Centre, the states and the local bodies. The Terms of Reference for the Thirteenth Finance Commission can be viewed as setting the Commission three different types of tasks. The first or 'core' task of the Commission is to recommend distribution, between the Union and the states, of the net proceeds of taxes to be divided between of the Constitution of India, commonly termed as the 'divisible pool'. Second, the Commission has also to recommend the allocation between the states of such proceeds. Under Article 275 of the Constitution the Commission may provide general purpose grants to states which are 'in need of assistance' and other specific purpose grants. Third, the Commission has been asked to recommend measures to supplement the resources of the panchayats and municipalities in different states by augmenting the consolidated funds of individual states, taking into account the recommendations of the respective State Finance Commissions (SFCs). Every Commission is required by its Terms of Reference to keep specific policy considerations in mind while undertaking its core task. Thus, the Thirteenth Finance Commission has to take account of:

1. The need to balance the receipts and expenditure on revenue account of all the states and the Union and generating surpluses for capital investment.
2. The impact of the proposed implementation of the Goods and Services Tax (GST) from 1 April 2010, including its impact on the country's foreign trade.
3. The need to improve the quality of public expenditure.

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The Design of Fiscal Transfers

The approach to designing fiscal transfers by this Commission is, in its basics, consistent with the approach of recent Commissions. The availability of resources and expenditure requirements of the Centre and the states has been assessed on the basis of certain norms. Having estimated these, the vertical and horizontal devolution of taxes is determined. Grants are then allocated to states, based on certain criteria. However, these are not to be understood as linear stages in the Commission's working. A calibrated normative approach, is followed, where the assessment of resources available and expenditure commitments forecast by different government entities is undertaken, bearing in mind the overall resource envelope available to the general government, viz. gross revenue receipts of the Government of India and the State Governments, as well as the desired roadmap for fiscal consolidation. An iterative process with application of careful judgment and appreciation of the evolutionary nature of past trends helped us to determine the vertical sharing of resources between the Union and the states. Our endeavor has been to make this process transparent in our explanation of the logic underlying the Commission's recommendations on vertical and horizontal devolution and the principles governing the award of grants-in-aid to the states and local bodies.

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The overall approach of the Commission has taken account of the following issues in the design of fiscal transfers:

1. Symmetry between the Centre and states: It is commonly understood that the intent of setting up a Constitutional body such as the Finance Commission is to ensure that all levels of government are accorded similar treatment. In making projections of revenue and expenditure we have applied a normative discipline for both the Centre and states

2. Equal treatment: There are two contexts in which this proposition may be understood. First, there is no automatic priority accorded to any level of government, or to any two units at the same level of government within the framework of inter-governmental relations, in the Commission's award. Second, the Commission is concerned with equalization, not equity. This proposition needs to be understood in a citizen-centered, rather than government centric fashion, namely, that all citizens of India should expect to receive a comparable standard of public services, irrespective of where they reside within the Republic of India. The intent is to ensure that the states and local bodies have the fiscal potential to provide comparable levels of public services, at reasonably comparable levels of taxation. Clearly, this does not mean that per capita expenditure on such provision will be even across the country; conversely, it means that one of the requirements of equal treatment is to address differences in fiscal needs and cost disabilities for providing a similar level of public services, which may be higher or lower than the average. Thus, the principle does not guarantee uniformity in public services across the country, but addresses the fiscal requirements of each jurisdiction to enable such uniform

3. Predictability: The ability of governments to provide timely and need-based public services should not be negatively impacted by uncertainties and/or volatilities regarding resource flows. In the Indian context, where resource flows across inter-governmental units are sizeable in magnitude, close attention needs to be paid to this aspect in the design of the fiscal framework. In India the Centre collects important sources of revenue, which are then devolved to the states. The Centre, states and local authorities, all have a role to play in financing the delivery of key public services within their respective jurisdictions. It is important to ensure that the medium term framework for inter-governmental resource allocation allows all tiers of government to be reasonably certain about the resources at their disposal, in order to undertake their respective expenditure assignments.

4. Incentives: Finance Commission awards are but one part of the complex set of institutions that constitute the framework of inter-governmental arrangements in India. On the fiscal side, institutions like the Planning Commission, the finance departments and planning boards of different states, state Finance Commissions, the judiciary and the legislature, all play a role in determining the mobilisation and allocation of public resources. In this context the Finance Commission can play an important role in incentivising different tiers of government to undertake fiscal measures. A sterling example of this was the fiscal consolidation process undertaken in the period 2009-10. The role played by the previous Finance Commission was not that of leading or implementing the process; instead, it was that of incentivising the Central and State Governments to act on their resolve to reform the public finances of India, by recommending appropriate fiscal and other policy measures that could serve as a roadmap, together with a framework of positive incentives for its implementation. In our view the facilitating role of the Finance Commission in designing such incentives is

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as critical as, if not more critical than, the process of determining the criteria for inter-governmental awards. Our Commission has, therefore, tried to play its part in designing incentives consistent with the Terms of Reference. We have sought to maintain the incentive component within the devolution formula, while also seeking to provide grants to incentivize improvements in governance and the environment. We have, further, maintained time consistency of incentives across recent Commissions in order to improve the impact of such incentives.

Vertical Devolution: Issues and Approach

A key economic feature of a nation State is the existence of an internal common market. An important objective of economic policy should be to make sure that this market functions as efficiently as possible. This happens when resources and commodities move from one region to another without impediments or distortions caused by policy. While differences in local cost conditions may exist, their mitigation is a legitimate objective of policy making. However, distortions caused by faulty policy design are undesirable. In a decentralized tax system differences in tax structures across jurisdictions can cause undesirable distortions. In addition, there are fixed administrative costs associated with collecting different taxes which can be mitigated by a joint collection mechanism. Thus, according to our Constitution, many direct taxes like Income Tax are levied and collected by the Centre, but the proceeds are shared with the states. Similarly, the principle of equal treatment, irrespective of jurisdiction, is an important part of the political settlement in India. Thus, the principle that underpins both vertical and horizontal devolution is that equality of access should be enabled, but cannot ensure that common standards in quality or outcomes in public services are actually achieved. For that to happen it is necessary that the average cross-state level of tax effort assumed actually prevails in the states and that efficiency of delivery is not below the cross-state average. At the same time, we recognize that the Central Government can play a role in incentivizing improved levels of public service delivery across the country. Vertical transfers can be justified on four principal grounds. First, transfers may be responses to the extant asymmetric decentralization of expenditure responsibility and revenue-raising authority. Second, they may be used to equalize the fiscal capacity of the regions to avoid inefficient migration of persons and businesses among regions and to foster horizontal equity across the country. Third, these may also be used in conditional forms to neutralize fiscal externalities imposed by regional governments on other regions, as well as to achieve national standards in social programmes and to induce efficiency in the internal economic union. Finally, these may be used as instruments for insuring regions against shocks to their fiscal capacities (though this is mainly done through grants-in-aid). Each of these reasons informs our assessment of vertical devolution. Given the background of the ongoing economic recession it is clear that it is both efficient and desirable for the Centre to institute countercyclical measures to fulfill the key function of economic stabilization. At the same time, the symmetric decentralization of expenditure commitments and resource mobilization powers requires reprisal through vertical devolution. In addition, devolution must be adequate with regard to the requirements of fiscal consolidation and reform that the Commission recommends.

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Conclusion

While the issue of providing additional funding support to local bodies is significant, all the building blocks of the third tier structure deserve attention. These include: (i) entrusting local bodies with implementation and expenditure responsibilities consistent with their mandate; (ii) enhancing their capacity to meet these obligations through assigning necessary revenue raising powers as well as providing adequate transfers; (iii) making them accountable for their performance, including delivery of services as per previously notified standards; (iv) strengthening the functioning of the State Finance Commissions; and (v) providing focused support to the scheduled and excluded areas. The 13th Finance Commissions made a number of recommendations in this regard. Some of these recommendations, though important, have not been implemented so far. More needs to be done to promote decentralization. We also need to put in place a stronger incentive mechanism aimed at persuading State Governments to decentralize further. Our analysis develops on the work already done while attempting to identify and address major challenges in achieving these objectives are encourage policy innovations.

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THE 13TH FINANCE COMMISSION AND SHARING OF UNION TAX REVENUES

13th Finance Commission as stipulated in Article 280 (3) (a) of the Constitution is to make recommendations regarding the distribution between the Union and the states of the net proceeds of taxes which are Constitution and the allocation between the states of such proceeds. This is the most important task of any Finance Commission, as the share of states in the net proceeds of Union taxes is the predominant channel of resource transfer from the Centre to states. In the total resource transfers recommended by the Finance Commissions.

Views of the Union and the States

The Ministry of Finance, in its memorandum, has drawn our attention to the steady increase in the resources transferred to states, both by way of the share in central taxes and in the form of grants, particularly since 2010-11. The ministry has also indicated that there has been an increase in the net transfers to states since 2010—11 following the discontinuation of the practice of on-lending to states. The other issues raised in the memorandum relate to increasing direct transfers to state level agencies and the rising expenditure of the Centre on food and fertilizer subsidies. The ministry has contended that expenditure on food and fertilizer subsidies, in a way, amounts to negative taxation and that such expenditure is incurred on behalf of the states. We have been requested to keep these points in view while recommending transfers to states. The ministry has reiterated in its submission made to FC-13th that tax devolution should be gradually reduced to a maximum of 28 per cent of the net proceeds of central taxes. The ministry has further contended that the tax devolution recommended by FC- 13thmay not be changed as there has been no change in the responsibilities of the Centre or states, as envisaged in the Constitution. The states have, for the first time, submitted a joint memorandum to the Commission. In this joint memorandum, the Commission has been urged to enhance the share of the states in the net proceeds of central taxes from 30.5 per cent to at least 50 per cent considering the fact that the states' share in the combined developmental expenditure is much higher than that of the Centre. The states have further urged that the divisible pool of central taxes should include all cesses and surcharges. The states have contended that the requirement for an increase in their share of central taxes is much stronger now as the implementation of state-level Value Added Tax (VAT), with its built-in documentation of value addition, has simultaneously contributed to growth in income and corporate tax revenues. The memorandum also states that pay revision of Central and State Government employees will further enhance income tax collections by the Centre.

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Horizontal Sharing

Recent Finance Commissions have used equity and efficiency as the two guiding principles while recommending inter se shares of states in tax devolution. The principle of equity addresses the problem of differences in revenue raising capacity and cost disabilities across states. When capacity is assessed on the basis of observed revenue collected there is the risk of moral hazard in making the states lax in terms of improving their revenue effort and managing their finances prudently. The principle of efficiency is intended

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to address this issue and to motivate the states to exploit their resource base and manage their fiscal operations in a cost effective manner. A combination of these two principles has found wide acceptability and addressed the concerns of reforming states. Our recommendations on horizontal sharing have been informed by these principles.

As there is no certainty that the criteria will remain the same in future, there may not be enough incentive for states to improve their performance. However, a Finance Commission can only recommend the criteria but cannot determine the shares of states based on future performance, as it is not a permanent body. There is no mechanism currently in place to arrive at the shares of states on the basis of year-to-year performance. Besides, the performance indicators become available only after a gap of a few years. Therefore, we do not consider it feasible to adopt forward looking indicators for tax devolution involving yearly updating of inter se shares of states. However, we have considered such an option in the context of our recommendations for grants.

Views of State Governments

A majority of states, in their memoranda, favoured population as a criterion for determination of inter se shares of states in tax devolution. While some states are in favour of using the population figures of 2001, a few others have urged the Commission to use 1971 population figures, as mandated in the ToR. The weights sought to be assigned to this criterion varied from 10 per cent to 70 per cent. A few states have suggested that suitable weightage be assigned to the SC/ST population in a state. Population below the poverty line has also been suggested as a criterion. A majority of states favoured retention of income distance as a criterion. However, the weight suggested for this criterion varied widely, from a low 10 per cent to a high 70 per cent. A number of states favoured continuation of area as a criterion in the distribution formula, with some states suggesting an increase in the weight age and others suggesting a reduction. Continuation of tax effort and fiscal discipline as criteria for tax devolution has been suggested by the majority of states. Other criteria suggested by states include forest cover, length of international border, index of infrastructure, levels of backwardness, human development index, share of primary sector in Gross State Domestic Product (GSDP) of a state, contribution to central taxes and expenditure on social sectors and infrastructure.

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Criteria for Horizontal Sharing

FC-13th assigned a weight of 25 per cent to population, 50 per cent to per capita income distance, 10 per cent to area and 7.5 per cent each to tax effort and fiscal discipline in the formula for arriving at the share of each state in tax devolution. We have taken into account each one of these criteria and have also examined the suitability of other criteria in our effort to arrive at an appropriate formula for tax devolution. The components of the distribution formula recommended by us are discussed below. Population Population is an indicator of the expenditure needs of a state. It is a simple, objective and transparent indicator that ensures predictability. The criterion ensures equal per capita transfers to all states, not taking into account cost disabilities across states because of differences in the geographic spread of population. FC-13th assigned a weight of 25 per cent to population. We consider population as an important indicator of the needs of a state and assign it a weight of 25 per cent, as was done by FC13thFor this purpose, we are bound by our ToR to take into account population figures for states based on the 1991 Census

Fiscal Capacity Distance

Population and area have both been adopted by this Commission as criteria in the horizontal devolution formula, with the same weights as those used by FC-13th these are equity-neutral measures of fiscal need. In a country like India, where there is a 10:1 ratio between the per capita incomes of the highest and lowest income states (based on average comparable per capita GSDP for the years 2004-05 to 2006-07), there is an overwhelming case for an equity component in determination of relative fiscal need and indeed, this has been recognized by every Finance Commission from FC-VI. The intent of the equity component in the devolution formula is to ensure that all states have the fiscal potential to provide comparable levels of public services to their residents, at reasonably comparable levels of taxation. The equity component is justified, not merely to ensure equal treatment of citizens by governments, but also for economic efficiency reasons, so as to minimize fiscally-induced migration. However, it does not, by itself, ensure achievement of common standards in quality or outcomes in public services. For that to happen, it is necessary that the comparable level of tax effort assumed to hold across states actually prevails in each state and that efficiency in delivery is reasonably uniform. One of the terms of reference of this Commission requires us to look at improvement in public service delivery and we do so through the design of the conditionalities attached to some of our grants. The equity component in the devolution formula is an enabling provision that does not, by itself, guarantee uniformity in public service delivery across states.

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Fiscal Discipline

Fiscal discipline as a criterion for tax devolution was used by FC-XI and FC-13th to provide an incentive to states managing their finances prudently. Both these Commissions assigned a Weight of 7.5 per cent to this criterion. The index of fiscal discipline was arrived at by relating Improvement in the ratio of own revenue receipts of a state to its total revenue expenditure to average ratio across all the states. FC-13th had worked out the index with the reference period of 2000-01 to 2002-03 and the base period of 1993-94 to 1995- 96. We have retained this criterion and have worked out the index of fiscal discipline with 2005-06 to 2007-08 as reference years and 2001-02 to 2003- 04 as the base years The own revenue receipts of a state include own tax revenues and thus, the criterion of fiscal discipline also captures the tax effort of states. We have, therefore, dropped the use of tax effort as a separate criterion. FC-13thassigned a weight of 7.5 per cent each to fiscal discipline and tax effort. Thus, the combined weight assigned by FC- 13thto these two criteria was 15 per cent. There is a strong case to incentivize states following fiscal prudence, particularly in the context of the need to return to the path of fiscal correction. We have, therefore, assigned a weight of 17.5 per cent to fiscal discipline. Under this criterion, if all states have improved their respective ratios of own revenue to total revenue expenditure, then the states with relatively higher improvement than the average receives higher transfers.

Conclusion

The Commission has been urged to enhance the share of the states in the net Sharing of Union Tax Revenues proceeds of central taxes from 30.5 per cent to at least 50 per cent considering the fact that the states' share in the combined developmental expenditure is much higher than that of the Centre. Declining shares of state plan outlays and increasing expenditure needs of states in areas such as infrastructure development, social and human development, environmental protection and establishment in the wake of the pay revision. After due consideration of the views of the Centre and states, we are of the opinion that vertical devolution should be informed by the revenue-raising capacity of the Centre and states as well as emerging pressures on their expenditure commitments.

ECONOMIC REFORMS AND CENTRE - STATE FINANCIAL RELATION IN INDIA

Introduction

This paper provides an overview and analysis of Economic reforms and centre-state financial relations in India. India's economic reforms began slowly in the 1980s, and then accelerated under the pressure of an external crisis at the beginning of the 1990s. The most visible and important component of the reforms so far has been the relaxation of various internal and external controls on private economic activity. The distribution of financial resources is principally critical in determining the nature of the state's association with the centre. Both the Union and the States have been provided with independent sources of revenue by the constitution. The relations between the centre and the states which constitute the core of federalism have been enumerated in parts XI and XII of the constitution under the heads, legislative, administrative and financial relations.

System of Federal Finance in India

The Indian Constitution has all the features of a federation with the specification of financial powers and functional responsibilities of the Centre and the States and the institutions needed for a federal structure and a well defined mechanism for intergovernmental transfers to address vertical and horizontal imbalances which characterize most federations.

India is a federal country with the constitutional assignments of legislative and fiscal jurisdictions to Central, States and local governments. The latter was granted Constitutional status only in 1993 through 73rd and 74th amendments to Indian Constitution and is yet to be properly integrated with the federation as it seriously lacks the financial and administrative autonomy. So not only these bodies continue to remain dependent on devolutions from State governments (In certain cases Centre provides the funds to them bypassing State government) they continued to remain deprived of the fiscal instruments. Therefore effective federalism in India consists of two layers of government at the Centre and at state level.

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Economic Reform and federal finance

There was a paradigm shift in economic policy with the initiation of economic reforms in the country in the early nineties. The earlier focus on planned economic development, primacy of the public sector, location of public sector undertaking to address regional imbalances and regulation of industry and trade through a system of licensing and permits gave way to market-oriented economic policies. The focus has shifted from public investment to promoting private investment. The shift in economic policy has been a major contributory factor in putting the Indian economy on a higher growth trajectory. The economic reforms and other associated changes had repercussions on the Indian economy in a number of ways. One such major repercussion is the greater role cast on the States in economic development. One of the long standing grievances of the States was that the divisible pool of Central taxes was restricted to income tax and Union excise duties. Till the 80th amendment, the Constitution provided for mandatory sharing of the net proceeds of income tax (Article 270). And permissible sharing of the net proceeds of Union excise duties (Article 272). Following the recommendations of the Tenth Finance Commission, Article 270 of the Constitution was amended in 2000 (80th Amendment) to provide for the sharing of net proceeds of all Union taxes and duties except those referred to in Articles 268 and 269 and cesses and surcharges referred to in Article 271.

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Regional Imbalances

Growing regional imbalances both inter-State and intra-State are matters of serious concern and are counter to the objective of realizing the goal of inclusive growth. The strategy consisting of area specific programmes and the area specific tax exemptions have so far failed to address the problem adequately. A number of Committees have gone into the issues relating to growing imbalances in regional development and made recommendations to address these issues. The National Committee on Development of Backward Areas (B. Sivaraman Committee) drew attention to the large variations in climate, rainfall, topography and soil conditions across the underdeveloped regions and called for a differential approach to address the problems confronting them. The Committee also observed that special area development programmes were more in the nature of palliatives that failed to tackle the root of the problem and that most of the backward regions had potential for growth which could be tapped of certain special initiatives were taken. As the resources at the command of the States are limited, the committee recommend higher central transfers to backward States to enable them to improve their physical and human infrastructure.

Trends in fiscal transfers to states since 1991

The Commission on Centre-State relations (2010) considered the impact of the recommendations made by the Eighth to Twelfth Finance Commissions on the fiscal relations between the Centre and the States, especially the greater dependence of the States on devolution of funds from the Centre. The commission reviewed the trends in fiscal transfers to States since the period covered by Ninth finance commission.

In India, transfers from the Centre to States, comprising statutory and nonstatutory transfers, take place through three channels, namely, Finance Commission, Planning Commission and the Central Ministries. Statutory transfers in the form of share in the proceeds of Central taxes and non-plan grants are on the basis of the recommendations of the Finance Commissions. Non-Statutory transfers in the form of plan grants take place through the channel of the Planning Commission and in addition there are both plan and non-plan grants from various Central Ministries. The States get loans against the net small saving collections. These are from the NSSF which is outside the Consolidated Fund of India and cannot strictly be termed as loans from the Centre.

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Vertical imbalance

The relative shares of the centre and states in the combined revenue as well as combined expenditure show the vertical imbalances in the Indian federation. The relative shares of the Centre and States in the combined revenue receipts before and after transfers presented in Table 1.1 give an idea of the extent of vertical imbalances and extent of transfers from the Centre to States.

Finance commission	Percentage share Before Transfers		Percentage share after Transfers	
	Centre	States	Centre	State
Ninth (1989-95)	62.1	37.9	35.3	64.7
Tenth (1995-2000)	62.3	38.7	37.1	62.9
Eleventh (2000-2005)	60.9	39.1	36.9	63.1
Twelfth (2005-08)	62.9	37.1	36.5	63.5

Source: (Basic Data): Ministry of Finance, Indian Public Finance Statistics, various years.

The share of the States after transfers was 64.7 per cent in the period 1989-95 and thereafter decreased marginally and fluctuated in the range of 64.7 per cent to 62.9 per cent. The relative shares become just the reverse after transfers with the share of States going up and that of the Centre coming down. In 2000-05 and 2005-08, there is more than two percentage point increase in central transfers to

states. Both finance commission grants and plan grants account for the variations in central transfers as percentage of gross revenue receipts. There has been a slight upward drift in the share of Finance commission transfers revenue receipts over the period as a whole, because of an increase in the recommended share of the states in net central taxes by successive Finance commissions.

Table 1.2 Relative Shares of the Centre and the States in Combined Revenue and total expenditure

Finance commission	Total expenditure Before Transfers		Revenue Expenditure (percent)	
	Centre	States	State	Centre
Ninth (1989-95)	45.58	54.42	43.45	56.55
Tenth (1995-2000)	43.35	56.65	43.18	56.82
Eleventh (2000-2005)	43.77	56.23	44.03	55.97
Twelfth (2005-08)	43.74	56.26	44.45	55.55

Source: (Basic Data): Ministry of Finance, Indian Public Finance Statistics, various years.

The centre's share in the combined revenue expenditure varied from 45.58 per cent to 43.74 per cent through the period covered by Ninth finance commission (1989-95) to Twelfth finance commission (2005-08). The share of the centre and state remained stable at around 43 per cent, 56 per cent since the award period of Tenth finance commission.

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Composition of Central Transfers

Prior to 2005-06, normal plan transfers included a loan component which was 70 per cent for the general category States and 10 per cent for the special category States. Till 1999-2000, the Centre was also advancing loans to States against the net small saving collections. Of the total transfers from the Centre, Finance Commission transfers are predominant accounting for over 68 per cent since the award period of FC-X (1995-2000). Over the periods, there has been an increase in the share of Finance Commission transfers from 61.46 per cent in 1989-95 to 68.03 per cent in the period 2005-10. Within the Finance Commission transfers, there has been an increase in the share of grants particularly in the award periods of FC-XI and FC-XIII. The share of plan grants declined from 35.91 per cent in 1989-95 to 28.55 per cent in 2005-10. In recent total transfers because of higher transfers through CSS. There has also been a marginal increase in the share of non-plan grants in total transfers in recent years. As a percentage of GDP, total revenue account transfers to States remained stable till the award period of FC-XI and increased marginally in the period covered by FC-XII.

Conclusion

The analysis of Central transfers to States indicates a relative stability in the dependence of States. The share of the States in the combined revenue receipts after transfers remained in the narrow range of 62 to 65 per cent over the last 25 years. Relative stability is also observed in respect of Central transfers as a percentage of revenue receipts of States and the dependence of States on Central transfers. Since the state governments' responsibilities have gone up, they need more share from the central revenue.

The centre-state financial relation is a very delicate issues and it needs a complete change not only in the perceptions, but also at the implementation level. The Finance commission has the right credentials (being a constitutional body) to oversee the smooth transfer of funds from the centre to the states it can play vital role in providing invaluable suggestion to the government with regard to the fund transfer and also in suggesting measures to improve the working of the economy.

NEW INDIRECT TAX REGIME – GST: PROSPECTS AND ISSUES

Introduction

The Goods and Services Tax (GST) is a value added tax to be implemented in India by April 2012. It will replace all indirect taxes levied on goods and services by the Indian Central and State governments. It is aimed at being comprehensive for most goods and services with a few tax exemptions. Goods and Services Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. Through a tax credit mechanism, this tax is collected on value-added goods and services at each stage of sale or purchase in the supply chain. The system allows the set-off of GST paid on the procurement of goods and services against the GST which is payable on the supply of goods or services. However, the end consumer bears this tax as he is the last person in the supply chain.

Traditionally India's tax regime relied heavily on indirect taxes including customs and excise. Revenue from indirect taxes was the major source of tax revenue till tax reforms were undertaken during nineties. The major argument put forth for heavy reliance on indirect taxes was that the India's majority of population was poor and thus widening base of direct taxes had inherent limitations. Another argument for reliance on indirect taxes was that agricultural income was not subjected to central income tax and there were administrative difficulties involved in collecting taxes

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Objectives of the study

- To analyse the need for GST in India and
- To study the issues concerning GST

Features

- For demerit goods such as tobacco there may be an excise duty over and above the GST by the Centre
- Crude petroleum, petrol, diesel & ATF may be kept out
- Threshold exemption in both components of GST
- Compounding scheme for dealers having taxable turnover up to a certain threshold above the exemption.
- Input tax credit (ITC) of CGST for CGST and SGST for SGST would be permissible without inter-mixing
- India is planning to implement dual GST system. Under dual GST system, central good and services tax (CGST) and state goods and service tax (SGST) will be levied on taxable value of a transaction
- All goods and services, barring a few exceptions, will be brought into GST base. There will be no distinction between goods and services.

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Need For GST:

To trade

- Reduction in multiplicity of taxes
- Mitigation of cascading/ double taxation
- Development of common national market
- Simpler tax regime
- Fewer rates and exemptions

To Government

- Simpler tax system
- Broadening of tax base
- Improved compliance & revenue collections
- Efficient use of resources
- Conceptual clarity (goods vs. services)

IMPACTS OF GST

Implementation and enforcement of GST will need administrators to have an efficient computerization system which could carry out the task of checking and auditing the revenues from GST invoices with large amount Rate of tax and exemption

The government should carefully choose the most suitable tax rate so that the tax will not burden the poor.

Impact on general price level

In the early stage of GST implementation, the fact that the price level will be increased cannot be denied

PROBLEMS RELATED TO TAXPAYERS

Accounting records

Most small businesses do not have a proper system to keep accounting records.

Education

This requires a comprehensive education campaign. The campaign should involve a wide range of stakeholders and distribution of different types of informational materials throughout country and also should be extended to low-volume traders and consumers

Conclusion

GST model of the new tax will be a significant breakthrough towards a comprehensive indirect tax reform in the country. The implementation of GST will lead to abolition of other taxes such as octroi, Central states tax, State Level Sales Tax, entry tax, Stamp Duty, Telecom License fee, turn over tax, tax on consumption or sale of Electricity, tax on transportation of goods and services, etc. thus avoiding multiple layers of taxes that are imposed in India. . On the government side, well trained personnel should be provided in assisting the public. Decisions should also be made on the products which are exempted from tax.

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ISSUES FOR THE 13TH FINANCE COMMISSION

Introduction

The TOR of a Finance commission defines the mandate of the Finance commission that is binding on the commission. Hence any critical appraisal of the recommendations made by the Finance commission should necessarily start with a close look at the TORs of the various FCs . A brief review of the TORs of the earlier Finance commission which have made their recommendations, as has been attempted here, would enable us to put in perspective the recommendations made by these FCs and also undergone since when the First commission was constituted by an order dated 22nd November 1951. The major functions of the finance commission listed under Article 280 of the constitution are as follows.

1. Distribution between the union and the states of the net proceeds of taxes which are to be my be divided between them and the allocation between the states of the respective shares of such proceeds.
2. Listing out the principles that should govern the grants-in – aid of the revenues of the states ouut of the consolidated fund of india under Article 275 of the constitution
3. The continuuance or modification of the terms of any agreement entered into by the government of india with the government of any state

Finance Commission and Planning Commission

In contrast to the Finance Commission which is a child of the constitution, the planning commission is almost an object of faith of politicos. Whilst I believe in the historically contingent character of categories and institutions- and so I am not one to look back in anguish- I cannot but help believe that in the current situation, it waiting room character apart, its sell by date is over with the changing macro – management ethos the role of the state as well a review of fiscal federalism becomes necessary (Govinds Rao and Tapas sen (1996). As Raja Chelliah 1991 bited comprehensive central planning involving centralized decision making in relation to product and disposal of resources in the 'national interest' is the negation of true federalism.

The non – synchronous temporal tenures of the two commission will lead to several problems and issues. The uncertainty with regard to resources to the states over the entire period is one of them. The prevailing practice of treating plan and Non-plan has led to the inability to take a coordinated and holistic view. Indeed, given that action by either has implications for the other has meant that they have sometimes worked at cross purposes (see, govinda Rao and Tapas Sen 1966) It is a happy coincidence that Kelkar (2004) the chair man of the 13th Finance commission, is on record stating that Plan and Non-plan capital Vs revenue need to be re-examined. He will have to undertake the difficult task of recovering the lost ground. It may be worth recalling that there the chairman of the 4th FC had stated (Govinda Rao and Tapas Sen,1996) that there is nothing to exclude from its purview, grands for meeting revenue expenditure on plan schemes nor explicit bar on grants for capital purposes. How ever hesitancy on the part of FCs

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traditionally have led to it becoming explicit However hesitancy on the part of FCs traditionally have led to it becoming explicit mandate in the 10th FC. In the ToR of te 10th FC there is direction for the FC to take in to account the Gross budgetary support to center and state plans. This implies a subtle tilt in favor of the planning commission and that is a worrisome development of federalism . Such a stipulation may lead to the subservience of the constitutional entity Fc to the extra constitutional with its transfers becoming merely residual in character(G.R. Reddy2001)

The Finance commission will have to put up a strong fight for the territory that is in grave danger of being encroached upon. This is especially important since the politically weighted planning commission recommendations have implications in the domain of concern of the FC (for example the loan component of the plans give rise to interest payment liabilities. Which part of the non-plan revenue expenditure). The its transfers 'blocked' thereby reducing its degrees of freedom. It is important to note that the finance commission are by and large seen to be fair and rational whereas the plans are representative of the socio-political strategy of the government in office and hence susceptible to electoral cycle.

Equity and Efficiency

Economic reform must include substantial changes in the system of inter governmental fiscal relations, with the ultimate objective of substituting market discipline of state finances for the currently existing central controls. However in this connection no bailout policy is critical. If such a policy lacks credibility and as a consequence states prove reluctant to push ahead with reform, there would appear to be no alternative but to rely on tight borrowing restrictions combined with cuts in central government transfers as a consequence states prove reluctant to push ahead with reform there would appear to be no alternative but to rely on tight borrowing restrictions combined with cuts in central government transfers as a disciplining mechanism (Hemming Mates and potter in Teresa Menasian 1997) The current economic ethos clearly indicates that efficiency in the form of incentive compatibility in contracts relations must assume primacy. Given the political economy consideration however, it may be more realistic to pursue one sided IC system. Where we ignore the penal clause. There is also the need to consider the fact that we are in an era of competitive federalism. Its is however important to remember that application of this principle presumes the existence of competitive equality interims of initial capacities. If not proper policy mix has to be evolved to bring about equalization in the dynamic sense (especially where infrastructure and skill and revenue capacities are concerned) so that over a period there is a convergence.

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This conflict between equity and efficiency arises because over weighting of equity or need (as has been the case in India) creates serious disincentive for the better performing states. so that adequacy or need have to be treated in a normative sense so as to discourage laziness(Abhay pethe and Mala Lalvani2003) field in terms of stocks rather than just flows in the static frame . This can be done by measuring the need in terms of both stocks (infrastructure and capacity backlogs)and flows (income distance. similarly in measuring efficiency the dynamic elements (marginal improvement of stock as well as flows) need to be considered..

This way at least one sided incentive compatibility is achieved. That some of this is already being done by the recent commissions is welcome but more need s to be done here to push efficiency to the center stage. The need of equity considerations is not huts a matter of ethic-moral consideration but- even

for a rapidly opening economy like India –post Keyenes, is justified by sturdy economics sense. The power of this argument is enhanced manifold in a country like India when we a take in to consideration the issue of social harmony. One area where we believe more equitable measurement of equity based on need is in the application of distance. The weight assigned of the distance criterion needs to be reduced. After all population area as well as distance go to serve the concern of equity . In order to push for a greater space for efficiency whilst keeping in view equity and adequacy, it may be prudent to get back the recently discarded inverse distance criterion. Ad a known such criterion leads to the tragedy of middle classes but will emphasize the case of both the extreme cases. A more radical suggesting will be to take cause of decentralization seriously and treat district as primary unit for administrative of Maharashtra. which is a high per capita income state- where about 18.districts fall below the national level average performance in terms of per capita income , indeed removal of Mumbai from reckoning leads to a drop in the per capita income of around 30% Given that such high performing concentrated areas cities are always ignored in any transfer open count of need the aforesaid argument gains even more substance. This is pertinent since the macro level caps (on say the revenue deficits leads to less than optimal expenditure on public goods in the poorer parts of the state. This is one of the reason for potentially dangerous outbursts for separate identities.

Goods and Services Tax (GST)

One of the important issues that the 13th FC has been asked to look at is the impact of GST (since the year of its proposed commencement fall within the time of period its term) Although the reason for looking at its impact on foreign trade is not entirely clear. It is again propitious that Dr. Kelkar (2002) who headed the Task force for Indirect Tax reforms is the chairman of this commission. The grand bargain has been worked out where all the states will concurrently tax all the goods and services in a dual mode. The rates scenarios too have been suggested. It is argued that the dual (which in a sense deemed to be culmination of tax reforms) will minimize the cost of compliance, with the presumption that the administrative and IT infrastructure will be synchronized and clearing house mechanism will be in place. detailed empirical analysis by the task force is said to lead to the conclusion that there will be a substantial increase in the flow of funds to the state (with the pious hope or an expected caveat that this additional expenditure will be spent on Health and Education.

One of the good points about this scheme is that having decided that the taxes will be destination based will remove the complications of tax exportation to a great extent. How ever there are several conditions that will have to be fulfilled before the state is set for GST to become realistically implemented (see, Mythili Bhusnumath 2007) Given that tax reform is about policies, politics administration each one of these will provide substantial hurdles of framework, will and capacity. The CMs are in the process of negotiating and seem to be arriving at a they seem to be on the higher side 10% will have to be considered (Govinda Rao 2007) with the help of more detailed and retail stage cenvat) is a moot pint . The stage would have to follow the prescribed common market may require such a prescription. The actual rates not being available the 13th FC commission will have to take a call in a simulated environment. As pointed out by Govinda Rao (2007) there are likely to be various centre state and interstate issues (including adjucation) that will arise and hence require resolution through a permanent instrumentality of a clearing house for this purpose.

There are many road blocks to over power as well as miles to traverse even before one can realistically move over to the GST regime.

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Thus the 13th FC has to apply itself seriously and scientifically to study in a scenario framework the revenue implications of different reasonable rates at the central and state levels and come up with ceilings and floors especially for the states. Hopefully the state CMs committee will reach some consensus before the 13th FC report is submitted implications will also have to be worked out about the extent to which the hands of the state governments can be tied (thereby reducing their autonomy). Indeed the role of the FCs will have to undergo a change in terms of the magnitude and structure of sharing contingent on the pattern of tax revenues accruing.

Consulsion

For all the voluminous literature on the subject of intergovernmental transfers and its role including changing role in equalization variously interpreted and despite all the good work done by the central finance commissions it continues to be true that the transfer are mostly based on broad judgement rather than any objhective criteria. Not surprisingly they have also continued to be controversial. The frame of reference has futher set to change. Eg. From macro caps via micro design to macro stability but there is the general feeling thanks to the work of Buhanan –that has prevailed that fine tuning can do only that much a nd the residual violation of equalization will remain. It also clear that in the changed macro management ethos and the parametric environment greater coordination between government at various levels is c alled for in the interest of well being our polity economy and society in general and retaining the strength of the federal character of our union in particular.

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GOODS AND SERVICE TAX AND 13TH FINANCE COMMISSION

One of the biggest taxation reforms in India the Goods and Service Tax (GST) is all set to integrate State economies and boost overall growth.GST will create a single, unified Indian market to make the economy stronger.Finance Minister Pranab Mukherjee while presenting the Budget on July 6, 2009, said that GST would come into effect from April 2010.The implementation of GST will lead to the abolition of other taxes such as octroi, Central Sales Tax, State-level sales tax, entry tax, stamp duty, telecom licence fees, turnover tax, tax on consumption or sale of electricity, taxes on transportation of goods and services, thus avoiding multiple layers of taxation that currently exist in India. Finance Minister Pranab Mukherjee while presenting the Budget on July 6, 2009, said that GST would come into effect from April 2010.

Goods and Services Tax GST is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. Through a tax credit mechanism, this tax is collected on value-added goods and services at each stage of sale or purchase in the supply chain.The system allows the set-off of GST paid on the procurement of goods and services against the GST which is payable on the supply of goods or services. However, the end consumer bears this tax as he is the last person in the supply chain. Experts say that GST is likely to improve tax collections and boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate.

Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions.It is expected to help build a transparent and corruption-free tax administration. GST will be is levied only at the destination point, and not at various points (from manufacturing to retail outlets).Currently, a manufacturer needs to pay tax when a finished product moves out from a factory, and it is again taxed at the retail outlet when sold.

The combined GST rate is being discussed by government. The rate is expected around 14-16 per cent. After the total GST rate is arrived at, the States and the Centre will decide on the CGST and SGST rates.Currently, services are taxed at 10 per cent and the combined charge indirect taxes on most goods is around 20 per cent. The Central Government has published affluent essential circulars regarding the eradication of double benefits under the VAT and Central Sales Tax (CST) compensation packages which has been duly agreed by the states.

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Objectives

- To understand the concept of goods and service tax
- To analyze impact of GST for the growth.
- To study about the benefit of the goods and service tax to the centre and the state.

Benefit the Centre

It is estimated that India will gain $15 billion a year by implementing the Goods and Services Tax as it would promote exports, raise employment and boost growth. It will divide the tax burden equitably between manufacturing and services.

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Benefits of GST for individuals and companies

In the GST system, both Central and State taxes will be collected at the point of sale. Both components (the Central and State GST) will be charged on the manufacturing cost. This will benefit individuals as prices are likely to come down. Lower prices will lead to more consumption, thereby helping companies.

India is planning to implement a dual GST system. Under dual GST, a Central Goods and Services Tax (CGST) and a State Goods and Services Tax (SGST) will be levied on the taxable value of a transaction.All goods and services, barring a few exceptions, will be brought into the GST base. There will be no distinction between goods and services.

Rate of GST

The combined GST rate is being discussed by government. The rate is expected around 14-16 per cent. After the total GST rate is arrived at, the States and the Centre will decide on the CGST and SGST rates.Currently, services are taxed at 10 per cent and the combined charge indirect taxes on most goods is around 20 per cent. At present, the talks have veered around to the view that there should be two slabs one lower or floor rate for essential items and another higher or effective rate for most items. There will also be an exempted list of items and a lower rate of 1% for precious metals such as Gold ,Platinum ,silver.

Goods and Services Tax:

- Central Excise Duty
- Additional Excise Duties
- The Excise Duty levied under the Medicinal and Toiletries Preparation Act
- Service Tax
- Additional Customs Duty, commonly known as Countervailing Duty (CVD)
- Special Additional Duty of Customs – 4% (SAD)
- Surcharges, and
- Cesses.

Following State taxes and levies would be, to begin with, subsumed under GST:

(i) VAT / Sales tax

(ii) Entertainment tax (unless it is levied by the local bodies).

(iii) luxury tax

(iv) Taxes on lottery, betting and gambling.

(v) State Cesses and Surcharges in so far as they relate to supply of goods and services.

(vi) Entry tax not in lieu of Octroi.

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Purchase tax

Some of the States felt that they are getting substantial revenue from Purchase Tax and, therefore, it should not be subsumed under GST while majority of the States were of the view that no such exemptions should be given. The difficulties of the foodgrains producing States and certain other States were appreciated as substantial revenue is being earned by them from Purchase Tax and it was, therefore, felt that in case Purchase Tax has to be subsumed then adequate and continuing compensation has to be provided to such States. This issue is being discussed in consultation with the Government of India.

Tax on items containing Alcohol

Alcoholic beverages would be kept out of the purview of GST. Sales Tax/VAT can be continued to be levied on alcoholic beverages as per the existing practice. In case it has been made Vatable by some States, there is no objection to that. Excise Duty, which is presently being levied by the States may not be also affected.

Tax on Petroleum Products

As far as petroleum products are concerned, it was decided that the basket of petroleum products, i.e. crude, motor spirit (including ATF) and HSD would be kept outside GST as is the prevailing practice in India. Sales Tax could continue to be levied by the States on these products with prevailing floor rate. Similarly, Centre could also continue its levies. A final view whether Natural Gas should be kept outside the GST will be taken after further deliberations.

Inter-State Transactions of Goods and Services

The Empowered Committee has accepted the recommendations of the Working Group of concerned officials of Central and State Governments for adoption of IGST model for taxation of inter-State transaction of Goods and Services. The scope of IGST Model is that Centre would levy IGST which would be CGST plus SGST on all inter-State transactions of taxable goods and services with appropriate provision for consignment or stock transfer of goods and services. The inter-State seller will pay IGST on value addition after adjusting available credit of IGST, CGST, and SGST on his purchases. The Exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The Importing dealer will claim credit of IGST while discharging his output tax liability in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. The relevant information will also be submitted to the Central Agency which will act as a clearing house mechanism, verify the claims and inform the respective governments to transfer the funds.

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Conclusion

Given the approach adopted the THFC and developments that have taken place before and since its reports was submitted in GST .The classification of goods and services into different categories remain in the same across all the state and centre. Homogeneous procedure will help for the easy administration. Floor rates should be adopted it minimize the damage from tax competition. GST will help to the growth of following sector like infrastructure, agriculture, employment generation etc.

FISCAL CONSOLIDATION OF THIRTEENTH FINCANCE COMMISSION

INTRODUCTION

The thirteenth Finance Commission was contributed by the president under article 280 of the constitution on 13 no 2007 to make its recommendations for the period 2010-15. Dr.Vijay Kelkar was appointed the chairman of the commission.

In its core constitutional mandate as spelt out in the terms of reference (TOR), the THFC would make recommendations on "The distribution between the union and the states of the net proceeds of taxes, which are to be or may be divided between them (Article 280)","The principles which should govern the grants-in-aid of the revenue of the states out of the consolidated fund of India (Article 275)",and "The measures needed to augment the consolidated fund of a state to supplement the resources of the panchayats and municipalities in the state on the basis of the recommendations made by the finance commission of the state".

THE APPROACH OF THE THIRTEENTH FINANCECOMMISSION

The thirteenth finance commission submitted its report on December 3, 2009, The overall approach of the commission was as follows,.

(i) To foster " inclusive and green growth promotion fiscal federalism'

(ii) Focus on fiscal consolidation process in a medium – term debt reduction framework. The commission observed that as against the level of 75 percent targeted by the Twelth Finance commission, the combined debt-GDP ratio was 82 percent in the terminal year (2009-2010). It purposed reducing the combined debt-GDP ratio to 68 percent by the 2014-2015 with the centre debt GOP ration declining to 45 percent.

(iii) The commissions recommended fiscal consolidation through the elimination of revenue deficit as the long-term target for both centre and the stats.

(iv) The finance commission- XIII to ensure that states and local bodies have the fiscal potential to provide comparable levels of public service at reasonably comparable level of taxation.

GRANTS IN AID

A total sum of Rs.258571 crore has been recommended for the award period as grants in aid to states. It is important to note that total of 142640 crore was recommended as grants-in-aid by Twelfth finance commission. This means a big jump in grants in aid recommended by the finance commission but we find a decline in team as percentage of grants in aid in total transfer from center to states recommended by the finance commission from 18.9 percent to 15.2 percent .

State govt are to be eligible for the general performance and special area performance grants only it they comply with the prescribed stipulation in terms of grants to local bodies.

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NONPLAN REVENUE

A total non-plan revenue grant of Rs.51,800 crore is recommended over the award period for eight states. A performance grants of Rs.1,500 Crore is recommended for three special category states that have graduated from a non-plan revenue deflect situation.

GRANTS –IN-AID OFR EDUCATION AND OTHERS

An amount of Rs.27945 Crore has been recommended for state –specific needs. An amount of Rs.24068 crore has been recommended as grant for elementary education. Amount Rs.5000 crore each as forest, renewable energy and water sector – management grants have been recommended.

LOCAL BODIES – PANCHAYATS AND MUNICIPALITIES

Thirteenth Finance commission provided Rs.87519 Crores as grants for local bodies.

It is significant that out of total transfers from center to states share of local bodies made a jump from 3.3 percent by Twelfth Finance commission to 5.1 percent by Thirteenth Finance Commission. In absolute terms this increase seems to be much greater as total grants for local bodies have increased from Rs.25000 Crores to Rs.87519 Crores.

ROAD MAP FOR FISCAL CONSOLIDATION

The thirteenth finance commission has recommended fiscal consolidation through the elimination revenue district as the long-term target for both the centre and state.

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	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue Deficit	3.6	2.6	1.2	0.6	0.4
Fiscal Deficit	7.3	6.6	5.3	5.3	5.0
Debt	91.7	91.2	88.2	86.5	81.9

Source: Report of Thirteenth Finance Commission (original source: India public Finance statistics 2008-09)

We have estimated the share of states in the total basis by applying individual states share in total value added in the service sector in the country. In tamil nadu estimated the additional increases the tax rate of Rs.21,790 crores used in the service sectors.

SHARES OF IN STATES IN CENTRAL TAXES AND DUTIES AND GRANTS-IN-AID

Thirteenth Finance Commission recommended that the share of states in net proceeds of sharable central taxes shall be 32percent every year.for the period of the award. It has also recommended for greater grants-in-aid to states. In all states will get 136 percent higher amount in comparison with Twelth Finance Commission. In comparison to the indicative ceiling of 38 per cent by Twelth Finance Commission Thirteenth Finance Commission recommended for indicative ceiling at 39.5 percent of gross revenue receipt of the centre as overall transfers to states on revenue account.

Table No:3

SHARES OF STATES IN TAXES IN 12th,AND 13th FINANCE COMMISSION

States	12th Finance Commission	13th Finance Commission
Andhra Pradesh	7,356	6,948
Karnataka	4,459	4,335
Tamil Nadu	5,305	4,977
All states	100.00	100.00

Source: Report of Thirteenth Finance Commission.

Table No:4

SHARES OF STATES IN CENTRAL TAXES&DUTIES AND GRANTS-IN-AID

States	Shares in Central Taxes &Duites	% of Total	Total Grants-in-aid	% of
Andhra pradesh	1,00,616.0	6.948	13,532.3	5,233
Assam	52,620.6	3,634	5,215.1	2,017
Haryana	15,199.5	1,050	4,230.8	1,652
Tamil Nadu	72,070.4	4,977	11,366.9	4,396
West Bangal	1,05,358.6	7,276	12,638.7	4,888
All states Total	14,48,096.0	100.00	12,638.7	100.00

The thirteenth Finance commission indicated a normative discipline for both centre and states with equal treatment which entailed no automatic priority for any level of government and a focus on equalization (and not equity).

The letter signaled the intent of the thirteenth Finance Commission to ensure that states and local bodies have the fiscal potential to provide comparable levels of public service at reasonably comparable levels of Taxation. This principle does not guarantee uniformity in public services across the country; but it addresses the fiscal requirements of each jurisdiction to enable such uniformity.

CONCLUSION:

The Thirteenth Finance Commission has been constituted against the backdrop of strong fiscal correction and consolidation by most of the state government. The THFC may consider widening the sharable pool of central taxes by including service tax. In the context of fiscal efficiency, apart from tax effort, the THFC may give adequate weight to non-tax collection effort. The THFC may also consider providing more purpose- specific grants for the social sectors. Such as education, health, etc, along with considering "The need to enhance social sector expenditure" as a criterion for horizontal sharing the THFC may also revisit the idea of "matching grants" in view of its stringent nature. The THFC may consider abolishing the post-devolution non-plan revenue deficit grant in view of the elimination of revenue deficit in the post-FRL phase.

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THIRTEENTH FINANCE COMMISSION: IMPLICATIONS OF KEY RECOMMENDATIONS FOR STATE GOVERNMENTS

INTRODUCTION

The Finance Commission is constituted by the President of India every five years under Article 280 of the Indian Constitution. The Finance Commission is mandated by the Indian Constitution to provide recommendations on: the sharing of Union tax collections between the Central Government and the Indian State Governments; the various non-plan grants to be provided by the Central Government to the State Governments; and the measures that may be taken to augment the resources of the Urban and Rural Local Bodies, which form the third tier of Government in India. Additionally, the Commission provides recommendations on specific areas as may be mandated by the President of India; the ThFC was mandated to review the finances of the Union and State Governments and suggest measures for "maintaining a stable and sustainable fiscal environment consistent with equitable growth". The recommendations of the Thirteenth Finance Commission (ThFC), constituted by the President of India under Article 280 of the Indian Constitution, will govern various elements of the fiscal relation between the Government of India and the various State Governments over the period 2010-11 to 2014-15 (award period). The report of the ThFC lays the basis for a substantial portion of the Central transfers that will be made to the State Governments during the five-year period ending 2014-15. This ICRA note analyses the impact of some of the key recommendations of the ThFC on the fiscal health of various State Governments. Most of the recommendations taken up for discussion here have already been accepted by the Government of India (GoI).

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OBJECTIVES OF THE STUDY

1. To study the major recommendations of Thirteenth Finance Commisssion to centre and state governments for financial assistance.
2. To analyze the impact of sharing of Union taxes between central and state governments.
3. To examine the nature of Grants-in-Aids to state governments and the relief of Interest and Debt in India

Devolution of Central Taxes

The ThFC, by modifying the criteria and the associated weights governing horizontal devolution, has changed the *inter se* shares of the Indian States within the overall pool of shareable taxes. Regardless of the lowering of the *inter se* shares for some States, the taxes to be devolved to all the States over the ThFC period are likely to be substantially higher than they were during the TwFC period, considering the anticipated buoyancy in Central tax collections following resumption of higher economic growth from 2010-11 onwards, reversal of certain tax cuts and the possibility of successful implementation of the Goods and Services Tax (GST). Thus, all States are expected to witness a significant increase in the magnitude of transfers (Central taxes + Finance Commission grants) during the ThFC period over the TwFC period. Higher transfers would boost the States' revenue receipts, thereby creating fiscal space for the State Governments to incur additional expenditure while at the same time providing assistance for the attainment of the fiscal targets laid down by the ThFC.

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ICRA Rating Feature

While higher devolution of taxes to the States implies lower net tax revenues for the Central Government, the anticipated increase in tax buoyancy over the medium term suggests that the Centre's net tax collections would also enjoy healthy growth. Nonetheless, expenditure adjustments at the Centre, rather than over-reliance on revenue growth, remain critical in the pursuit of sustainable fiscal consolidation at the national level.The total grant of Rs. 3,185.81 billion to be provided by the Centre to the State Governments over the ThFC award period includes an amount of Rs. 875.19 billion for further transfer from the States to their Local Bodies.

Sharing of Union Taxes

The ThFC has recommended that, in terms of vertical distribution, the share of the States in the net proceeds of shareable Union taxes be set at 32% for each of the years between 2010-11 and 2014-15; this recommendation has been accepted by GoI. The States' share in the pool of divisible taxes over the period 2010-15 will thus be higher than the share of 30.5% accorded to the States during the award period of the TwFC. After displaying buoyancy between 2005-06 and 2007-08, Central tax collections reported low growth in 2008-09 and 2009-10 (according to GoI's revised estimates) because of slower economic growth and the various tax cuts/ exemptions allowed as part of the fiscal stimulus packages announced in the second half of 2008-09 in the wake of the economic slowdown. The ThFC has estimated that the total Central tax devolution to the States will stand at Rs. 14,481 billion over the years from 2010-11 to 2014-15. This, in ICRA's estimate, would be more than twice the devolution over the TwFC period.The proportion of Central tax devolution flowing to each State will be governed by the *inter se* distribution recommended by the ThFC for the years 2010-11 to 2014-15, which has been accepted by GoI. The population and area criteria and their respective weights are along the same lines as followed by the TwFC. The latter aims to ensure that all States have the fiscal capability to provide similar levels of public services to their populace, at comparable levels of taxation. Since the fiscal discipline criterion4 captures the tax effort of States, the tax effort criterion5 has been dropped by the ThFC. In order to incentivise fiscal prudence, the ThFC has increased the weight attached to the fiscal discipline criterion to 17.5%, higher than the combined weight of fiscal discipline and tax effort set by the TwFC (15%).The shares of seven States, namely, Andhra Pradesh, Chhattisgarh, Gujarat, Jharkhand, Kerala, Orissa and Tamil Nadu, would still be lower than they were during the TwFC period because of the considerable lowering of their respective shares. Nevertheless, the Central tax devolution for each State is expected to be significantly higher in absolute terms during the ThFC period as compared with the TwFC period, going by the Central tax devolution estimated by the ThFC. ICRA estimates that a modest increase in the magnitude of the overall Central tax collections over the ThFC period relative to the TwFC period should be sufficient to ensure an increase in the Central tax devolution for all States.

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Grants -in-Aids to the State Governments :

The ThFC has recommended that grants of Rs. 3,185.81 billion be provided by the Centre to the States over the Commission's five-year award period .The award is substantially higher than the Rs. 1,426.4 billion that had been recommended by the TwFC.

GoI has accepted most of the recommendations of the ThFC on grants. While GoI has in principle accepted the recommendation that Rs. 500 billion be provided to the States for the implementation of GST in accordance with the model recommended by the ThFC, the implementation of the same has been deferred, pending the outcome of the ongoing discussions between the Centre and the States on the rollout of GST. Excluding this grant and the grants of Rs. 50 billion each for renewable energy (under the environment related grants) and reduction in the infant mortality rate (under the grants for improving outcomes)6, the balance amount of grants recommended by the ThFC at Rs. 2,585.8 billion is 81% higher than the grants recommended by the TwFC. This amount includes grants of Rs. 875.19 billion for Local Bodies, including a basic grant of Rs. 563.35 billion and a performance grant of Rs. 298.26 billion, which would be released

by GoI to the States for further transfer to the Local Bodies .The ThFC has provided grants for the environment and for improving various outcomes of public expenditure. The latter includes, among others, grants for improving justice delivery; for improving statistical systems at the State and District Level; and for providing incentives for reducing infant mortality. The grants awarded by the ThFC for the environment include grants for forests, water sector management and an incentive grant for grid connected renewable energy. The release of certain grants including the incentive grants under the grants for environment and improving outcomes as well as the performance grant for Local Bodies are subject to various prescribed conditionalities to ensure that the States comply with the overall agenda in these sectors.The ThFC has recommended that Rs. 279.45 billion be provided as State specific grants, to address specific concerns raised by the States. However, these grants will be available only to those States that comply with the condition to amend their FRBM Acts or enact FRBM Acts in line with the fiscal correction path recommended by the ThFC .

Interest and Debt Relief :

The ThFC has made two significant recommendations regarding interest and debt relief. It has recommended that the interest rate on loans to the States from the NSSF contracted until 2006-07 and outstanding at the end of 2009-10 be reset at 9%, in order to correct the interest asymmetry between the Centre and the States. These loans carry an interest rate of either 9.5% or 10.5% at present, depending on the year in which the loans were contracted. Relief is to be provided on loans contracted until 2006-07, since a portion of the funds collected under the NSSF from 2007-08 onwards was borrowed by the Central Government. The benefit of the interest reset is estimated at Rs. 135.17 billion over the ThFC period and at a total of Rs. 283.60 billion over the life of the instruments concerned.The ThFC has recommended that the loans from GoI to States administered by ministries/ departments other than MoF and outstanding at the end of 2009-10 (estimated at Rs. 45.06 billion at the end of 2007-08 by the ThFC), which were not covered by the TwFC under the DCRF facility, be written off; this recommendation has been accepted by GoI. Additionally, the ThFC has suggested that the practice of the Centre providing loans to the States under Centrally Sponsored Schemes (CSS) be avoided in future; this is yet to be accepted by GoI, pending consultations with various Central ministries. The ThFC has reiterated the TwFC's recommendation that the Central Government provide a borrowing window for fiscally weak States that are unable to raise funds from the market.

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CONCLUSION

The ThFC's recommendation that the share of States in the divisible pool of Union taxes be increased and that the level of Central grants to the States be raised significantly would boost the States' evenue receipts over the period 2010-11 to 2014-15. However, in ICRA's view, renewed buoyancy of Central and State tax revenues, and structural improvements accruing from greater expenditure control would be essential to improve the States' revenue balances in the medium-to-long term. Considering the desired reduction in the debt stock to a more sustainable level, the ThFC has prescribed timelines for the States to eliminate revenue deficits and restrict the financing gap to 3% of GSDP. The adjustment timelines set by the ThFC, which draw a distinction between the General and Special Category States, are customised to the fiscal situation and capabilities of the States. However, the possibility remains that the States would meet the overall financing gap targets, while at the same time incur revenue deficits and consequently under-spend on the capital account (that is, spend less than 3% of GSDP, which is the level envisaged by the ThFC). Thus, overall, ICRA believes that although the ThFC has prescribed a realistic fiscal reform path for the States, it is the commitment of the State Governments to following the prescription that will largely determine the extent to which fiscal consolidation is actually achieved

NEW INDIRECT TAX REGIME –GST: PROSPECT AND ISSUES

Introduction

India has witnessed substantial reforms in indirect taxes over the past two decades and is on the verge of another major reform initiative which will bring this process to acumination. Central and state domestic indirect taxes transformed themselves from cascading turnover taxes into variants of taxes applied on value addition. However, for both the central taxes and the state taxes, at present the base subject to tax is far from comprehensive. The central taxes do not cover value addition in goods beyond the manufacturing stage, and in services only listed services are covered. On the other hand, in the case of state taxes, only sale of goods is covered. In order to take this process of reforms through the next big change, the finance minister, in his budget speech of 2006-07 announced the introduction of a unified goods and services tax (GST) in 2010. Today we are on the eve of this historic date. While it is far from clear whether the new tax would become operational from 1 April 2010, the contours of the proposed regime are now emerging into the public domain.

Objectives of the Study

This study mainly aims at the following objectives,

1. To estimate the base for GST in India on conservative assumptions to arrive at more realistic estimate of the revenue neutral rates across states.
2. To discuss about the proposed design of GST in India

Methodology

The study is basically a descriptive one that makes use of secondary data only, published in books, journals and annual reports of the department.

Administration of the Tax:

The discussion paper emphasizes at a number of place that there is need for harmonization of the forms and procedures, and the taxing provisions across the different tax administrations. This view is expressed in the context of the formulation of the tax statutes as well as in the context of forms and procedures. While this a commendable position to take, and would allow for considerable ease in compliance, once an agreement of this kind has been possible, it is tempting to ask whether one cannot go a step further and explore the possibility of a single registration and a single return. This process need not undermine the administrative independence of the tax departments, and yet could provide a significant simplification for the taxpayer. Given that the tax d epartments are proposing a common PAN-linked taxpayer identification number, such a process along with a common information system would remove "sharing of information" from a task to a fact and thereby improving tax administration significantly.

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Assessment of the Tax Base and Revenue Neutral Rates

We have taken data for the fiscal year 2007-08 for the purpose of RNR calculation, since that is the latest year for which comprehensive data is available. For the purpose of this exercise we have defined the revenue target as equivalent to that raised through VAT, CST and electricity duty at present. While there are some other taxes proposed to be subsumed into GST, since information on the bases associated with these taxes is not accessible, they are kept outside the exercise.

It is important to understand what is available from the Prowess database. Prowess is a data base of large and medium Indian firms. It contains detailed information on over 20,000 firms. These comprise : (1) All companies traded on India's major stock exchanges, (2) several others including the central public sector enterprises, (3) the database covers most of the organized industrial activities, (4) banking, and (5) organized financial and other services sectors in India.

The companies covered in Prowess account for 75% of all corporate taxes and over 95% of excise duty collected by the government of India. Prowess provides detailed information on each company. This includes a database of the financials covering 1,500 data items and ratios per company. Besides, it provides quantitative information on production, sales, consumption of raw material and energy use. The data extracted on the service sector sale at all India levelis reported in Table 1. As evident this, for 2007-08, works out to be Rs.3,35,189crore. The all-India services sector sales as reported in Prowess data set as a percentage of service sector's GDP works out to be around 7% of GDP and 14% of service sector GDP and around one-third of the service sector GDP excluding the exempted sector.

Sales data obtained from the Prowess data set is a very conservative estimate of service sector activity. We have tried to have a more realistic estimate of the service sector base by mapping service-wise tax collection data against the data on sales obtained as per the NIC code and adjusting the turnover / sales based on the tax collected from each category of services. Having done this adjustment, we have obtained a revised sales figure for the service sector at Rs.7,54,883crore. This is further adjusted for some of the important currently exempt services which would be part of the GST base, VIZ, railway passenger fare and railway freight on exempt commodities, electricity revenues from supplies to domestic consumers and exempt sectors and air-fares.

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Conclusions

The Empowered Committee's first discussion paper on GST is a very valuable document in laying the foundations for the proposed new regime of GST in India. Given the concerted effort to introduce such a major change in the tax regime with a consensus among all the states concerned, there is often concession made to preserve the consensus. The objective of the present exercise is to highlight, in the context of the estimated tax base, the gains from exploring some alternatives to those proposed in the discussion paper. For instance, from the discussion, it would be apparent that inclusion of electricity duty and passenger and goods tax into the tax base does not substantially raise the revenue neutral rate. It is therefore not clear why these taxes are sought to be kept out. Similarly, it would be worth exploring whether the list of commodities under 4% rate can be pruned to a minimum. It is possible to argue that some combination of smaller number of commodities at the 4% rate and an expansion in the coverage to cover both electricity duty and passenger and goods tax could actually leave the revenue neutral rate unchanged and yet result in a superior

design of the tax. Ernst & Young has been closely involved with the GST initiative through its Policy Advisory Group - a specialized team of experienced professionals, including former government officials - that advises businesses as well as governments on diverse policy issues. The Group helps businesses anticipate policy changes, assess their impact on their operations, and engage in a constructive dialogue with the relevant authorities for remedial measures to address any concerns. The Group has diverse VAT and GST experience with extensive interactions with both the Centre and the State Governments in India and overseas engagements in jurisdictions such as Canada, China and European Union. It is also noted that, buoyed by the success of GST, more than 140 countries have introduced GST in some form to other and is fast becoming the preferred form of indirect tax in the Asia Pacific region.

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THIRTEENTH FINANCE COMMISSION: CRITERIA FOR TAX DEVELOPMENT

Introduction

The Report of the 13th Finance Commission submitted in December last year and placed in the Parliament in the budget session of the Parliament in February has not been subject to critical analysis and discussion. The central government has accepted the recommendations relating to transfers and its other recommendations have been accepted in principle. In general, the response to the Finance Commission report has been muted and there has hardly been any serious analysis or debate except those recommendations relating to the GST on which the states have expressed serious concerns.

Criteria for Tax Development

Taking average tax-GSDP ratio as a norm to determine taxable capacity does not recognise the fact that taxable capacity increases more than proportionately as per capita income increases. The inability to offset the fiscal disabilities of the states leads to giving several grants. Even here, the approach is *ad hoc*. In particular, the grants recommended for individual states for their special needs is a classic example of the *ad hoc* approach which is arbitrary and judgmental. There is no need for such transfer once their fiscal disabilities are offset. The grants recommended for elementary education covers only 15 per cent of the *Sarva Shiksha Abhiyan* requirements of the states. The understanding is that the rest of the funds should come from the states' own resources. The previous Commission gave 10 per cent. The question is why 15 per cent and why not more or less? The recommendations relating to the GST are the ones which have been resented most by the states and actually, this has taken the reform agenda backwards. The "all or nothing" types of conditions do not leave much room for a "grand bargain". It is not surprising that the states have taken different bargaining postures and have gone about increasing the general rate of VAT from 12.5 per cent to 13.5 per cent. In fact, the central government has virtually ignored these recommendations to continue the dialogue with the states and hopefully, all the parties will work towards a consensus to levy the GST in the near future and even if it is not the "model GST" recommended by the Commission, it will retain the basic features of a sound GST.

A major concern is the plethora of conditional ties imposed by the Commission. Besides the conditions on GST compensations discussed above, there are several conditions stipulated for achieving fiscal consolidation and incentivizing local bodies. There are questions of design, implementation, and monitoring of these conditions. Not surprisingly, some states have raised the issue of autonomy. Can all the conditions stipulated be met? Some of them can be implemented only in the long term and it may not be possible for the centre as well as the states to implement within the period of recommendation of this Commission. How can the conditions be enforced when there are no incentives? How do we deal with the issue of conditions in respect of local body incentivisation where the conditions are for the state governments and if they do not fulfill them, local bodies will lose the grants? These questions leave one suspect that the Commission lost an opportunity to reform the transfer system yet again.

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Criteria for Tax Devolution

The Thirteenth Finance Commission argues that its recommendations on tax devolution are based on the considerations of "need, fiscal deficiency and adequate incentivisation for better performance". The criteria and weights for tax devolution as recommended by the Commission are given in Table 1.1. The Thirteenth Finance Commission has accorded the same weight age to population (25 per cent) as was done by the Twelfth Finance Commission. The weight age of area also remains the same at 10.0 per cent. The index of fiscal discipline was introduced by the Eleventh Finance Commission and was continued by the Twelfth Finance Commission. Both the Commission also took into account the criterion of 'tax effort'. The combined weight age of these two criteria was 12.5 per cent in the Eleventh Finance Commission and 15.0 per cent in the Twelfth Finance Commission. The Thirteenth Finance Commission opines that "there is a strong case to incentivize States following fiscal prudence, particularly in the context of the need to return to the path of fiscal correction". Accordingly, it has assigned a weight of 17.5 per cent of fiscal discipline.

The criterion 'fiscal capacity distance' is the new criterion being adopted by the Thirteenth Finance Commission. It is somewhat akin to the income distance criterion used by the Twelfth Finance Commission but there is an important difference. The income distance criterion used by the Twelfth Finance Commission, measured by per capita GSDP, is a proxy for the distance between States in tax capacity. When so proxied, the procedure implicitly applies a single average tax-to-GSDP ratio to determine fiscal capacity distance between States. The Thirteenth Finance Commission recommended, instead, the use of separate averages for measuring tax capacity, one for general category States and another for special category States. The justification for doing so is that between the two categories, a single average applied (implicitly) to GSDP does not accurately capture the fiscal discipline between the two groups.

Fiscal distance is obtained for each State by the distance of its estimated per capita revenue from the estimated per capita revenue of Haryana, the second highest in the per capita income ranking after Goa. The distance so computed for all States, barring Haryana and Goa, defines the per capita revenue entitlement of each State based on fiscal distance. For Haryana and Goa, a revenue entitlement of Rs.100 per capita has been assigned. These per capita entitlements are then multiplied by the respective 1971 population figures of each State to arrive at the share of each State in tax devolution.

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Grants-in-Aid

Grants-in-aid are an important component of Finance Commission transfers. The size of the grants has varied from 7.7 per cent of total transfers under Seventh Finance Commission to 26.1 per cent of total transfers under Sixth Finance Commission. Grants recommended by Twelfth Finance Commission amounted to 18.9 per cent of total transfers. The Thirteenth Finance Commission has suggested several categories of grants-in-aid amounting in aggregate to Rs.3,18,581 crore which constitutes 18.03 per cent of total transfers. The division among different categories would be clear from Table 1.2.

As far as post-devolution Non-Plan Revenue Deficit (NPRD) grants are concerned, they have ranged from a maximum of 100 per cent of total grants, as recommended by the Fourth Finance Commission and to a minimum and to a minimum of 33.1 per cent of total grants, as recommended by the Fifth

Commission. NPRD grants comprised 39.86 per cent of the total Twelfth Finance Commission grants. The thirteenth Finance Commission has recommended the lowest ever NPRD grants equal to 16.26 per cent of total grants. According to the Commission, "This has been possible due to the sustained efforts of States to adhere to the fiscal reform path laid down by their respective Fiscal Responsibility and Budget Management (FRBM) legislations". To help the States in fulfilling their obligations as enshrined in the Constitution-right of all children, in the age group 6 to 14, to free and compulsory schooling-the Commission has provided grants worth Rs.24,068 crore to them. Two new 'considerations' in the terms of reference of the Commission are the need to improve the quality of public expenditure to obtain better outputs and outcomes and the need to manage ecology, environment and climate change consistent with sustainable development. The Commission has recommended grants worth Rs.14,446 crore for the former and Rs.15,000 crore for the latter (Rs.5,000 crore each or (i) protection of forests, (ii) renewable energy and (iii) water sector management).

Towards Inclusive and Growth Promoting Fiscal Federalism

The Thirteenth Finance Commission (FC-XIII) was constituted in pursuance of the provisions of Article 280 of the constitution of India by the President under the chairmanship of Dr. Vijay L. Kelkar vide a Notification dated November 13,2007. The Commission was asked to make recommendations covering a period of 5 years commencing on April 1, 2010. Following the mandate under the Presidential Order indicating the terms of reference, which flow from Articles 270, 275 and 280 of the Indian Constitution, the FC-XIII submitted its report on December 30, 2009. The FC-XIII's overall approach was to foster "inclusive and green Towards inclusive and growth promoting fiscal federalism".

The share of States in net proceeds of shareable Central taxes was increased from 30.5 percent to 32 percent in each of the financial years from 2010-11 to Act, 1957, all goods were exempted from payment of duty from March1, 2006. Following this, the Centre had adjusted the basic duties of excise on sugar and tobacco products. IN view of these developments, the States 'share in the net proceeds of shareable Central taxes shall remain unchanged at 32 percent, even in the event of States leaving sales tax(or Value Added Tax(VAT)) on these commodities.

The Central Government should review the levy of cesses and surcharges with a view to reducing their share in its gross tax revenue. The indicative ceiling on overall transfers to States on the revenue account may be set at 39.5 percent of gross revenue receipts of the Centre.

The expenditure on the non-salary component of maintenance and upkeep of capital assets and the non-wage related maintenance expenditure on plan schemes to be completed by March 31, 2010 and the norms on the basis of which specific amounts are recommended for the maintenance of the capital assets and the manner of monitoring such expenditure; The need for ensuring the commercial viability of irrigation projects, power projects, departmental undertakings and public sector enterprises through various means, including levy of user charges and adoption of measures to promote efficiency.

- In making its recommendations on various matters, the Commission shall take the base of population figures as of 1971, in all such cases where population is a factor for determination of devolution of taxes and duties and grants-in-aid.

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- The commission may review the present arrangements as regards financing of Disaster Management with reference to the National Calamity Contingency Fund and the Calamity Relief Fund and the funds envisaged in the Disaster Management Act, 2005 and make appropriate recommendations thereon.
- The Commission shall indicate the basis on which it has arrived at its findings and make available the estimates of receipts and expenditure of the Union and each of the States.
- The Commission shall make its report available by October 31, 2009, covering the period of five years commencing on April 1, 2010.

Subsequently, the Commission was given additional terms of reference including the mandate to review the roadmap for fiscal adjustments and suggest a suitably revised one with a view to maintaining the gains of fiscal consolidation through 2010 to 2015 particularly considering the need to bring the liabilities of the Central Government on account of oil, food and fertilizer bonds into the fiscal accounting, and the impact of various other obligations of the Central Government on the deficit targets.

Conclusion

The 13th Finance Commission, in its analysis and recommendations has dealt with a number of issues that have not been gone into by the previous Commissions. This is partly occasioned by the expanded terms of reference, but to a considerable extent this is due to the Commission's own approach. Besides tax devolution, the Commission has gone on to recommend as many as 12 different types of grants with a plethora of conditionalities. Indeed, the Commission has forayed much beyond the task of the Finance Commission. The approach of the Commission in regard to the To Rs on tax devolution and grants is not different from the past. The only difference is the taking of per capita taxable capacity distance in the place of the per capita income distance as a criterion for tax devolution. Taking taxable capacity in the devolution formula does not take away the inequity and perverse incentives arising from the gap filling approach

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AN OVERVIEW OF THIRTEENTH FINANCE COMMISSION RECOMMENDATIONS

Introduction

The Finance Commission of India came into existence in 1951. It was established under ***Article 280*** of the Indian Constitution by the President of India. It was formed to define the financial relations between the centre and the state. The Finance Commission Act of 1951 states the terms of qualification, appointment and disqualification, the term, eligibility and powers of the Finance Commission. As per the Constitution, the commission is appointed every five years and consists of a chairman and four other members. Since the institution of the first finance commission, stark changes have occurred in the Indian economy causing changes in the macroeconomic scenario. This has led to major changes in the Finance Commission's recommendations over the years. Till date, Thirteen Finance Commissions have submitted their reports.

The States always look up for proper devolution of taxes and grants at the periodically established Finance Commission. This is so since the core tasks of the Commission pertains to the sharing of central taxes with the states and central grants to states. A five member expert team, headed by economist Dr.Vijay L Kelkar has submitted its report on the Thirteenth Finance Commission to the Government. Dr. Indira Rajaraman, Professor Emeritus, National Institute of Public Finance & Policy (NIPFP), Dr. Abusaleh Shariff, Chief Economist, National Council of Applied Economic Research (NCAER), and Professor Atul Sarma, Former Vice-Chancellor, Rajiv Gandhi University (formerly Arunachal University) were appointed full time Members. Shri B.K. Chaturvedi, Member, Planning Commission was appointed as a part-time Member. Shri Sumit Bose was appointed as Secretary to the Commission. Subsequently, the President appointed Dr. Sanjiv Misra, Former Secretary (Expenditure).

Where it has zeroed on three key objectives of inclusive and 'green' growth, macro economic stability and fiscal consolidation for both the Centre and the States particularly in view of the last couple of years when the economy had to undertake fiscal expansion in response to the worst global recession and domestic economic slowdown.

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Functions of the Finance Commission can be explicitly stated as:

1. Distribution of net proceeds of taxes between Centre and the States, to be divided as per their respective contributions to the taxes.
2. Determine factors governing Grants-in Aid to the states and the magnitude of the same.

The Commission shall make recommendations as to the following matters, namely:-

i) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;

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ii) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the provisos to clause (1) of that article; and

iii) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.

The Commission shall review the state of the finances of the Union and the States, keeping in view, in particular, the operation of the States' Debt Consolidation and Relief Facility 2005-2010 introduced by the Central Government on the basis of the recommendations of the Twelfth Finance Commission, and suggest measures for maintaining a stable and sustainable fiscal environment consistent with equitable growth.

In making its recommendations, the Commission shall have regard, among other considerations, to –

(i) the resources of the Central Government, for five years commencing on 1st April 2010, on13 the basis of levels of taxation and non-tax revenues likely to be reached at the end of 2008-09;

(ii) the demands on the resources of the Central Government, in particular, on account of the projected Gross Budgetary Support to the Central and State Plan, expenditure on civil administration, defense, internal and border security, debt-servicing and other committed expenditure and liabilities;

(iii) the resources of the State Governments, for the five years commencing on 1st April 2010, on the basis of levels of taxation and non-tax revenues likely to be reached at the end of 2008-09;

(iv) the objective of not only balancing the receipts and expenditure on revenue account of all the States and the Union, but also generating surpluses for capital investment;

(v) the taxation efforts of the Central Government and each State Government and the potential for additional resource mobilization to improve the tax-Gross Domestic Product ratio in the case of the Union and tax-Gross State Domestic Product ratio in the case of the States;

(vi) the impact of the proposed implementation of Goods and Services Tax with effect from 1st April, 2010, including its impact on the country's foreign trade;

(vii) the need to improve the quality of public expenditure to obtain better outputs and outcomes;

(viii) the need to manage ecology, environment and climate change consistent with sustainable development;

(ix) the expenditure on the non-salary component of maintenance and upkeep of capital assets and the non- wage related maintenance expenditure on plan schemes to be completed by 31st March, 2010 and the norms on the basis of which specific amounts are recommended for the maintenance of the capital assets and the manner of monitoring such expenditure;

(x) the need for ensuring the commercial viability of irrigation projects, power projects, departmental undertakings and public sector enterprises through various means, including levy of user charges and adoption of measures to promote efficiency.

In making its recommendations on various matters, the Commission shall take the base of population figures as of 1971, in all such cases where population is a factor for determination of devolution of taxes and unties and grants-in-aid.

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The Commission may review the present arrangements as regards financing of Disaster Management with reference to the National Calamity Contingency Fund and the Calamity Relief Fund and the funds envisaged in the Disaster Management Act, 2005 (53 of 2005), and make appropriate recommendations thereof.

The Commission shall indicate the basis on which it has arrived at its findings and make available the estimates of receipts and expenditure of the Union and each of the States."

On sharing of Union taxes, the core task of the Commission, it has recommended that for its award period spanning from April 1, 2010 till March 31, 2015, the share of States in the net proceeds of Union Taxes be fixed at 32 per cent, against the 12th FC prescribed transfer of 30.5 per cent, an increase of 1.5 per cent. When grants are added, then the total divisible pool of revenue comes to 39 per cent as against 37.6 per cent earlier, even as grants are this time a slightly lower share of the total transfer. It has also said that the total transfers to the States on the revenue account be subjected to an indicative ceiling of 39.5 per cent of the gross tax revenues of the Centre.

On non-plan revenue deficit grant, the Commission has assessed the revenues and expenditures of the States for 2010-15 and projected the deficit for each State after factoring in the amount of share in Central taxes for that State. The Commission has recommended a grant of Rs. 51,800 crore to meet this deficit for eight States. Besides, it has also favoured a performance incentive grant of Rs. 1500 crore for three special category States of Assam, Sikkim and Uttarakhand that have graduated out of non-plan revenue deficit. With elementary education at State level remaining a problem area, the Commission has accorded a grant, based on the Sarva Shiksha Abhiyan norms, of Rs. 24,068 crore equivalents to 15 per cent of the assessed needs.

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In a bid to de-carbonize development in line with growing interests in promoting green growth, the Commission has favoured a grant of Rs. 15,000 crore, each Rs. 5000 crore for forest grant, promotion of renewable energy and for water sector. As there remains a gap between outlay and outcome due to deficiency in delivery mechanism or designing of proper schemes to help the needy, the Commission has recommended six grants for improving outcomes, amounting to Rs. 14,446 crore over the award period. An incentive grant for reduction in infant mortality of Rs. 5000 crore is to be released to States starting 2012-13 depending on the reduction in infant mortality rate (IMR) achieved by the States with reference to the baseline level of 2009-10 figures. Grant of Rs. 5000 crore for improved delivery of justice has been proposed for Lok Adalats and Legal Aid, Alternate Dispute Resolution Centre, Heritage Court Buildings, State Judicial Academy and training of judicial officers and public prosecutors. With legal cost becoming dearer and lakhs of poor people denied access to justice, this move would help address the aberrations and anomalies in the system. Other components under this include, Rs. 2989.10 crore for the Unique Identification (UID) programme based on the number of people covered under the UDI database, two grants of Rs. 616 crore each for District Innovation Funds and improving statistical systems at district and State levels and a grant of Rs. 225 crore for setting up database of employees and pensioners. There are also grants for the requirement of roads in a State amounting to Rs. 19930 crore for four years of the award period beginning 2011-12. Finally, under grants, the Commission has provided Rs. 27,945 crore for various State-specific needs of the States.

On the Goods and Services Tax (GST), the Commission has put in place a model GST structure that includes features such as single rate of 12 per cent of goods and service tax, against the extant cascading level of over 20 per cent for the Centre and States combined, zero rating of exports, inclusion of various indirect taxes at the Central and State level in GST ambit, major rationalization of the exemption structure. It has recommended a grant of Rs. 50,000 crore for implementation as per the recommended model. All other indirect taxes, including stamp duty would fall under GST, meaning that the realty sector would be integral to the new framework. This is designed to stamp out tax evasion in realty deals. But, States have made it clear that they opt for a combined rate of 15-16 per cent, a concessional rate for essential items and a fairly large exemption list. As the differences on these remain to be thrashed out, the Government has accepted the GST recommendations in principle, pending the outcome of ongoing discussions.

On fiscal consolidation, the Commission has drawn a roadmap for fiscal deficit reduction and spelt out a combined debt target of 68 per cent of GDP, against 75 per cent in 2009-10. It has stressed the need for achieving and maintaining revenue account in balance and containing the fiscal deficit to 3 per cent of Gross State Domestic Product (GSDP) for the respective States by 2014-15.

Conclusion

The Thirteenth Finance Commission has recommended higher transfers of Central taxes and Finance Commission grants to be provided by the Centre to the States as compared with what the Twelfth Finance Commission had advised. The Thirteenth Finance Commissions recommendations on Central tax devolution and grants would serve to reduce the vertical imbalance between the Centre and the States and are a positive from the point of view of fiscal federalism. The Thirteenth Finance Commission, by modifying the criteria and the associated weights governing horizontal devolution, has changed the inter se shares of the Indian States within the overall pool of shareable taxes. All States are expected to witness a significant increase in the magnitude of transfers (Central taxes + Finance Commission grants) during the Thirteenth Finance Commission period over the Twelfth Finance Commission period. Higher transfers would boost the States' revenue receipts, thereby creating fiscal space for the State Governments to incur additional expenditure while at the same time providing assistance for the attainment of the fiscal targets laid down by the Thirteenth Finance Commission. However, maintaining a check on the pace of expenditure growth and enhancing the quality of expenditure would be critical to achieving structural improvement in the States' finances over the medium term. Prioritizing of expenditure would be crucial to improve socio-economic indicators and attain developmental goals. Nonetheless, expenditure adjustments at the Centre, rather than over-reliance or revenue growth, remain critical in the pursuit of sustainable fiscal consolidation at the national level.

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RECOMMENDATIONS OF 13TH FINANCE COMMISSION ON SHARING OF UNION TAX REVENUE - AN EVALUATION

Federalism may be considered as a form of political association in which two or more states constitute a political unity with a common government, but in which the member states retain their internal autonomy. A federal state involves a division of authority between the federal government and the states. Finance is the life blood of a government. Both sets of government in a federation require money for the fulfillment of their respective obligations.

The unique feature of the Indian federal structure is the constitutional provision for the appointment of finance commission once in five years by the president. The main purpose of the finance commission is to make a comparative study of the financial position of the centre and state and to suggest principles, on the basis of which the divided heads of revenue could be shared between the centre and states. Thirteen finance commissions have been so far appointed and they have suggested ways and means of allocation of the divisible pool and grants-in-aid.

The Thirteenth Finance Commission was constituted on 13 November 2007 to make recommendations for the period 2010-15. One of the terms of references of the commission was to make recommendation regarding "the distribution between the union and the states of the net proceeds of taxes which are to be, or may he divided between them under chapter I part XII of the constitution and the allocation between the states of the respective shares of such proceeds"

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Objectives:

i) To review the assessment of union and state finances by the 13th finance commission.

ii) To study the recommendations of the 13th finance commission to share the net tax proceeds between the centre and the states.

iii) To study the percentage composition of revenue transfers from centre to states.

Methodology:

The Report of the 13th finance commission has been taken for the study. The recommendations of the 13th finance commission to share the tax proceeds between the centre and the states and the composition of revenue transfers from the centre to the states are taken for study.

The first or core task of the commission is to recommend distribution, between the union and the states, of the net proceeds of taxes to be divided between them under chapter – I. Second, the commission has also to recommend the allocation between the states of such proceeds.

The commission by taking into account various considerations in mind made recommendations to aof the financial needs of the centre and the states and in the design of specific purpose grants.

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The overall approach of the commission is to foster **inclusive and green growth** promoting fiscal federalism. Inclusive growth is the corner stone of India's development project. For achieving a green and more inclusive growth path we need a fiscally strong centre, fiscally strong states and fiscally strong local bodies.

The overall approach of the commission has taken account of the following issues in the design of fiscal transfers.

a) Symmetry between the centre and states

b) Equal treatment – there is no automatic priority accorded to any level of government and the commission is concerned with the equalization and not equity.

c) Incentive – Incentivising different tiers of government to undertake fiscal measures.

The commission has analysed the issues and indicates the approach for vertical devolution and horizontal devolution. The finances of union and State have been reviewed by the commission. The fiscal deficit, revenue deficit and primary deficit of contre and states from 2003-2004 to 2009-10 (BE) have been taken into account to allocate the resources.

Tax sharing:

Transfers routed through the finance commission pertain to sharing of certain central taxes. The taxes imposed and collected by the centre are not meant entirely for the centre. In fact revenues from certain taxes and duties leviable by the centre are totally assigned to or shared with the states to supplement the revenues of the states in accordance with their needs. There is no permanent formula for the sharing of taxes and the actual determination of grants is left to the deliberations of the finance commission.

The 13th finance commission recommends that **share of states in net proceeds of shareable central taxes shall be 32 percent in each of the financial years from 2010-11 to 2014-15.** Under the Additional Duties of Excise (goods of special insurance) Act, 1957 all goods were exempted from payment of duty from 1st March 2006. Following this, the centre had adjusted the basic duties of excise on sugar and tobacco products. In view of these developments, the states share in the net proceeds of sharable central taxes shall remain uncharged at 32 percent, even in the event of states levying sales tax or VAT on these commodities.

The following table shows the Revenue transfers from centre to states as percentage of gross revenue receipts of the centre.

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Table : 1

Revenue Transfers from centre to states as percentage of Gross Revenue Receipts of the centre

	Finance Commission Transfers			Other Transfers			
Years	Share In Central Taxes	Grants	Total Finance Commission Transfers (2+3)	Plan Grants	Non-Plan Grants	Total Other Transfers (5+6)	Total Transfers (4+7)
1	2	3	4	5	6	7	8
FC-VIII (1984-89)	20.25	2.52	22.77	13.56	1.54	15.10	37.86
FC-IX (1989-95)	21.37	3.42	24.79	14.49	1.06	15.55	40.33
FC-X (1995-2000)	22.22	2.34	24.56	10.57	0.67	11.24	35.79
FC-XI (2000-05)	20.59	3.88	24.47	10.10	0.70	10.80	35.27
FC-XII (2005-10)	21.75	4.45	26.20	10.99	1.32	12.31	38.51
2005-06	21.71	5.69	27.41	9.66	1.03	10.69	38.09
2006-07	21.97	5.11	27.08	9.69	1.16	10.85	37.93
2007-08	21.88	3.80	25.68	10.30	1.22	11.53	37.21
2008-09 (RE)	22.17	3.83	26.01	12.23	1.32	13.56	39.57
2009-10 (BE)	21.10	4.42	25.52	12.15	1.69	13.84	39.35

Source : 13th Finance commission Report, December –2009

The table –1 indicates the share in central taxes to states ranged from 20.25 percent to 22.22 percent in the recommendation from VIII Finance commission to XII Finance commission. It was 21.10 Percent in the end of 2009-2010.

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The following table shows the percentage composition of revenue transfers from the centre to states.

Table : 2

Percentage Composition of Revenue Transfers from the centre to states.

	Finance Commission Transfers			Others Transfers				
Years	Share In Central Taxes	Grants	Total Finance Commission Transfers (2+3)	Plan Grants	Non-Plan Grants	Total Other Transfers (5+6)	Total Transfers (4+7)	Total Transfers as percentage of GDP
1	2	3	4	5	6	7	8	
FC-VIII (1984-89)	53.48	6.65	60.13	35.80	4.07	39.87	100.00	4.83
FC-IX (1989-95)	52.98	8.84	61.46	35.91	2.63	38.54	100.00	4.89
FC-X (1995-2000)	62.06	6.55	68.61	29.52	1.87	31.39	100.00	4.09
FC-XI (2000-05)	58.38	11.00	69.38	28.65	1.97	30.62	100.00	4.16
FC-XII (2005-10)	56.48	11.55	68.03	28.55	3.43	31.97	100.00	5.21
2005-06	57.00	14.95	71.94	25.36	2.70	28.06	100.00	4.69
2006-07	57.93	13.47	71.40	25.54	3.05	28.60	100.00	5.11
2007-08	58.82	10.21	69.02	27.69	3.29	30.98	100.00	5.46
2008-09 (RE)	56.04	9.69	65.74	30.92	3.34	34.26	100.00	5.37
2009-10 (BE)	53.62	11.22	64.84	30.88	4.28	35.16	100.00	5.23

Source: 13th Finance commission report, December –2009

The Table: 2 indicates the total Transfers as percentage of GDP. It was 4.83 Percent during 1984-89. It reached 5.21 percent during 2005-10.

The analysis shows that the recommendations of the 13th Finance commission, particularly the recommendations on the sharing of tax revenue between the centre and the states. Is based on the assessment of the finances of centre and states. The states should be with strong and sufficient financial resources.

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13TH FINANCE COMMISSION: IMPLICATIONS OF KEY RECOMMENDATIONS FOR STATE GOVERNMENTS

About Finance Commission

The Finance Commission of India came into existence on November 22, 1951. It was established under Article 280 of the Indian constitution by the President of India. It was formed to define the financial relations between the centre and the State. Each FC is to have five year term. **(1)**

13th Finance Commission

The 13th Finance Commission was constituted on 13th November 2007 under Dr.Vijay Keller to give recommendations on specified aspects of centre – state fiscal relation during 2010 – 15; the commission submitted its report to the president on 30th December 2009 covering all aspects of its mandate.**(2)** The report was also submitted to Parliament on 25th February, 2010. More or Less, all of the recommendations were accepted by the Union Government.

An analysis of 13th Finance Commission Recommendations: (3)

Following are the implications of key recommendations of 13th FC for State Governments.

The ThFC has recommended higher transfers of Central taxes and Finance Commission grants to be provided by the Centre to the States as compared with what the Twelfth

- Finance Commission (TwFC) had advised. The ThFC has recommended that the share of the States in the net proceeds of Central tax collections be fixed at 32% over the ThFC's award period, higher than the share of 30.5% that had been set by the TwFC for the award period 2005-06 to 2009-10. Additionally, the total grant of Rs. 3,185.81 billion to be provided by the Centre to the State Governments over the ThFC award period is more than twice the amount recommended by the TwFC. The ThFC's recommendations on Central tax devolution and grants would serve to reduce the vertical imbalance between the Centre and the States and are a positive from the point of view of fiscal federalism.

- The ThFC, by modifying the criteria and the associated weights governing horizontal devolution, has changed the *inter se* shares of the Indian States within the overall pool of shareable taxes. Regardless of the lowering of the *inter se* shares for some States, the taxes to be devolved to all the States over the ThFC period are likely to be substantially higher than they were during the TwFC period, considering the anticipated buoyancy in Central tax collections following resumption of higher economic growth from 2010-11 onwards, reversal of certain tax cuts and the possibility of successful implementation of the Goods and Services Tax (GST). Thus, all States are expected to witness a significant increase in the magnitude of transfers (Central taxes + Finance Commission grants) during the ThFC period over the TwFC period.

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- The total grant of Rs. 3,185.81 billion to be provided by the Centre to the State Governments over the ThFC award period includes an amount of Rs. 875.19 billion for further transfer from the States to their Local Bodies. The latter amount is more than thrice the sum recommended by the TwFC (Rs. 250 billion), and being so would augment the revenues and improve the financial position of the Local Bodies significantly. However, an increase in the magnitude and improvement in the regularity of devolution by the State Governments to their Local Bodies would also be required to reduce the resource gap of the latter and enable improved delivery of services.

- The ThFC has suggested a revised fiscal roadmap for the Centre and the States to provide the basis for sustainable adjustment of public finances going forward. The ThFC has set a target of reducing the consolidated debt stock of the Centre and the States to 68% of gross domestic product (GDP) by 2014-15 from an estimated 82% of GDP in 2009-10. In accordance with the projected debt to GDP ratios over the ThFC period, the ThFC has drawn up roadmaps for the Centre and the States, which specify timelines for the elimination of revenue deficits and reduction in the financing gap1 to 3% of GDP for the Centre and 3% of gross state domestic product (GSDP) for the States. The annual borrowing limits of the latter are to be determined by GoI on the basis of the level of the financing gap envisaged as per the fiscal reform path indicated by the ThFC for the period 2011-12 to 2014-15. This mechanism is expected to induce the States to adhere to the financing gap targets. This mechanism would help maintain the focus on fiscal consolidation at the State level. However, in the absence of a mechanism (like the TwFC's DCRF facility) to incentivise compliance with the fiscal targets set by the ThFC, the efficacy of the ThFC's recommendations for fiscal consolidation remains to be seen; the extent of success in this regard is likely to hinge on the commitment demonstrated by individual States to the goal of fiscal consolidation.

- The ThFC has recommended that the States maintain their financing gap at 3% of GSDP beyond 2014-15, and that the Centre raise additional resources and pass these on to the States in accordance with the horizontal devolution formula in the event of macroeconomic shocks. This would help maintain the focus on fiscal consolidation at the State level over the course of business cycles and prevent such slippages as seen during the last two years of the TwFC period, which coincided with the macroeconomic slowdown in India.

- If implemented, the ThFC's recommendation that structural shocks, such as payout of Pay Commission related arrears, be avoided would help smoothen the revenue expenditures of the State Governments and prevent income-expenditure mismatches. As has historically been seen in India, settlement of large Pay Commission related arrears imposes considerable stress on the fiscal balances of the State Governments, which then take recourse to higher debt, in the process suffering deterioration in their debt service indicators. While avoidance of such structural shocks would prevent the periodic weakening of the States' credit profiles, it remains to be seen whether this recommendation is politically acceptable.

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- The ThFC has suggested resetting of the interest rate on loans to the States from the National Small Savings Fund (NSSF) to reduce the interest asymmetry between the Centre and the States. The interest rate on loans contracted by the States from the NSSF until 2006-07 and outstanding at the end of 2009-10 is to be reset at 9%, from either 9.5% or 10.5% at present based on the date on which the loans were contracted. This is estimated to provide a benefit of Rs. 135.17 billion to the States over the ThFC period. The ThFC has also recommended write-off of Rs. 45.06 billion worth of loans from GoI to the State Governments administered by ministries/ departments other than the Ministry of Finance (MoF). The magnitude of these benefits is however small relative to the benefits that the States derived from the DCRF facility.

Conclusion

The ThFC's recommendation that the share of States in the divisible pool of Union taxes be increased and that the level of Central grants to the States be raised significantly would boost the States' revenue receipts over the period 2010-11 to 2014-15. However, the renewed buoyancy of Central and State tax revenues, and structural improvements accruing from greater expenditure control would be essential to improve the States' revenue balances in the medium-to-long term.

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INDIA'S REVENUE DEFICIT: A CHALLENGE AHEAD

Introduction

A developing country like India needs revenue surplus for the capital investment at the same time to pursue the economic development through demand expansion it needs expenditure especially in the social sectors such as health, education etc,. The recent global economic crisis also compels India to induce the expenditure for sustainability of the growth that it has achieved recently. This also needs enormous expenditure. On the other hand, current expenditure over current revenue of an economy makes revenue deficit. Revenue deficit means excess of revenue expenditure over the revenue receipts and revenue surplus means excess of revenue receipts over revenue expenditure. Revenue deficit denotes the difference between revenue receipts and revenue expenditure (RBI 2007).

Revenue Deficit and Its Importance in India

India's Thirteenth Finance Commission's one of the recommendation is that revenue deficit (as % of GDP) of the Centre needs to be progressively reduced and eliminated, followed by emergence of a revenue surplus by 2014-15 and a long term and permanent target for the Central Government should be to maintain, at the minimum, a zero revenue deficit. In the light of the above recommendation this paper aims to analyze India's revenue deficit, revenue receipts and revenue expenditure with the help of India's various budget documents from 2001-02 to 2010-11.

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India has been trying to reduce the fiscal deficit ever since reforms were initiated in 1991, but without much success. It has become necessary to ask why. Strong medicine can suppress a symptom, but a lasting cure is possible only if the root cause is treated. The political economy of India's revenue deficit lies at this root and must therefore be understood (Ashima Goyal 1999). Hence, analyzing revenue deficit is imperative at this hour, because revenue deficit drives and induces fiscal deficit and other deficits. A closer look at the different measures of deficit would reveal perhaps a more worrisome trend in that the fiscal deficits are being driven more and more by deficits in the revenue account of the budget. Thus revenue deficit of the Central Government which accounted for about 40 per cent of the fiscal deficit in the budgets in 1991-92 is now about 68 per cent. These trends simply show that the government is increasingly borrowing to finance non-asset creating expenditure from where no returns are expected (JBIC 2001). The revenue deficit indicating that government consumption is being financed by borrowing and also grows the fiscal deficit.

Till the middle of the 1970's, current receipts exceeded current expenditure resulting in surplus in the current account, this was known as revenue surplus. For instance, the revenue surplus was Rs.59 crores in 1950-51 and it rose to Rs.160 crores in 1970-71 (Ruddar Datt and KPM Sundaram 2009). A deficit on the revenue account is relatively recent in the history of Indian public finance. In fact, the combined balance on revenue account of the Centre and States was in surplus even into the eighties (Balakrishnan P and B.Ramasamy 2000). Fiscal Responsibility and Budget Management Act (FRBMA) had fixed the zero revenue deficit target in 2008-09 where as India's Finance Ministry requested to

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postponement of that target by one more year that is 2009-10. But it is not achieved even in the 2011-12 budget. The global downturn and subdued domestic demand, envisaged a revenue deficit of 4.83 per cent of GDP in 2009-10 budget (Thirteenth Finance Commission 2009). Economic survey 2010-11 confidently pointed out that with continuance of high growth in corporate income tax and a higher than budgeted outcome in personal income tax in the current year, the prospects of revenue led medium- consolidation appears bright (Economic Survey 2010-11).

3. Analysis and Discussions

3.1 Revenue Receipts

Tax revenue of the Central Government of India has shown a sharp rising in the last ten years. It was Rs.133532 crores in 2001-02 jumped to Rs. 534094 crores in 2010-11. The increase was 299.97 per cent. In 2001-02, in the total revenue receipts, tax revenue collections were 66.33% and in 2008-09 those were 82.06%, a many fold increase and constitute major portion in the revenue receipts.

Table No: 1. India- Revenue Receipts (from 2001-02 to 2010-11) in Rupees Crores

Sl.No.	Year	Tax Revenue Receipts(Net to the Centre)	% to the Total	Non-Tax Revenue Receipts(Net to the Centre)	% to the Total	Total Tax Revenue Receipts(Net to the Centre)	% of the change
1	2001-02	133532	66.33	67774	33.67	201306	
2	2002-03	158544	68.68	72290	31.32	230834	14.67
3	2003-04	186982	70.88	76831	29.12	263813	14.29
4	2004-05	224798	73.47	81193	26.53	305991	15.99
5	2005-06	270264	77.87	76813	22.13	347077	13.43
6	2006-07	351182	80.85	83205	19.15	434387	25.16
7	2007-08	439547	81.12	102317	18.88	541864	24.74
8	2008-09	443319	82.06	96940	17.94	540259	-0.30
9	2009-10	456536	79.70	116275	20.30	572811	6.03
10	2010-11	534094	78.29	148118	21.71	682212	19.10
Decade Total		3198798	77.63 (mean)	921756	22.37 (mean)	4120554	
Decade % of Change		299.97		118.55		238.89	

Source: Government of India, Various Budget Documents.

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Non-tax revenue receipts include receipts from fiscal services, interest receipts, dividends and profits of Government enterprises, general services, etc. Non-tax receipts were 33.67% in 2001-02 in the total revenue receipts, the amount were Rs.67774 crores. Those compositions were declined to17.94% in 2008-09 and those were 21.71% in 2010-11. The non-tax revenue receipts were Rs.96940 crores in 2008-09 and Rs.148118 crores in 2010-11. There were 118.55% of increases in the last ten years. This reveals that in total revenue collection tax revenue were the major contributors.

The total revenue receipts were Rs.201306 crores in 2001-02 and those rose to Rs.682212 crores in 2010-11. The increases were 238.89 per cent. This shows a huge increase in the total revenue collections in the volume of the amount as well as in percentage also.

3.2 Revenue Expenditure

Plan revenue expenditures were only 20.45% (Rs.61657 crores) of the total revenue expenditure in 2001-02, but those were increasing and touched 36.24% (Rs.234774 crores) in 2008-09. That declined to 27.84% (Rs.253884 crores) in 2009-10 and again increased to 32.87% (Rs.315125 crores) in 2010-11. The total plan revenue expenditure during the last decade were Rs.1530989 corers and in percentage that were 28.07.

Non-plan expenditure is the major revenue expenditure. Those were 79.55% (Rs.239811 crores) in the total revenue expenditure in 2001-02 and those were on the declining path till 2008-09. In 2008-09, those were 63.76% (Rs.412975 crores) of total revenue expenditure. Then increased to 72.16% (Rs.657925 crores) in 2009-10 and again declined to 67.13% (Rs.643599 crores) in 2010-11. The total non-plan expenditure for that decade were Rs.3933233 crores and those were 71.93% of total revenue expenditure.

3.3 Revenue Deficit

During the last decade (from 2001-02 to 2010-11) revenue deficit never touched zero. That's average was 3.33 during that period. Revenue deficit was very high in 2009-10 i.e., 5.18, and very low in 2007-08 i.e., 1.05 in 2007-08. This indicates that the Government has to take needy measures to curtail revenue deficit.

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Statistical Results

Y= 8.369+ (-2.750)X1+ (-8.267)X2+5.858X3+5.90X4

	(1.459)	(.000)	(.000)	(.000)	(.000)
't'=	5.737	-5.595	-3.015	4.980	1.343

F= 9.969 R=0.943 R square= 0.889 Adjusted R square = 0.799

Where Y is revenue deficit,
X1 is tax revenue,
X2 is non-tax revenue,
X3 is plan revenue expenditure and
X4 is non-plan revenue expenditure

Multiple regression equation shows that one unit change in tax revenue made 2.750 units negative change in revenue deficit where as one unit change in non-tax revenue made 8.267 units negative change in the revenue deficit. On the other hand, one unit change in plan expenditure caused 5.858 units change and one unit change in non-plan expenditure caused 5.90 units change in revenue deficit. R and R square and Adjusted R square were high and standard errors were very low. 'F' test result was statistically significant. Regarding 't'-test results, except the result of non-plan expenditure all other results were statistically significant. From this analysis we can observe that non-tax revenue's effect was more and in the expenditure aspect plan expenditure result was notable.

4.Concluding Remarks

To attain the zero revenue deficit or revenue surplus, the Government of India has to increase the non-tax revenue and decrease the non-plan expenditure because non-tax revenue were least and non-plan expenditure were high. Even though, revenue deficit arise after 1980's in India, its effect is worrisome. As D.C.Rangarajan and D.Subbarao pointed that what is even more worrisome in our situation is that we have not just fiscal deficits, but we have fiscal deficit together with revenue deficit. With this means is that governments both at the Centre and in the States, are using a significant portion of the borrowed funds not for the capital investment that will yield future incomes but for current consumption.\

For sustainable growth and sound public finance we need either revenue surplus or zero revenue deficit. The Thirteenth Finance Commission recommendations have to elaborate the ways and means to achieve these goals and its mission is not just giving recommendations and setting targets. India, Centre and States should adhere and take necessary measures to attain these goals and recommendations whole heartily.

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13TH FINANCE COMMISSION RECOMMENDATIONS TO DEBT RELIEF

Introduction

The 13th FC has suggested a revised fiscal roadmap for the Centre and the States to provide the basis for sustainable adjustment of public finances going forward. The 13th FC has set a target of reducing the consolidated debt stock of the Centre and the States to 68 per cent of gross domestic product (GDP) by 2014-15 from an estimated 82 per cent of GDP in 2009-10. In accordance with the projected debt to GDP ratios over the 13th FC period, the 13th FC has drawn up roadmaps for the Centre and the States, which specify timelines for the elimination of revenue deficits and reduction in the financing gap1 to 3 per cent of GDP for the Centre and 3 per cemt of gross state domestic product (GSDP) for the States. The annual borrowing limits of the latter are to be determined by Government of India on the basis of the level of the financing gap envisaged as per the fiscal reform path indicated by the 13th FC for the period 2011-12 to 2014-15. This mechanism is expected to induce the States to adhere to the financing gap targets.

Interest and Debt Relief

The 13th FC has made two significant recommendations regarding interest and debt relief. It has recommended that the interest rate on loans to the States from the NSSF contracted until 2006-07 and outstanding at the end of 2009-10 be reset at 9 per cent, in order to correct the interest asymmetry between the Centre and the States. These loans carry an interest rate of either 9.5 per cent or 10.5 per cent at present, depending on the year in which the loans were contracted. Relief is to be provided on loans contracted until 2006-07, since a portion of the funds collected under the NSSF from 2007-08 onwards was borrowed by the Central Government. The benefit of the interest reset is estimated at Rs. 135.17 billion over the 13th FC period and at a total of Rs. 283.60 billion over the life of the instruments concerned. These recommendations have received in-principle approval from Government of India. The 13th FC has also recommended that the NSSF be reformed into a market aligned scheme covering aspects including interest rate and tenure, following which Government of India has recently set up a committee to undertake a review of the NSSF structure as well as other administrative matters.

The 13th FC has recommended that the loans from Government of India to States administered by ministries/ departments other than Ministry of Finance and outstanding at the end of 2009-10, which were not covered by the 12th FC under the DCRF facility, be written off; this recommendation has been accepted by Government of India. Additionally, the 13th FC has suggested that the practice of the Centre providing loans to the States under Centrally Sponsored Schemes (CSS) be avoided in future; this is yet to be accepted by Government of India, pending consultations with various Central ministries.

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Debt Relief to States

The 13th Finance Commission has recommended two debt relief measures to be extended to all States. Firstly, it has recommended that the interest rates on loans from National Small Savings Fund (NSSF) to States contracted till the end of 2006-07 and outstanding as at the end of 2009-10 be reset at interest rate of 9 per cent. The implication of this relief during the award period is estimated by the Commission to be Rs. 13517 crore. The financial implication over the entire period till the maturity of the last loan covered in this relief measure is estimated to be Rs.28360 crore. The Commission has also recommended that structural reforms should be brought in the NSSF to make it more market linked.

The second debt relief recommended by the Commission is write-off of Central loans to States that are administered by central ministries other than Ministry of Finance outstanding as at the end of 2009-10. The amount of loans outstanding as at the end of 2007-08 was Rs.4506 crore as noted by the Commission. The Commission has also recommended that any further loans under Centrally Sponsored Schemes should be completely avoided.

The Commission has also recommended extension of the debt consolidation facility recommended by the Twelfth Finance Commission to States that have not yet availed this benefit. All the above mentioned debt relief is available to States only if they amend/legislate FRBM Acts in accordance with the recommendations of the Commission. The Commission has also recommended that the States will be eligible for the state specific grants only if they comply with this condition.

With regard to the recommendation relating to interest rate reset on NSSF loans to the States, the Government has accepted it in principle. However, since the recommendations are comprehensive and cover other structural aspects like interest rate mismatch, tenor mismatch and other administrative matters, Ministry of Finance will constitute a Committee to work out detailed modalities for implementation of this recommendation.

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Conclusion

The Commission may recommend to the Union Government a Special Debt Relief Facility for chronically Revenue Deficit and Debt Stressed States, which enables them to get relief from their present high levels of debt. The Commission to make a realistic assessment of the debt burden and interest liability of the State. Unless the Commission recommends substantial debt relief to the State, debt servicing will continue to pre-empt substantial Revenue Expenditure of the State.

RECOMMENDATIONS OF THE XIII FINANCE COMMISSION FOR LOCAL BODIES

Introduction

The Commission is required to make recommendations on 'the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of recommendations made by the Finance Commission of the State.' The objective of this paper is to bring out the major recommendations of the XIII finance commission to local bodies.

There has been considerable progress in the empowerment of Panchayat Raj Institutions (PRIs) and municipalities since the Tenth Finance Commission (FC-X) first made a provision for explicitly supporting local bodies through grants, subsequent to the passage of the 73rd and 74th amendments to the Constitution in 1993. Approximately 30 lakhs representatives are regularly elected to about 2.5 lakh local institutions all over the country. Providing basic services at the grassroots level makes them the primary interface of the citizens' interaction with the government. The principle of subsidiarity implies that matters are best handled by the least centralised competent authority. Following this, these institutions need to be adequately empowered–both functionally and financially—to enable them to fulfil the role envisaged for them in the Constitution. The State Finance Commissions (SFCs), which buttress the functioning of local bodies, also need to be strengthened so as to make their functioning more predictable and the process of implementing their recommendations more transparent. A number of recommendations were made by FC-XI and FC-XII towards this end. Some of these recommendations, though important, have not been implemented so far. More needs to be done to promote effective decentralization. We also need to put in place a stronger incentive mechanism aimed at persuading State Governments to decentralize further.

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The ToR of FC-XI had two specific references to local bodies

i) A reference to the measures needed to augment the consolidated funds of states to supplement the resources of panchayats and municipalities on the basis of the recommendations made by the Finance Commissions of the concerned states.

ii) Another reference reiterating the need to take into account the recommendations of the SFCs. Where such recommendations were not available, the Commission was directed to make its own assessment about the manner and extent of augmentation of the consolidated fund required. This assessment was to take into account the provisions for emoluments and terminal benefits of employees (including teachers); the ability of local bodies to raise financial resources and the powers, authority and responsibilities transferred to them under articles 243(G) and 243(W) of the Constitution.

In its report FC-XI noted the following features of SFC reports

i) Lack of synchronicity in the periods covered by the reports of the SFCs and the Finance Commission.
ii) Extreme diversity in the approach, the content, the period covered as well as quality of the reports of the different SFCs.
iii) Delay on the part of the State Governments in finalising Action Taken Reports (ATRs) and placing them in the state legislatures.

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FC-XI, therefore, underlined its inability to take into account the recommendations of the SFC's. It, therefore, recommended ad hoc grants.

The ToR of FC-XII had a single reference relating to the measures needed to augment the consolidated fund of a state to supplement the resources of the panchayats and municipalities on the basis of recommendations made by the Finance Commissions of the concerned states.

FC-XII noted that both the data furnished by the states as well as the SFC reports failed to provide a sound basis for estimation of the required augmentation of the consolidated funds of the states. It, therefore, recommended grants on an ad hoc basis.

State Governments' Views

In their memoranda to the Commission, 14 State Governments have made suggestions relating to the functioning of local bodies. Most of them wanted the Finance Commission to significantly increase its support to local bodies. Seven State Governments have suggested that local bodies be given a share of the divisible tax pool over and above the states' share to enable them to participate in the buoyancy of central tax revenues. Suggestions on the amount of such a
share ranged from 4 per cent to 10 per cent.

It was urged that the increasing obligations of local bodies to provide basic services, infrastructure, as well as meeting other civic needs required a significant stepping-up of assistance. In view of the significant burden arising from the implementation of the recommendations of the Sixth Pay Commission, states requested that for FC support should be allowed to be used for payment of wages and salaries. The need for such support to be untied as far as possible was emphasised by a number of State Governments.

These State Governments also suggested horizontal devolution parameters for inter se distribution of local body grants. Most of these states were of the view that population, area, income distance, revenue effort, and index of decentralisation could be considered as criteria,
though their perception on the weights to be given for each parameter varied. A few states suggested that the deprivation index, tax effort, quality of expenditure, scheduled caste (SC)/scheduled tribe (ST) population ratio, revenue requirement, and proportion of own resources be also considered as parameters for horizontal devolution. Two states suggested a pure per capita devolution based upon the population in 2001–one suggested Rs. 150 per capita and the other Rs. 500 per capita.

A number of state-specific proposals also found place in the respective state memoranda. These included, variously, requests to discard the revenue effort as a criterion, discard population as a criterion, use 2001 population as a criterion, use 1971 population as a criterion, and use the extent of scheduled areas in the state as an additional criterion within the area criterion.

Three states suggested computing an index of decentralisation and using it as a parameter. The sub-indices they proposed to compute this index included: (i) untied investible funds devolved to Local Self Governments (LSGs) as a percentage of state expenditure; (ii) own revenue of LSGs as a percentage of the state's own revenue; (iii) the number of personnel directly employed by the local bodies vis-à-vis those in the employment of the State Government; (iv) the percentage of local bodies not having elected representatives and (v) delegation of financial and administrative authority and responsibilities to local bodies and the extent of fiscal decentralisation.

Recommendations of the XIII Finance Commission

- Article 280 (3) (bb) & (c) of the Constitution should be amended such that the words 'on the basis of the recommendations of the Finance Commission of the State' are changed to 'after taking into consideration the recommendations of the Finance Commission of the State'.

- Article 243-I of the Constitution should be amended to include the phrase 'or earlier' after the words 'every fifth year'.

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- The quantum of local body grants may be provided as per Table 1. The general basic grant as well as the special areas basic grant be allocated amongst states as specified. The state-wise eligibility for these grants is placed in annexes 10.15a and 10.15c in this report.
- State Governments will be eligible for the general performance grant and the special areas performance grant only if they comply with the stipulations in paras 10.161 and 10.162 respectively in this report.
- These grants will be disbursed in the manner specified in paras 10.163 and 10.164 in this report. The state wise eligibility for these grants is placed in annexes 10.15b and 10.15d in this report.
- States may appropriately allocate a portion of their share of the general basic grant and general performance grant, to the 'excluded areas' in proportion to the population of these areas. This allocation will be in addition to the special area basic grant and special area performance grant recommended by us.
- State Governments should appropriately strengthen their local fund audit departments through capacity building as well as personnel augmentation.

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FISCAL EMPOWERMENT OF PACHAYATS IN INDIA: REAL OR RHETORIC?

In a federal system functions are divided across different levels of government i.e. Central/State/ National /providences and local governments. The economic rationale for decentralization is based upon the limited geographic extent of the benefits of public goods and the relatively high costs of decision making if everything is centralized. The Tie bout- Musgrave layer cake model of the public sector maintains that stabilization and distribution functions of the public sector should be discharged by the Central Government and that state and local governments should engage in allocation activities. A fair degree of financial autonomy in the true spirit of governing institutions ; by financial autonomy we mean that they should have their own taxation and borrowing powers as well as share in the states taxes and duties and grants-in-aid from higher levels of government. The local governments should not only have the power to raise revenues but the own source of revenues should constitute a very significant share in the total revenues (Bahl,1999).Further, the opinion is that the extent to which the local government are self-financing indicates their fiscal autonomy, because outside financing may come with conditions that limit local discretion in the use of funds (world Bank, 1988). Further grants should not be too large a share of local expenditure because, when revenues get tight, higher level governments tend to cut off transfers to local governments. This discourages local governments from raising their won revenues. Local grants also should be flexible, transparent and predictable. In this regard Bird *et al.* (2002) are of the view that "if services are to be efficiently provided, transfers must be designed so that those receiving them have a clear mandate, adequate resources, sufficient flexibility to make decisions and are accountable for results".

OBJECTIVES OF THE STUDY

Keeping in view the above background, an attempt has been made in this paper to analyses the fiscal position of PRIs. The specific objectives of the study are:

a. To bring out the legislative provisions relating to finances of PRIs.
b. To analyze the structure, growth and composition of revenues:
c. To examine the role and impact of State and central finance commissions on the panchayats finances, and
d. To suggest policy measures to strengthen the finances of PRIs.

The study has focused only on the revenue part and not on the expenditure side of the resources. Further, the study confines itself only to post 73rd Amendment period. The analysis made in this paper is based on quantitative data, which again is based on secondary sources. Though, this is a macro-level study, comparative analysis across the major states has been made at relevant places. As the comparable data source is available till 2002-2003 the analysis is restricted to that time period. The main data sources for the study are Central finance commission Reports, State finance commission Reports, Reserve Bank of India publication and Central Government Financial Department Reports, among others.

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STATE LEVEL PROVISIONS

With regard to financial powers of the PRIs, the states in their panchayat Raj (PR) Acts have made various provisions. Broadly, the states have accorded taxation powers to the grama /village panchayats. One can see the long list of tax sources with them(Bohra, 1996, Rajaraman,2003). The Ministry of panchayat Raj, Government of India, has listed 24 taxes and duties entrusted to village/grama panchayats by various states. The most important among these are property/ building tax, vacant land tax, kolagaram , (tax on the village produce sold in the village by weight, measurement or number) mainly in Andhra Pradesh, tax on advertisements and hoardings, profession and entertainment tax, factory tax and various cases. In a few states, powers have been given to intermediate and distrrict5 level panchayats to raise revenues and these are mainly in the nature of assigned revenues such as mineralcess, land/localcess, surcharge on stamps duty, entertainments tax etc.

The above legislative measures both at the central and state levels, contemplate bestowing a variety of revenue sources to PRIs own revenue raising powers, assignments, tax sharing, grants-in-aid and borrowing powers.

Concluding Observations:

The Preceding analysis of the resources of PRIs in India brings out many interesting points. It is almost16 years since 73rd Amendment was effected to the Indian Constitution, the governments are yet to evolve an acceptable fiscal decentralisation

- The experience shows that the states are not bothered to take action on the SFC reports. Thisis against the spirit of Constitutional provision. They have to follow the convention set by the Centre in implementing the CFC recommendations with the states. Further, the role of CFC in supplementing there sources of local governments is very important. However,the three FCs at the Central level followed hoc measures without any impact on the local government finances. The present 13th FC of India has to link its recommendations not only to the recommendations of SFC but also on the states' implementation.

Alok (2008) opines that the ad hoc grants of a token nature given by the earlier CFCs now need to be replaced by regular transfer arrangement. The 13th FC should make recommendations in such a way that it compel the states to devolve functions, functionaries and funds. The Centre has been sponsoring a large number of programmes for poverty alleviation and rural development under Centrally Sponsored Schemes (CSSs) and Central Plan Schemes (CPSs) and15implemented through the District Rural Development Agency (DRDA) at the district level. Unfortunately ,a large number of states such as Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Jharkhand, Kerala, Maharashtra, Orissa, Punjab, Tamil Nadu, Uttaranchal and Uttar Pradesh retained their identity separately, thus holding power over those programmes by itself through the line department personnel(Institute of Rural Management, 2008). Hence the Centre should insist on the states to transfer/implement its programmes/schemes through PRIs and bringing DRDAs under the control of panchayats. In a majority of states the plan resources are spent through parallel institutions like Janmabhoomi in AP (Babu, 2002b), MPLADF (Member of Parliament Local Area Development Fund) inthe entire country, MLA/MLC LADF in most of the states and user associations for various functions/services (watershed, drinking water, school development committees) in a majority of states etc. They target the same people and area as the PRIs leading to duplication of works, wasteful expenditure and leakage of funds. Further, such expenditure lack transparency and accountability.

Therefore, to minimise the waste of scarce resources and accountability in spending it is logical to bring all those functions concerning local development under PRIs governance and planning.

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Borrowings play an important role in financing long-lived infrastructure assets. Many of the state PR Acts provided for borrowings by the panchayats. However, in practice, only the Centre and the states are raising and utilising the borrowed funds. In recent years a few urban local governments have raised resources from the financial markets and institutions (Gurjar, 2008; Vaidya, 2008). There should be some mechanism whereby the borrowed funds are also available for panchayats. The PRIs could not access capital markets due to imposition of elaborate conditions. As a solution to this problem the states should share a part of its borrowings with the panchayats who wish to borrow for development projects and getting back the money on instalment basis by a cut in the annual grants. This facility may be restricted to gilla and taluk panchayats which do not have taxation powers but have experience in implementing and managing productive projects.

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CANALIZATION OF FISCAL TRANSFERS IN INDIA WITH SPECIAL REFERENCE TO FINANCE COMMISSION TRANSFERS.

India is a vast, populous and most popular democratic country with 28 states and 7 Union territories. The routes of Financial Transfers from Union govt. to the States Governments are 1.Planning Commission Transfers 2. Finance Commission Transfers 3. Central Sectors and centrally sponsored scheme. There is no specific geographical region to the Govt. of India such as States hence the Union Government has to concentrates all the states and union territories for their political, social and economical activities. Fiscal Federalism in India mainly refers to the inter governmental financial transfers between the centre and states. The Center's revenue grows more quickly than the states and States responsibilities and expenditure grows more quickly than the centre hence the centre is always the provider and states are always the receiver of fund.

The present paper aims to analyze the working of Finance Commission's fiscal transfers in India such as shares of sharable taxes and duties and grants-in-aid to the States from the Centre for need based financial distribution 11 mountainous states of the north and north –east have been classified as "Special category States" and the remaining 17 states are considered to be "General category states", the Finance Commission concentrate more on the social and economic upliftment of the "special category States", because they are backward in nature

Plan Transfers

The assistance given by the Planning Commission comprises of both grants and loans. In earlier years both the volume and the loan-grant component was project based, but since 1969 the assistance has been allocated on formula basis as per the direction of National Development Council (NDC) which is constituted by the Union Cabinet Ministers, Chief Ministers of the various states, member of planning commissions and chaired by the Prime Minister of India. At present, 30 per cent of the funds is formulated by them. The plan transfers and their grant - loan components, are determined independently of the required plan investments, their sectoral composition, the resource available to the states or their fiscal performance and different Central Ministers give specific purpose transfers to states. The Plan transfer in concerned, 30% is kept apart for special category states which consists of 90% as grants and 10% only as loan. For major states 70% fund is available which consists of 70% as loan and only 30% as grants. It is note-worthy to note that the loan should be repaid whereas the grants need not be so.

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Assistance to the Central Sector and Centrally Sponsored Schemes

This is the third component of the transfer system and is given for specified purposes with or without matching provisions. Grants for the Central sector schemes are given to the States to execute central projects and are entirely funded by the Centre. Centrally sponsored schemes, on the other hand, are shared cost programs falling within the sales ambit with required matching ratios that are uniform across the states but which vary with the projects. There were 262 such schemes in 1985, and more have been added in subsequent years. These transfers have attracted the sharpest criticism due to their discretionary nature and conditionality attached to them. They accounted for about 60 per cent of the total plan assistance

Fiscal Transfers from the State to local governments

The states are required to appoint State Finance Commission (SFC) to make recommendations on the transfers to be made available to urban and local bodies - sharring of tax revenue between the states and the local governments. The volume of spending at the village level is abysmal and very few people have interested in the affairs of Panchayats and naturally, the attendance at the 'Grama Sabha' or village assembly, which is considered to be a basic pillar of participatory decision making is extremely low. Only 11 states including Tamil Nadu have constituted SFC. Some states are yet to constitute SFC even after a decade of giving constitutional recognition to local bodies. In some states, SFCs are yet to submit reports and in many whereas it has been submitted, but the states government have not accepted the recommendations for implementation.

Union Excise Duties - The President of India has the discretion to refer the question of sharing of excise duties with the states to the commission. In effect, this matter was always included in its terms of references. Here, again the Commission recommended the sharing of net proceeds of union excise duties between the Centre and States and the distribution of their collective share between individual States.

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Shares in Taxes and Duties			
General Category States			
1	Uttar Pradesh	74502	19.80%
2	Bihar	54935	14.60%
3	Madhya Pradesh	33259	8.84%
4	West Bengal	30540	8.12%
5	Andhra Pradesh	28980	7.70%
6	Rajasthan	20596	5.47%
7	Tamilnadu	20265	5.39%
8	Orissa	19027	5.06%
9	Karnataka	18552	4.93%
10	Maharashta	17431	4.63%
11	Kerala	11504	3.06%
12	Gujarat	10616	2.82%
13	Punjab	4316	1.15%
14	Haryana	3552	0.94%
15	Goa	775	0.21%
Special Category states			
1	Assam	12362	3.69%
2	Jammu&Kashmir	4854	1.24%
3	Himachal Pradesh	2570	0.68%
4	Tripura	1833	0.49%
5	Manipur	1377	0.37%
6	Meghalaya	1283	0.34%
7	Arunachal Pradesh	918	0.24%
8	Nagaland	828	0.22%
9	Mizoram	745	0.20%
10	Sikkim	692	0.18%

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Grants-in-aid

The Finance Commission, is asked by the President, estimates the revenue needs of States and recommends grants-in-aid of their revenues. It also lays down the principles which should govern three grants from the Centre to the States. Therefore, all the States need not receive their grants and different States may receive different level of amounts. The Finance Commission can also recommend special purpose grants to any State which may be included in its terms of reference. This type of grants may include grants for helping the local bodies, grants for relief in the case of natural calamities, grants for upgradation of State activities and so on.

Grants-in-aid			
General Category States			
1	West Bengal	4680	7.99%
2	Uttar Pradesh	4007	6.84%
3	Rajasthan	2993	5.11 %
4	Andra Pradesh	2031	3.41 %
5	Maharashta	1956	3.34%
6	Bihar	1793	3.06%
7	Madhya Pradesh	1739	2.97%
8	Orissa	1728	2.95%
9	Gujarat	1384	2.36%
10	Tamilnadu	1336	2.28%
11	Punjab	1112	1.96%
12	Karnataka	1140	1.95%
13	Kerala	813	1.39%
14	Haryana	653	1.11%
15	Goa	46	0.08%
Special Category states			
1	Jammu&Kashmir	11574	19.76%
2	Himachal Pradesh	4890	8.35%
3	Nagaland	3622	6.18%
4	Tripura	2528	4.32%
5	Manipur	1839	3.14%
6	Mizoram	1790	3.06%
7	Meghalya	1674	2.86%
8	Arunachal Pradesh	1397	2.38%
9	Sikkim	941	1.61%
10	Assam	919	1.57%

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From the above analysis it can be observed that the special category states receive more funds andthe17gerneralcatagorystates receive less funds through Finance Commission fiscal Transfers from Centre. It is not worthy to note that higher revenue realization goes to Centre from only the general category states, which are highly developed in nature. Say for example the most disturbed state of India, Jammu & Kashmir receive about 20% of the total transfer in Grants-in-Aid where as the revenue realization of the Centre in from of income tax from Jammu & Kashmir is very low namely 1.24% hence the main aims of Finance Commission Fiscal Transfer is to reduce inequality and the upliffment of backward states in India.

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PUBLIC - PRIVATE PARTNERSHIP IN SOCIAL SECTOR

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PUBLIC-PRIVATE PARTNERSHIP IN THE HEALTH SECTOR IN INDIA – KEY ISSUES AND CHALLENGES

Introduction

The health of any nation is the sum total of the health of its citizens, communities and settlements in which they live. A healthy nation is, therefore; only feasible if there is total participation of its citizens towards this goal. In India, in the last five decades, we have followed a path of social transformation that mainly relies on five major institutions, namely, the parliament, assembly, cabinet, bureaucracy and party functionaries. In the absence of mediating and reconciling agencies between the state and society, the state lacks a base, and remains remote and insensitive to people's needs. Unfortunately, development efforts have not been rooted in our neither traditional institutions nor community initiatives that exist in some form or other throughout the country. Progress is easiest made if we are tuned in with the national genius that has developed over the centuries, with certain special traits. If this domestic capacity is ignored or discarded, development efforts will lose their bearing and roots, and, gradually, vitality. With the rapid growth of the Indian economy in recent times and the changing demographics and socio-economic mix of the Indian population, there has been an immense change to the healthcare requirements in the country.

Public Private Partnership in Social Sector

The private sector can bridge the investment deficit and improve the efficiency and outreach of service delivery. However, there are some challenging sector issues that constrain its ability to enter through public–private partnership (PPP) modalities. Several constraints exist in the health and education sectors in India. The major challenges for the health sector include accessibility and coverage in rural areas, ineffective management of existing infrastructure, and inadequate number and quality of health care professionals. In the education sector, the primary and upper-primary schools are constrained by several factors, including inadequate basic physical infrastructure (toilets, electricity, and drinking water), absenteeism of teachers and poor quality of training, and lack of leadership and ineffective management at school level. Capacities also need to be strengthened to structure PPPs with local governments, since PPPs and infrastructure-related reforms are still evolving in many states. Some bankable PPP models could be developed as pilot projects to serve as models for replication across the sectors.

The Asian Development Bank (ADB) has been at the forefront of assisting the Government of India in mainstreaming PPPs in the country at both the national and state levels. Its ongoing efforts to support the government include initiatives for capacity building and institutionalizing PPPs across local governments, states, and sector ministries. Together with the Department of Economic Affairs (DEA), ADB is following a sector-specific approach for identifying bankable pilot projects after holding discussions with selected states, and studying domestic and international best practices. A special task team that included ADB and KPMG consultants undertook a rapid assessment study to develop possible PPP solutions to meet the challenges of India's health and education sectors. This Executive Summary The Asian Development Bank (ADB) engaged KPMG (a global consultancy firm), on behalf of the Department of Economic Affairs (DEA), Ministry of Finance, Government of India, to develop possible solutions to meet

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the challenges in the primary health care and primary education (primary and upper-primary schools) sectors in the country through the use of public–private partnership (PPP) modalities. ADB, KPMG, and the DEA have worked closely in the development of this report and are together referred to as "the team." A rapid assessment study included consultations with a number of selected state governments on the sectors' challenges and an assessment of local cases of private sector participation in both sectors. An analysis of international PPP experiences, along with domestic consultations, resulted in the generation of potential PPP solutions suitable for the scenario in India. Useful sector assessments were also undertaken at the outset that led to emergence of PPP analysis and evaluation frameworks, which are useful tools for rationalizing the use of PPP modalities in the sector.

Primary Health Care and Public–Private Partnerships India's health spending (about 4.8% of gross domestic product [GDP]) is considered much lower compared with spending in Organisationfor Economic Co-operation and Development (OECD) member countries. While India hassuccessfully developed physical infrastructure and adequate coverage of primary health services, significant shortfalls remain. The top three challenges for the health sector are accessibility and coverage in rural areas, ineffective management of existing infrastructure, and inadequate number and quality of health care professionals.

Internationally, PPPs in the health sector have been focused on addressing large capital expenditure programs, such as hospital private finance initiatives (PFIs) and local improvement finance trusts (LIFTs) in the United Kingdom (UK). In addition, the Government of the United Kingdom recently introduced an independent sector treatment center that provides a framework for developing diagnostics and surgical capacity to meet the demands of the National Health Service. However, its success in meeting desired outcomes is as yet unconfirmed. The team's analysis also considered PPP experience at the state level, e.g., mobile clinics, user-charging diagnostics service centers, facilities outsourcing, ambulance management services, and primary health care centers.

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Public Private Partnership : Key Issues and Challenges

While gaps in physical infrastructure continue throughout India, other health care challenges include:

i) **Shortage of skilled health care professionals.**

This is a national issue and requires more training institutions and medical colleges.

ii) **Accessibility and coverage in rural areas.**

India's diverse geographical terrain makes providing health care services difficult. Because inaccessible areas also tend to be the most backward areas, the Health Care Sector in India: General Sector Assessment and State-Specific Findings government needs to provide them with medical services.

iii) **Quality of health care.**

Inconsistent access and quality leads to massively disparate outcomes among states and Districts. In many states, ineffective management of health care is a greater concern than the quality of infrastructure. Nongovernment organizations (NGOs) have participated in health care management in remote and rural areas, but capacity and accountability are key concerns.

While the health sector has made significant progress in the years since the country's independence, India still faces significant challenges. Similar to education, the scope of this study was limited to evaluating and proposing potential solutions for only those issues that have been addressed by PPPs in other countries. This includes the delivery and maintenance of hard infrastructure and services for primary health care, and typically excludes all sociocultural, policy, and political issues that require much wider reform such as

programs for disease control, drug distribution, and professional training. In addition, PPPs typically exclude provisioning of medical staff and their training.

The health care system in India consists of a public sector, a private sector, and an informal network of care providers. The size, scale, and spread of the country hampered complete adherence to the number of well-intended guidelines and regulations. Although there are norms and guidelines, compliance is minimal. In reality, the sector operates in a largely unregulated environment, with minimal controls on what services can be provided, by whom, in what manner, and at what cost. Thus, wide disparities occur in access, cost, levels, and quality of health services provided across the country.

Conclusion

The world has made remarkable improvements in life expectancy. Significant strides have been made in the control of several diseases. However, developing countries still face enormous problems in the health sector. For example, the child mortality rates in developing countries are about ten times higher than those in the developed countries. Developing countries are fighting the war against ill health simultaneously on two fronts - infectious life threatening diseases and looming lifestyle diseases. India, as a developing country, has the dual problem of addressing life-threatening diseases for a vast population, while simultaneously tackling the growing numbers afflicted with lifestyle diseases. The existing system of health care in India is fraught with many inequities. Current funding is being used sub-optimally and is not directed to maximising health gain. Significant disparities exist between urban and rural areas, between different states and between poorer and wealthier segments of the population. The current structure of the health care delivery system, especially public health care, does not provide enough incentives for improvement in efficiency. There are stark deficiencies in health care quality and regulation is weak. This state of affairs portends a major handicap for India in the information era where quality of human capital of a nation determines economic growth and development. An improvement in health systems and infrastructure is vital to assure India's future. It is necessary to significantly overhaul the existing system through a comprehensive set of reform measures. The vision for India in the area of health should be 'to foster a healthy society through provision of quality health care services to all citizens'. To realise this vision, India has to focus on health development with the mission of 'creating an affordable and efficient health care system, balancing preventive and curative measures and establishing an enduring public-private partnership'.

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PUBLIC-PRIVATE PARTNERSHIP IN HEALTH SECTOR.

Introduction

Public- private partnership's(ppp) in the context of the health sector is an instrument for improving the health of the population. Ppp is to be seen in the context of viewing the whole medical sector as a national asset with health promotion as goal of all health providers, private or public. The private and non-profit sectors are also very much accountable to overall health systems and services of the country. Therefore, synergies where all the state holders feel they are part of the system and do everything possible to strengthen national policies and programmes needs to be emphasized with a proactive role from the government. The report encapsulates the successful ppp experiences in india.

Methodology:

The study is based on the secondary data. This is an earnest effort to study Public-Private Partnership in health sector.

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Determination of Health

There are several factors influence the health of individuals and communities. Whether people are healthy or not, is determined by their circumstances and environment. To a large extent, factors such as living conditions, environment, genetics, income and education level and relationships with friends and family all have considerable impacts on health.

The Determinants of Health Include:

- The social and economic environment.
- The physical environment.
- The person's individual characteristics and behaviours.

Income and Social Status:

Higher income and social status are like to better health. The greater the gap between the richest and poorest people, the greater the differences in health.

Education:

Going to school can improve many other determinants of health. Low education levels are linked with poor health that will create more stress and lower self-confidence.

Physical Environment:

Safe water and clean air, healthy workplace, safe houses, communities and roads all contribute to good health. Employment and working conditions-people in employment are healthier, particularly those who have more control over their working conditions.

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Health Facilities:

Health care services are available to the status population in

- ❖ Health centers, dispensaries and hospitals including teaching hospitals, in the public sector.
- ❖ Hospitals, including corporate hospitals and nursing home in the private sector and hospital/clinics run by non-government organizations(NGO's) / Trusts .
- ❖ Self-medication and dependence on local chemists and druggists are also prevalent.

Public-private Partnership(ppp)

1. **Rajastan:**
   Partners: Medicare Relief Society, SMS hospital, jaipur, and Vardhman Scanning and Imaging Private Ltd.,
   Services: Contracting in Radiological diagnostic services in the public hospitals. Provision of quality drugs and supplies cheaper than market rate. All this free for BPL patients above 70years of age and freedom fighters; pre-negotiated rates for others.
2. **West Bengal:**
   Partners: Government of West Bengal, Mediclue, District Health & FW Societies, Private partners, M/S Doctors laboratory and Non Profit NGOs.
   Services:CT Scan in seven medical colleges, MRI in one medical college hospital, diagnostic facilities in 30 rural hospitals, and running of 133 ambulances for emergency transport under management of NGOs/CBOs at the level of Block PHCs.
3. **Uttarakhand:**
   Partners:Government of uttarakhand, DST, GoI and Uttarachal Institute of Scientific Research, Bhimtal(NGO).
   Services: Mobile Health Services-Diagnostic, Laboratory, and Clinical Services through mobile vans. Dedicated health camps in 6 districts of western part of Uttarakhand.
4. **Gujarat:**
   Partners: Government of Gujarat and private Doctors (Obstetricians and Gynecologists).
   Services: Chiranjeevi Yojana: Private Doctors(Obstetricians)are cont5racted for deliveries both normal and caesarian of BPL women at their facilities.
5. **Arunachal Pradesh:**
   Partners: Government of Arunachal Pradesh & VHAI, Karuna Trust, Future Generations, and Prayas.
   Services: Management of selected PHCs.
6. **Tamil Nadu:**
   Partners:Government of Tamil Nadu & the Seva Nilayam Society in association with Ryder-Cheshire Foundation(NGOs).
   Services: Performance contract for the provision of emergency ambulance services in the region. Ambulance are owned by the government.

PPP Emergency ambulance service scheme in Tamil Nadu:

The government of Tamil Nadu has initiated an emergency ambulance services scheme in theni district of Tamil Nadu in order to reduced the maternal mortality rate in its rural area. The major causes for the high MMR is non-Medical causes- the lack of adequate transport facilities to carry pregnant women to health institutional for child birth especially in the tribal areas. This scheme is part of the world bank aided

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health system development project in Tamil Nadu. Seva Nilayam has been selected as the potential non government partner in the scheme. The scheme is self-supporting through the collection of user charges. The government support the scheme only by supplying the vehicles. Seva nilayam recruits the drivers train, the staff, maintain the vehicles; operate the project including communications, equipment and medicine, and publishing the service in the villages, particularly the telephone number of the ambulance service. However, the project is not self-Sustaining as the revenue collection is lesser than participated.

Health Insurance: Protecting the poor

In India, due to huge geographical area, very large population, and inequity of resources, ensuring good health for all, particularly the poor, is a complex issue. Our health system is a mix of the public and private sectors, with the NGOs and civil society still playing a very small(though important) role.

Coverage of health insurance in India is pathetically limited. Current health insurance in government and private sector covers around 11% of the population. The existing Employees State Insurance Scheme, Central Government Health Scheme(CGHS), and Ex-Servicemen Contributory Health Scheme provide services to industrial workers, government employees, and ex-Armed Forces Personnel along with their families. Mediclaim covers mainly the upper-middle income groups. Private health insurance schemes are mainly urban oriented and they have problems like unaffordable premiums, delay in setting claims, non-transparent procedures in deciding reimbursements, etc.,

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Conclusion:

PPP in Tamil Nadu in order to reduce the maternal mortality rate in its rural area. The major causes for the high MMR is non-Medical causes- the lack of adequate transport facilities to carry pregnant women to health institutional for child birth especially in the tribal areas.

The health system development project in Tamil Nadu, Seva Nilayam has been selected as the potential non government partner in the scheme. The scheme is self-supporting through the collection of user charges.The government support the scheme only by supplying the vehicles.The report encapsulates were successful ppp experiences in India.

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PARTICIPATION OF PRIVATE SECTOR WITH PRODUCT DIFFERENTIATION IN CONSUMER SATISFACTION

Spices constitute an essential part of any dish and are used to add that special distinctive relish to Indian, Arabic and Mediterranean dishes for their aroma, fragrance and harmonized flavours' Indian spices, which include pepper, cardamom, red chillies, ginger turmeric, curry powders etc. In all the regions of the world, traditional flavour combinations, using local ingredients, have come to characterize the foods of these regions."

Growing urbanization, the increasing number of working couples, the spread of consumption culture through television, the difficulty in getting reliable domestic help in the urban areas, the increasing affluence of the high and middle income group of the population, the trend towards "quick food" life styles and the high price of domestic cooking fuels etc., have resulted in a remarkable progress of the processed spices products industry in recent times. Companies selling goods and services such as processed spices products spent a great deal of time trying to establish a superior brand image wider consumer market. Therefore, irrespective of the competition, the degree attention paid to brand equity is a degree to which the company is geared towards acknowledgement the role of brands in its overall long term static thrust. Positioning is coming to grips with the problem of communicating is an over-communicated society. There are just too many companies, too many products to make marketing noise and yet out products meet succeed and to do so; the producers need to find in their customers mind. This papers analysed the species sector with the objectives; 1) To analyse the factors considered by consumers while purchasing processed species product. 2) To analyse the factors which are influencing the consumer satisfaction. The null hypotheses have been farmed to test the relationship between the level of satisfaction and factors influencing satisfaction. The study is based on primary data.

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The consumer responses for these aspects are measured by adopting Likert 3 point scale viz., highly satisfied, satisfied and dissatisfied. These responses are assigned scores respectively 3, 2, and 1. The sum of the scores obtained by each respondent for all responses represents his satisfaction score. From the sum of scores, satisfaction index for each respondent has been calculated.

It is evident form the analysis that 40 respondents (27 per cent) have obtained higher satisfaction for using Rock ford brand processed spices products and 81 respondents (54 per cent) are getting satisfaction and the remaining (19 per cent) of the respondents are not getting any satisfaction, but merely they have used this brand. It is evident that majority of the respondents (81 per cent) are having positive approved towards this brand.

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The satisfaction level of individual is influenced by many independent factors such as: (1) Age (2) Formal education (3) Occupation (4) Family status (5) Monthly income (6) Residential status (7) Size of the family (8) Food habits (9) Period of usage (10) Frequency of purchase (11) Awareness about ingredients (12) Awareness about expiry date. From the analysis it is evident that out of 150 respondents, 27 per cent are highly satisfied, 54 per cent are satisfied and only 19 per cent are dissatisfied with the Rockfort brand processed spices products. The following are the observations made from the analysis. However the overall analysis of the study indicates that majority of the respondents are satisfied with the Rockfort brand processed spices products. It is a strong evidence to improve the market in the processed spices products.

Further the research from analysis shows that there is a significant relationship between level of satisfaction and following factors: 1) Occupation 2) Size of the family 3) Frequency of purchase. However no significant relationship is proved between level of satisfaction and following factors: 1) Age 2) Formal Education 3) Family Status 4) Monthly Income 5) Residential Status 6) Food habits 7) Period of usage 8) Awareness about ingredients 9) Awareness about expiry date.

The modern world, consumer taste and preferences are changing day-by-day of rapid changing technology. A satisfied consumer will soon change to other product but a loyal consumer will not. Generally majority of the consumers have loyalty for their own brands of processed spices products for meeting the changing environment. The firm has to be constant innovative and understand the consumers needs and desires.

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PUBLIC PRIVATE PARTNERSHIP AND SOCIAL INFRASTRUCTURE IN INDIA

Introduction

Public private partnership (PPP) model is gaining worldwide popularity for building and financing infrastructure projects. In a fast growing but capital scarce economy, PPP is a viable alternative to public funding, by harnessing private sector efficiencies for infrastructure development which traditionally has been the government domain. Objectives of PPPs in very broad terms can be achieved through privatization, a practice more commonly followed in Latin American economies–with the government selling the assets or its controlling stake in its various development programmes. In emerging Asian economies a common practice has been allowing 'market access' to private players to enter into hitherto closed markets (Chatterjee, 2006). PPP as it is largely understood is a cooperative venture between the public and private sectors in which several options are possible. It is built on the expertise of each partner that best meets clearly defined public needs through the appropriate location of resources, risks and rewards.

Problem Focus :

Rural India needs business to invest in industries such as finance and insurance; in ventures that bring new infrastructure such as telephony and roads. This is where telecommunications can help. Where physical infrastructure may not reach easily, the Internet can. Broadband access is the ideal platform to connect a geographically diverse country such as India. This high-speed Internet technology holds tremendous potential, such as distance learning, telemedicine, supply chain management, customer relationship management, etc. The main faces in this paper, to analyses the Education and Health care, population growth and its adverse impact on social infrastructure and pantheist and public private partnership in India, in relation with infrastructure development.

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I. Education and Healthcare: Twin Most Important Social Infrastructure Areas

Education and health provide biggest guarantee for social security. Investments in education and health care not only help the person who benefits from them but also the firm that employs him. A firm that employs educated and healthy employees is likely to be all round gainer. Investments in education and health infrastructure achieve long term benefits both to individuals and society. A society of educated workforce brings further pressure on government for improving standards for education and health infrastructure which in turn improves levels of social security. Due to funds limitations, successive governments did not spend enough on elementary education. Higher levels of elementary education help contain social and gender inequity that facilitates social security. Government, NGOs and corporates need to accord much greater priority to social infrastructure particularly education and healthcare but without diluting emphasis on child development, women empowerment and care of the elderly either which are also vital components of social infrastructure.

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II. Population Growth and its Adverse Impact on Social Infrastructure

Man's presence on earth is known to exist from time immemorial. Agriculture as a basis of human subsistence is known to exist for over 10,000 years. World population was then estimated to be around 15 million. With sufficient food supply, population doubled four times to reach a figure of 250 million by the time of Jesus Christ. After that the first doubling was estimated to have occurred by 1650 raising the population to 500 million. The second doubling occurred during 1850 after a lapse of 200 years raising the population to 1 billion. World had entered the 20th century with a population of less than two billion but entered 21st century with a figure of more than 6 billion. The global population, which grew by 13 million a year in early 1900 increased by about 90 million a year by the turn of the 20th century. It is said that 90 per cent of population increase took place in developing world

India's population as per the 2001 Census stood at 1.027 billion (102.7 crore) with 0.531 billion (53.1 crore) males and 0.495 billion (49.57 crore) females (Jumani, 2006, p.15). The rural-urban break-up of the population is 0.741 billion (74.16 crore) in rural areas (72.22 per cent), and 0.285 billion (28.53 crore) in urban areas (27.78 per cent). Registering a threefold increase in population, India's population increased from 361 million at the time of Independence to over 1 billion in 2001. Every year 16 million people were added during 1981-91 which increased to 18 million people during 1991-2001. While the total urban population is still lower than the rural population, the urban population growth of 31 per cent during 1991-2001 has far exceeded that of rural growth of 18 per cent during the same period. However, apparently urban population growth has considerably slowed down which during 1971-81 period was as high as 45 per cent.

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III. Women Empowerment and Gender Equity

In evolutionary biology, diversity which is a very natural for growth of various species, facilitates adaptability and survival of species under varied circumstances. In corporate world in globalization era when cross-cultural issues are widely emerging and bringing diversity, diversity management achieves same objectives, namely, adaptability and survival of diverse workforce in a composite scenario. Adaptability, a connotation of flexibility, results from mutual tolerance, inter-personal sensitivity, and willingness to work together, under diverse situations (Maznevski and Jonsen, 2006).

Diversity instead of being seen as setback should be seen as challenge to be successfully overcome. Diversity in workforce could be on account of age, gender, ethnicity and nationality of individuals working in the organization, which affect adaptability, survival and performance. Diverse groups that have linkage with larger social networks bring rich and varied experience. Collectively, they bring host of ideas and perspectives that improve problem solving capabilities. Wisdom lies in accepting people as they are then maximizing performance from their differential capabilities (Maznevski and Jonsen, 2006).

Select Cases on Public Private Partnership and Social Infrastructure Development

Providing every child sound education, say, up to high school level is desirable for social and economic reasons. This would prepare more children to access higher education and courses for specialized qualifications. They would then be able to participate in India's economic progress and its successful engagement with the global markets (Kamath, 2006). GOI has sought to universalize education traditionally by setting up government schools both in urban and rural areas. Many of these schools however at present lack necessary infrastructure and adequate trained teachers due to continuously rising population. This is

often discerned in terms of poor academic results and high drop-out rates (Kamath, 2006). To fill the gap in elementary education, a number of private schools have come as education providers but with them too everything is not ideal in terms of quality ofeducation or infrastructure facilities.

ICICI Bank, a premier private bank in the country, as part of its social objectives, has come out with several solutions to improve teacher performance in government schools. It also provides loan facilities to private schools to expand their infrastructure and capacity. It also provides loan facilities including loan vouchers that allow low income families to access the education of their choice, whether public or private (Kamath, 2006).

Conclusion

India's capability wealth has made significant strides that enabled country launch satellite into outer space, make noted contributions in computer science and software development, but it could not achieve matching success in elementary education and primary healthcare. It is thus appropriate only that RBI has asked states to spend more on education, public health and family welfare (The Economic Times, January 5, 2007). According to the recent RBI guidelines, states need to accord much greater allocation on social infrastructure than it made so far. Mr. Sam Pitroda, Chairman, Knowledge Commission, has recently come out with host of suggestions, to tap country's knowledge base for country's all-round development. Suggestions are wide-ranging starting from massive expansion in higher education with 1500 new universities, a national knowledge network with gigabit capabilities to connect all university libraries, laboratories, hospitals and agricultural institutions; independent regulatory authority for higher education, 1.5 per cent of GDP allocation for higher education, commercial utilization of the universities' land for raising funds (Pitroda, 2007). Given the substantial risks involved, private sector may not be too enthusiastic about teaming with the bureaucracy to provide and manage infrastructure facilities.

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PUBLIC PRIVATE PARTNERSHIP IN INDIAN INFRASTRUCTURE DEVELOPMENT

Introduction:

Infrastructure bottleneck has been a serious concern in India in its way of robust pace of economic progression. While many advanced economies and fiscal constrained developing countries have developed their physical infrastructure successfully either through private participation or through public-private partnership (PPP) model, in India, private participation in the process of infrastructure development has received lacklustre response. While private telecom services is a success story in India, the PPP constitutes a miniscule share in overall infrastructure building despite initiation of various policy adjustments and sector-specific reform programmes.

In the Indian context, the term PPP is used very loosely while at the international arena, the PPP is adopted for developing public assets in various forms as explained in this paper. According to Ministry of Finance Government of India the PPP project means a project based on a contract or concession agreement, between Government or statutory entity on the one side and a private sector company on the other side, for delivering infrastructure service on payment of user charges. This is a narrower definition as compared to world best practices where the private sector participation in any form of concession agreement, divestiture of the public sector, Greenfield projects and management and lease contract are considered as PPP. The Planning Commission of India has defined the PPP in a generic term as "the PPP is a mode of implementing government programmes/schemes in partnership with the private sector. It provides an opportunity for private sector participation in financing, designing, construction, operation and maintenance of public sector program and projects". In addition, Greenfield investment1 in the infrastructure development has also been given more encouragement in India.

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Objectives Of The Study:-

This paper aims at the following objectives:

1. To understand the study of year-wise project investment during eleventh plan in public private partnership in Indian infrastructure sectors.

2. To study the sector-wise investment anticipated in the tenth plan, projections for the eleventh plan and changes in sectoral shares

Data and Methodology:

The period of study is 10th plan and 11th plan. This study was based on secondary data. The required data were collected from RBI bulletin. In order to realize the objectives the statistics tools like percentage composition.

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A detailed breakdown of this investment by sector and its phasing over the Plan period are provided in Table1 as may be seen, the results of the two projection exercises are of the same order of magnitude. Further, the total investment projected through the bottom-up exercise as a percentage of GDP at market prices rises from 5.98 per cent in 2007-08 to 9.34 per cent in 2011-12, which results are comparable and consistent with the 5.75 per cent and 9.00 per cent, respectively, assumed in the top-down estimates..

Total investment in infrastructure during the Tenth Plan is anticipated to amount to Rs. 8,71,445 crore or US$ 217.86 billion.1 Against this, based on sector specific projections, investment in the Eleventh Plan would amount to **Rs. 20,56,150 crore or US$ 514.04 billion**, which is 2.36 times the amount anticipated to be achieved during the Tenth Plan..

Between the Tenth and Eleventh Plans, the shares of different sectors in total infrastructure investment are largely unchanged. In the transport sector, shares of ports and airports have increased in line with the policy thrust on removing transport bottlenecks to trade and the emphasis on attracting private investment through Public Private Partnerships (PPPs). Although relative sector shares of roads and railways are projected to decrease slightly, the volumes of projected investments in these sectors in the Eleventh Plan would more than double as compared to the expenditure anticipated in the Tenth Plan. Political economy and Performance issues in water supply and sanitation have historically slowed the pace of investment in the sector. In view of the pressing need to increase coverage, a renewed thrust to investment in water supply and sanitation, particularly in urban areas, is being given under the Eleventh Plan. Even so, although the share of water supply and sanitation in total infrastructure investment would decrease slightly, the projected amount is more than double the expenditure anticipated in the Tenth Plan. The growth in private investment in telecommunications is expected to continue and underscores the significant increase in the share of the sector.

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CONCLUSION

- Development of basic infrastructure is a critical necessity to meet the growth requirements of a country. Infrastructure financing needs cannot be met by the government alone, and hence the case for private sector participation is strong for meeting the challenge.

- While there are many issues surrounding the availability of suitable intermediaries with an adequate amount of risk capital for infrastructure financing, there does not appear to be shortage of funds per se within the economy. Indians have shown a great deal of willingness to save and hold those savings in very long-term assets either as deep-discount bonds; savings linked insurance policies, post-office savings and pension funds. Indian investors appear to be highly risk averse and are prepared to accept lower returns in lieu of safety of the invested funds rather than supplying risk capital that will earn short run and higher returns. This augurs well for infrastructure funding and there is a need to innovate ways to facilitate channelizing such resources into infra projects.

- In this context, therefore, there is an urgent need to address the issue of innovations in order that the intermediaries, instruments and markets can perform the functions of risk, maturity and duration transformation to suit the needs of the investors. While FDI has the potential to provide some of the equity capital, it appears very likely, as traditionally is the practice, that the government itself would have to emerge as the provider of the bulk of this risk capital with banks and capital markets offering the debt finance. In the past the government has assumed the role of provider of risk capital and debt funds through development banks but for a variety of reasons, this approach has not met with much success. It is, therefore, imperative to examine the evidence at hand and attempt to discover new ways of addressing the problems that appear to be retarding the pace at which infrastructure investment is progressing.

- The PPP model of infrastructure building has gained momentum in recent years the world over. The implementation strategies of the model are, however, at a nascent stage in the EMEs including India. The private sector participation in investment in the infrastructure building in India has been envisaged at 30 per cent during the Eleventh Plan period. However, going by the experience gained during the Tenth Plan, this objective appears to be rather elusive. Although there is a robust growth in the PPP investments in the road sector, the forthcoming investments in other sectors such as power, irrigation and ports are relatively meager. The flow of private investments into the infrastructure sector depend on a host of factors such as investors' interest in these sectors, bureaucratic efficiency, evolving market processes, greater availability of information, size of the projects and developers' returns. The issues outlined need urgent policy consideration and committed response so that the desired results can be achieved.

- Finally, it is necessary to even out land issues and push for land reforms if infrastructure in India has to match the world standards in coming years.

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PUBLIC-PRIVATE PARTNERSHIP IN THE HEALTH SECTOR IN INDIA

INTRODUCTION

Health care in India has a long tradition of voluntarism. For centuries, traditional healers have taken care of the health needs of their own community as a part of their social responsibility.

After Independence, until the mid-sixties, voluntary effort in health care was again limited to hospital-based health care by rich family charities or religious institutions. In the mid-sixties, the effectiveness of the Western curative model of health care in the less developed countries came under serious attack by development planners. The Chinese experience of decentralized health care through effective use of motivated health cadres at the grass-roots level also received widespread attention. Out of this rethinking, grew various models of community health programmes that emphasized decentralized curative services. In these, trained village-level workers played a key-role. Much more importance was given to preventive aspects, where the community plays a more effective part in their 'own' health care. Unfortunately, this refreshing trend too ignored the important role of traditional healers and dais in health care, and very little attention was paid to the Indian systems of medicine.

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The voluntary health effort as it exists today, can be broadly classified as follows:

- Specialized Community Health Programs:
- Integrated Development Programs:
- Health Care for Special Groups of People:
- Government Voluntary Organization:
- Health Work Sponsored by Rotary Clubs, Lions Clubs and Chambers of Commerce:
- Health Researchers and Activists:
- Campaign Groups:

Health Services in public-private Partnership

A health services PPP can be described as a long-term contract (typically 15–30 years) between a public-sector authority and one or more private sector companies operating as a legal entity. The government provides the strength of its purchasing power, outlines goals for an optimal health system, and empowers private enterprise to innovate, build, maintain and/or manage delivery of agreed-upon services over the term of the contract. The private sector receives payment for its services and assumes substantial financial, technical and operational risk while benefitting from the upside potential of shared cost savings.

The private entity is made up of any combination of participants who have a vested interested in working together to provide core competencies in operations, technology, funding and technical expertise. The opportunity for multi-sector market participants includes hospital providers and physician groups,

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technology companies, pharmaceutical and medical device companies, private health insurers, facilities managers and construction firms. Funding sources could include banks, private equity firms, philanthropists and pension fund managers.

Partnership to Meet the Future Challenges

Analysis of available qualitative and quantitative data clearly shows extremely uneven health and development progress in various parts of the country. Often this difference is so dramatic that one can hardly believe that they are part of the same nation and have followed the same development path for the last five decades. Even within the states that are doing reasonably well, there remain regions of darkness where little has changed since Independence. Obviously, these parts of the country should be of major concern in the coming decades.

We are also living under two shadows in India: the familiar one of infectious diseases like malaria, tuberculosis, etc., and the new and growing cases of non-infectious chronic diseases like cancer and coronary diseases. The large widespread health infrastructure that has been set up throughout the country seems to be non-functional and unresponsive in many parts. Instead of moving forward to meet newer health challenges, it is sliding backward. Over-centralized and lopsided planning, inadequate and unbalanced financial outlays, lack of accountability to communities, low moral values and, very often, dereliction of duty by medical and nursing professionals plague the system. A thorough review of the National Health Policy and a total revamping and restructuring of the health infrastructure are immediately called for. Due to the prevailing situation in the government sector, there has been an unprecedented growth of the private sector, in both primary and secondary health care all over the country. Given the current ethical standards of the medical profession and free market technology-driven operational principles, the private sector generally does not provide quality health care at a reasonable cost. Before this sector becomes a public menace, it is necessary to introduce participatory regulatory norms.

Recently launched long-term programs to meet some of the above challenges are mostly selective, large vertical programs on AIDS, Malaria, Tuberculosis and Immunization, principally supported by international organizations. Convergence of these programs with existing primary health care priorities would have had the possibility of revitalizing the primary health care infrastructure. It is very important to review and recast these selective programs. Often, these new programs do not even follow the basic framework and priorities of the Five-Year Plan document.

The time has come for us to stand up and recognize this growing menace and change the direction of our poverty eradication programs to a decentralized, imaginative and participatory model, as has been exemplified by many voluntary organizations. The economic development of one-third of our total population needs to be undertaken with appropriate inputs for their social development. Perhaps in the health and development agenda of India, solving their problems will remain the most complex challenge for many years to come.

Conclusion

The health of any nation is the sum total of the health of its citizens, communities and settlements in which they live. A healthy nation is, therefore, only feasible if there is total participation of its citizens towards this goal. In India, in the last five decades, we have followed a path of social transformation that mainly relies on five major institutions, namely, the parliament, assembly, cabinet, bureaucracy and party

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functionaries. In the absence of mediating and reconciling agencies between the state and society, the state lacks a base, and remains remote and insensitive to people's needs. Unfortunately, development efforts have not been rooted in our traditional institutions nor community initiatives that exist in some form or other throughout the country. Progress is easiest made if we are tuned in with the national genius that has developed over the centuries, with certain special traits. If this domestic capacity is ignored or discarded, development efforts will lose their bearing and roots, and, gradually, vitality.

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PUBLIC PRIVATE PARTNERSHIP (PPP) IN EDUCATION: STATE-WISE FINDINGS IN INDIA

Introduction:

The importance of education can not be overemphasized. Education participates critically in building individual endowments and abilities, and it drives social and economic development at the national level. For the individual, investment in education means increased earning potential; nationally, it means greater efficiency and productivity. According to 2001 census, India's literacy rate was only 65%. Large disparities in literacy, overall access, and education infrastructure exist among the States. Therefore, it makes good sense for government to prioritize education for social investment.

Public Sector Spending for Education:

Government spending for education has risen consistently from 0.65% of GDP in 1950-1951 to 4.10% of GDP in 2001. However, severe fiscal problems in the States, which account for almost 90% of total education expenditures, limit positive outcomes. Compared with other countries, education spending by the Govt. of India is very low in relation to GDP. Private school education plays a significant role in India. The United Nations Children's Emergency Fund (UNICEF) survey of Elementary Education in India (1999) shows that private education has expanded. Particularly in States with the most dysfunctional public education systems. The same survey points out that most private schools have better infrastructure, teacher-to-pupil ratios, quality and training of teachers.

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Attainment Indicators:

Although India's education system has made significant developments, glaring gaps remain in key areas such as physical infrastructure, teacher training, teacher availability, curricula, equipment and training materials. The 2001 Census of India suggests that overall education attainment and literacy rate among States vary such that literacy rate in the State of Kerala is greater than 90% while in Bihar, it is 50%. The national rate is 76% for male while 54% for females; it is not surprising that some States with high literacy rates have lower gender literacy disparity. Finally, the literacy rate in rural areas is 60% compared with 80% in rural areas.

Attainment indicators is that national literacy rate increased from 18% in 1951 to about 65% in 2001. The Planning commission of India reports that the gross enrolment ratio at primary and upper primary levels improved significantly between 1950 and 2000.

Key Challenges and Issues:

This report focuses on physical infrastructure. Education has made significant progress in providing coverage, increasing physical infrastructure in urban areas and providing midday meals and other ancillary service that improve the retention ratio. However, several areas still need improvement and the govt. needs to set and maintain standard for infrastructure and curricula. These challenges require a multifaceted approach to achieve wide economic, social-cultural, policy and political reforms.

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Physical Infrastructure:

For the most part, the State governments felt that considerable progress had been made in developing physical infrastructure; they preferred to focus on improving teaching quality. However, there is significant deficits in key areas such as drinking water, permanent buildings, blackboards, toilets etc.Thus, the physical infrastructure at primary and upper primary schools still require significant improvement.

Recommendations:

- Improve key infrastructure aspects such as provision of permanent school buildings, playgrounds,
- separate toilets for girls, potentially through PPP in education in all the above States.
- Build, lease and maintain School Building Infrastructure Model - This PPP model may be customized to address the infrastructure gaps. Profit incentive makes this more sustainable than the current "Adopt a School" programme in these States.

Conclusion:

While each State has its unique challenges, they also share similar strength and weaknesses. Rajasthan and Uttarakhand have similar challenges and appear to be in the same development trajectory as Tamil Nadu and Andhra Pradesh. The similarities in issues among some States may facilitate the rolling out with required modifications of PPP projects.

Based on the above discussions, it is hoped that this report will lead directly to the development of PPP projects and indirectly to help build awareness in finding alternative solutions to sector needs. Weather or not awareness building is direct or indirect, the findings presented in this report are crucial for the development of the education sector in India to help and improve the lives and livelihoods of citizens and eventually lead to the economic development of the country.

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PARTICIPATION OF PRIVATE SECTOR IN THE FOOD PROCESSING IN INDIA

Introduction

India is the world's second largest producer of food next to China, and has the potential of being the biggest with the food and agricultural sector. The food processing industry is one of the largest industries in India. It is ranked fifth in terms of production, consumption, export and expected growth. The food industry is on a high as Indians continue to have a feast. Fuelled by what can be termed as a perfect ingredient for any industry - large disposable incomes - the food sector has been witnessing a marked change in consumption patterns, especially in terms of food.

Increasing incomes are always accompanied by a change in the food basket. The proportionate expenditure on cereals, pulses, edible oil, sugar, salt and spices declines as households climb the expenditure classes in urban India while the opposite happens in the case of milk and milk products, meat, egg and fish, fruits and beverages.

Value addition of food products is expected to increase from the current 8 per cent to 35 per cent by the end of 2025. Fruit & vegetable processing, which is currently around 2 per cent of total production will increase to 25 per cent by 2025. The highest share of processed food is in the dairy sector, where 37 per cent of the total produce is processed, of this only 15 per cent is processed by the organized sector. The food processing industry in the country is on track to ensure profitability in the coming decades. The sector is expected to attract phenomenal investments of about Rs.1,40,000 crore in the next decade.

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Processed Foods Scenario

The industry structure and ongoing transformation offers opportunities for organized players to invest and grow. As the Indian market matures and consumers become more quality and brand conscious, the organized sector is poised to grow and gain prominence.

Dairy

In the dairy sector, most of the processing is done by the unorganized sector. Though the share of organized sector is less than 15 per cent, it is expected to rise rapidly, especially in the urban regions. Among the milk products manufactured by the organized sector, some of the prominent ones are ghee, butter, cheese, ice creams, milk powders, malted milk food, condensed milk and infant foods.

Amongst dairy products, the 50,000 tonnes branded butter market, valued at Rs.625 crore is estimated to be growing at 8-10 per cent per annum. The cheese market is estimated to be Rs.517 crore in value terms and an estimated 54,000 tonnes in volume terms. The growth in urban areas has been higher at about 15 per cent per annum. The ice cream market in India is estimated to be about Rs.93,530 crore per annum. A few corporate players, including Multi National Corporations are now focusing on this market. For example, Nestle and Britannia have forayed into emerging segments such as Ultra Heated Treatment (UHT) and flavored milk. Ultra Heat Treated (UHT) milk is becoming popular and the market is estimated at Rs.157 crore.

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Fruits and Vegetables

Fruit and vegetable processing in India is almost equally divided between the organized and unorganized sectors, with the organized sector holding 48 per cent of the share. While products like juices and pulp concentrate are largely manufactured by the organized sector, the unorganized sector's foothold is in the traditional areas of processed items like pickles, sauces and squashes. By size, pickles form the strongest category.

The government expects the processing in this sector to grow to 10 per cent in 2010 and 25 per cent of the total produce by 2025. Most of the units engaged in above are currently export oriented. Domestic consumption of processed fruits & vegetable products is low, indicating a potential for growth through increased penetration of the domestic market.

Grains

India produces more than 200 lakh tonnes of different food grains every year. All major grains – rice, wheat, maize, barley and millets like jowar (great millet), bajra (pearl millet) & ragi (finger millet) are produced in the country. About 15 per cent of the annual production of wheat is converted into wheat products. There are 10,000 pulse mills in the country with a milling capacity of 140 lakh tonnes, milling about 75 per cent of annual pulse production. The country is self sufficient in grain production and is the second largest rice producer in the world with a 20 per cent global share. Primary milling of rice, wheat and pulses is the most important activity in food grains processing.

Meat and Poultry

India has a livestock population of 47 crore, which includes 20.5 crore cattle and 9 crore buffaloes. Processing of meat products is licensed under Meat Food Products Order, (MFPO), 1973. Total meat production in the country is currently estimated at 50 lakh tonnes annually. Only about 1-2 per cent of the total meat is converted into value added products. The rest is purchased raw and consumed at home. Poultry processing is also at a nascent stage. The country produces about 45 crore broilers and 3,300 crore eggs annually. Growth rate of egg and broiler production is 16 per cent and 20 per cent respectively.

The growing number of fast food outlets in the country has had a significant impact on the meat processing industry in India. As per capita incomes rise and urban families live in smaller units, the demand for processed meat products, which can be quickly cooked, has been rising. Most of the production of meat and meat products continues to be in the unorganised sector. Some branded products like Venky's and Godrej's Real Chicken are, however, becoming popular in the domestic market.

Fish Processing

India is the third largest fish producer in the world and is second in inland fish production. The fisheries sector contributes Rs.20,680 crore to the national income, which is about 1.4 per cent of the total GDP. With its over 8,000 km of coastline, 30 lakh hectares of reservoirs, 14 lakh hectares of brackish water, 50,600 sq km of continental shelf area and 22 lakh sq km of exclusive economic zone, India is endowed with rich fishery resources and has vast potential for fishes from both inland and marine resources. Processing of fish into canned and frozen forms is carried out almost entirely for the export market. It is widely felt that India's substantial fishery resources are under-utilized and there is tremendous potential

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to increase the output of this sector. The units in the fish processing sector are largely small scale proprietary/partnership firms or fishermen co-operatives. In the past ten years, the corporate sector has increased its operations in preservation, processing and export of coastal fish.

Challenges and Opportunities

The future of the Indian farmer depends on the success of the food industry as India's prosperity is predominantly linked to the growth of incomes in the agrarian sector of the economy. Increasing liberalization of the economy has tried to lift the production that the food and agriculture sector once enjoyed in the country. This has exposed the sector both to the opportunities and challenges of the global food economy.

The market forces are compelling the Indian agriculture producers to increase the quality of their farm produce while continuing to maintain their cost competitiveness in order to be able to compete effectively in the global food market. Even in the domestic market, rising per capita incomes and changing demographic profile of the population has ensured the growing demand for processed and convenience foods. Increasing consumer awareness about health and hygiene has shifted the focus of the market to "safe" foods. The Indian food-processing sector is undergoing a veritable revolution - all the way from the plate to the plough.

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Conclusion

Food processing sector is one of the biggest emerging markets, with over 100 population and a 25 crore strong middle class. Rapid urbanisation, increased literacy and rising per capita income, have all caused rapid growth and changes in demand patterns, leading to tremendous new opportunities for exploiting the large latent market. An average Indian spends about 50 per cent of household expenditure on food items. Demand for processed/convenience food is constantly on the rise. India's comparatively cheaper workforce can be effectively utilized to setup large low cost production bases for domestic and export markets. Liberalized overall policy regime, with specific incentives for high priority food processing sector, provide a very conducive environment for investments and exports in the sector.

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PUBLIC PRIVATE PARTNERSHIP (PPP) IN SOCIAL SECTOR WITH SPECIAL REFERENCE WOMEN & CHILD DEVELOPMENT

Introduction

Law, justice and order have been the traditional functions of the state. A *welfare state* has a much-expanded role ensuring its citizen's *public utilities* like road, power and water supply. The state also provides *merit goods* such as education and health services that have *positive externalities.* Under the Constitution of India, it is *the federal states* that are called upon to shoulder most of these responsibilities. The Government of India has been supplementing the efforts of the State Governments in these welfare functions. Most of these services have been traditionally provided through *in-house* facilities of governments, *financed and managed directly by them.* Public-private- partnership (PPP), on the other hand, is approaches under which services are delivered by the private sector (non-profit/for-profit organizations) *while the responsibility for providing the service rests with the government.* This arrangement requires the government to either enter into a *"contract"* with the private partner or *pay for the services (reimburse)* rendered by the private sector. *Contracting* prompts a new activity, especially so, when neither the public sector nor the private sector *existed* to provide the service.

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Women & Child Development

The Department has schemes such as Hostels for Girls, Short-Stay Home for Women, Support for Training-cum-Employment Programme (STEP) and Swawlamban that are being implemented through NGOs and community participation

Economic Empowerment of women

Poverty Eradication

Since women comprise the majority of the population below the poverty line and are very often in situations of extreme poverty, given the harsh realities of intra-household and social discrimination, macro economic policies and poverty eradication programmes will specifically address the needs and problems of such women. There will be improved implementation of programmes which are already women oriented with special targets for women. Steps will be taken for mobilization of poor women and convergence of services, by offering them a range of economic and social options, along with necessary support measures to enhance their capabilities

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Micro Credit

In order to enhance women's access to credit for consumption and production, the establishment of new and strengthening of existing micro-credit mechanisms and micro-finance institution will be undertaken so that the outreach of credit is enhanced. Other supportive measures would be taken to ensure adequate flow of credit through extant financial institutions and banks, so that all women below poverty line have easy access to credit.

Women and Economy

Women's perspectives will be included in designing and implementing macro-economic and social policies by institutionalizing their participation in such processes. Their contribution to socio-economic development as producers and workers will be recognized in the formal and informal sectors (including home based workers) and appropriate policies relating to employment and to her working conditions will be drawn up. Such measures could include:

Reinterpretation and redefinition of conventional concepts of work wherever necessary.

Women and Agriculture

In view of the critical role of women in the agriculture and allied sectors, as producers, concentrated efforts will be made to ensure that benefits of training, extension and various programmes will reach them in proportion to their numbers. The programmes for training women in soil conservation, social forestry, dairy development and other occupations allied to agriculture like horticulture, livestock including small animal husbandry, poultry, fisheries etc. will be expanded to benefit women workers in the agriculture sector.

Women and Industry

The important role played by women in electronics, information technology and food processing and agro industry and textiles has been crucial to the development of these sectors. They would be given comprehensive support in terms of labour legislation, social security and other support services to participate in various industrial sectors. Women at present cannot work in night shift in factories even if they wish to. Suitable measures will be taken to enable women to work on the night shift in factories. This will be accompanied with support services for security, transportation etc.

Support Services

The provision of support services for women, like child care facilities, including crèches at work places and educational institutions, homes for the aged and the disabled will be expanded and improved to create an enabling environment and to ensure their full cooperation in social, political and economic life. Women-friendly personnel policies will also be drawn up to encourage women to participate effectively in the developmental process.

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Social Empowerment of Women

Education

Equal access to education for women and girls will be ensured. Special measures will be taken to eliminate discrimination, universalize education, eradicate illiteracy, create a gender-sensitive educational system, increase enrolment and retention rates of girls and improve the quality of education to facilitate life-long learning as well as development of occupation/vocation/technical skills by women. Reducing the gender gap in secondary and higher education would be a focus area. Sectoral time targets in existing policies will be achieved, with a special focus on girls and women, particularly those belonging to weaker sections including the Scheduled Castes/Scheduled Tribes/Other Backward Classes/Minorities. Gender sensitive curricula would be developed at all levels of educational system in order to address sex stereotyping as one of the causes of gender discrimination.

Drinking Water and Sanitation

Special attention will be given to the needs of women in the provision of safe drinking water, sewage disposal, toilet facilities and sanitation within accessible reach of households, especially in rural areas and urban slums. Women's participation will be ensured in the planning, delivery and maintenance of such services.

Housing and Shelter

Women's perspectives will be included in housing policies, planning of housing colonies and provision of shelter both in rural and urban areas. Special attention will be given for providing adequate and safe housing and accommodation for women including single women, heads of households, working women, students, apprentices and trainees.

Environment

Women will be involved and their perspectives reflected in the policies and programmes for environment, conservation and restoration. Considering the impact of environmental factors on their livelihoods, women's participation will be ensured in the conservation of the environment and control of environmental degradation. The vast majority of rural women still depends on the locally available non-commercial sources of energy such as animal dung, crop waste and fuel wood. In order to ensure the efficient use of these energy resources in an environmental friendly manner, the Policy will aim at promoting the programmes of non-conventional energy resources. Women will be involved in spreading the use of solar energy, biogas, smokeless chulahs and other rural application so as to have a visible impact of these measures in influencing eco system and in changing the life styles of rural women.

Science and Technology

Programmes will be strengthened to bring about a greater involvement of women in science and technology. These will include measures to motivate girls to take up science and technology for higher education and also ensure that development projects with scientific and technical inputs involve women fully. Efforts to develop a scientific temper and awareness will also be stepped up. Special measures would be taken for their training in areas where they have special skills like communication and

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information technology. Efforts to develop appropriate technologies suited to women's needs as well as to reduce their drudgery will be given a special focus too.

Violence against women

All forms of violence against women, physical and mental, whether at domestic or societal levels, including those arising from customs, traditions or accepted practices shall be dealt with effectively with a view to eliminate its incidence. Institutions and mechanisms/schemes for assistance will be created and strengthened for prevention of such violence, including sexual harassment at work place and customs like dowry; for the rehabilitation of the victims of violence and for taking effective action against the perpetrators of such violence. A special emphasis will also be laid on programmes and measures to deal with trafficking in women and girls.

National and State Resource Centres on women will be established with mandates for collection and dissemination of information, undertaking research work, conducting surveys, implementing training and awareness generation programmes, etc. These Centers will link up with Women's Studies Centres and other research and academic institutions through suitable information networking systems. While institutions at the district level will be strengthened, at the grass-roots, women will be helped by Government through its programmes to organize and strengthen into Self-Help Groups (SHGs) at the Anganwadi/ Village/Town level. The women's groups will be helped to institutionalize themselves into registered societies and to federate at the Panchyat/Municipal level. These societies will bring about synergistic implementation of all the social and economic development programmes by drawing resources made available through Government and Non-Government channels, including banks and financial institutions and by establishing a close Interface with the Panchayats/ Municipalities.

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Conclusion

PPP agreements also provide room for (ex-post) *evaluation.* On the expiry of the contract or even during implementation of the scheme, if it is felt there is scope for improvement, the 'contract' can be modified. Evaluation helps improve both 'efficiency' and 'effectiveness' in programme implementation. It may be reiterated that the objective of the government in introducing PPP is to choose a (private) partner with *skills, experience and resources*.

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PUBLIC-PRIVATE PARTNERSHIP OF HIGHER EDUCATION FINANCING IN KENYA: The Case of User Fees

This paper examines the existing public-private partnerships in Kenya's higher education financing as a strategy of development. The focus is on the role of public-private partnerships in Kenyan higher education and importance of user fees as the public-private partnership option in higher education financing. The findings of the study suggest that there is weakness of an integrated approach for achieving long-lasting relationship in higher education financing and improvement of quality.

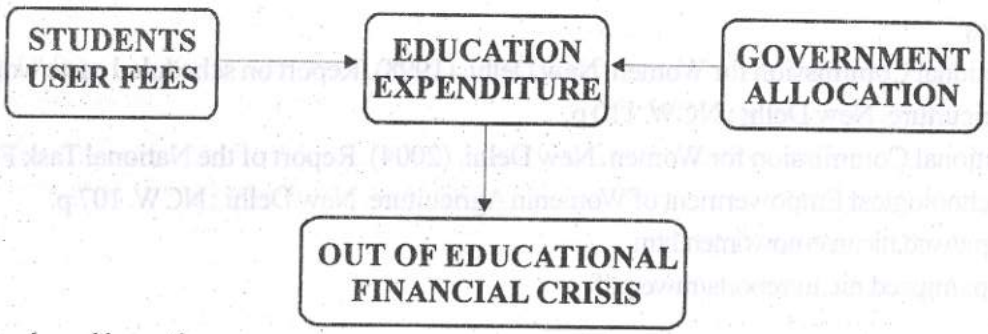
Following the criteria of investment, the one which is directed towards education has the positive impact on human capital in any county whether developed or developing, which is the key to economic growth. Therefore investment is taken as the power house of knowledge, skills and values. Education therefore is treated as the public and private investment that must be shared by individuals, students and government.

In most countries, the share of private financing is limited because there is a general belief that societal objectives of equity and efficiency are better served when education is sponsored by the government. However, over the years, the share of public spending on education is having increasing trend in many developing countries but percentage will not grow much more as most governments faces challenging macro-economic conditions which tend to increase the inter sectoral competition for public funds in which Kenya is not exceptional.

The effect on the quality of education combined with continued strong private demand for higher education have led policy makers and higher institution authorities to consider the possibility of increasing the share of financial support provided by students by various cost recovery measures like user fees.

There is strong debate supporting private funding of higher education through user fees as a cost recovery measure in most developing countries including few of Afro-Asian countries. It may contribute to both efficiency and equity but it depends on the willingness of the government to address the problem of equity that user fees might cause the poor by introducing student loans.

The User Fees is just the compulsory contribution in cash towards the costs of the services provided. The User Fees is the known and advocated option of increasing the funding of higher education and avoiding any financial crisis through cost sharing.



Source: Developed by authors

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The overall objective of the study is;

- Examine the role of Public-Private Partnership in Kenyan Higher education The sampling frame consists of seven public universities in Kenya i.e Nairobi, Kenyatta, Egerton, JKUAT, Maseno and MMUST. The study entirely depends on the secondary data which is collected from publications of statistics section and ministry of education. The simple statistical calculation of the percentage was done to show the degree of demand for funds in higher education and the cost recovery.

The following are the issues in the Kenyan higher education;

1. Poor quality of education
2. Strong private demand for higher education
3. In sufficient funds

The criteria adopted by the government of Kenya for the selection of government sponsored and allocation of the funds is that of cutoff and total number of beds available in all public universities, where it depends on the number of students qualified to join the higher education in each year. Those who miss but have attained the minimum University entry grade of C plain are admitted in parallel degree programmes through private sponsorship. It does not follow the social and economic status of the students. From the percentages we learn that Egerton and Kenyatta the gap between the government sponsored and private sponsored is wide compared with other universities. But in overall the total gap in all universities in between government sponsored and private sponsored is small. Thus we can infer that there is private demand of education. More so this shows that the issue of user fees will support in the financial burden to the government.

In conclusion, the finding suggests that, the private increasing demand of higher education can be resolved through the introduction of user fees as a means of recovering part of the cost of higher education and ensuring improvement of quality. Thus introduction of user fees is seen as a desirable policy that can be used to improve the financial situation of higher education in Kenya if the revenue generated will be directed towards improving the infrastructural facilities, libraries and maintaining staff which will improve the quality of education.

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ROLE OF PUBLIC AND PRIVATE PARTNERSHIP IN INDIA'S AGRARIAN CRISIS

Introduction

Indian agriculture is at crossroads and one of the major challenges is to reverse deceleration in agricultural growth. Main reason for deceleration in agricultural growth is declining investment particularly public investment in agriculture research and development and irrigation, combined with inefficiency of institutions providing inputs and services including rural credit and extension. Other factors such as land fragmentation, out-dated tenancy laws, lack of modern market and rural infrastructure, inappropriate input pricing policies, etc. are also responsible for agrarian and ecological crisis in the country. The crisis of stagnation in agriculture needs urgent attention. The government has renewed focus on agriculture and promoting public private partnership to accelerate growth in the rural economy.

OBJECTIVES OF THE STUDY

1. To study the importance of agriculture in national economy and development.
2. To examine the agrarian crisis deceleration in agricultural growth with some major problems.
3. To analyze the Plan-wise Expenditure on Agriculture and allied Sectors in India.
4. To know the nature of fourteen Point Action Plan for Centre and States to develop agriculture.
5. To study the impact of contract farming on specific cereals.

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Methodology

The focus of study was to examine impact of corporate-led agricultural growth through a case study of recent experiments with contract farming in foodgrains in Punjab as the State has relatively long history of corporate involvement in agriculture and has strong government support for contract farming. The study was confined to the farmers of growing basmati rice was used and for growing other crops such as hyola (hybrid rapeseed and mustard) and maize, hence not included in the analysis. The study is based on a small sample size, therefore, generalization of results needs to be avoided.

Role of State Government in Promoting Contract Farming and Basmathi Rice Production:

To give a boost to diversification of agriculture in the Punjab, a comprehensive programme of contract farming was launched in October 2002 by the State government. Punjab Agro Foodgrains Corporation, nodal agency for implementing contract farming in the State, proyides/arranges high yielding varieties of seeds, technical supervision and follow-up on agronomic practices to the farmers and assured buy-back at MSP or agreed price or market price depending upon the crop. As main objective of contract farming was to shift area from rice-wheat crop rotation to less water intensive crops, emphasis was given on introduction of less water intensive crops like basmati rice, hyola (hybrid rapeseed mustard), sunflower, malting barley, durum wheat, pulses, maize.

India is the largest producer and exporter of basmati rice in the world. The annual production in the country is hovering around 1.5-2.0 million tonnes a year, of which around two-third is exported. The remaining is consumed, within the country. Basmati rice is primarily cultivated in India and Pakistan and the Himalayan foothills are said to produce the best basmati. In India basmati rice is grown exclusively in Punjab, Haryana and Western Uttar Pradesh. Punjab is the fourth largest producer of rice contributing over 11 per cent to the total rice production in the country.

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The companies entered into written as well as oral contracts with the farmers. The agreement covers price, quality in terms of moisture content, admixture, broken percentage, etc., delivery points, purchase agreement, crop management practices, etc. The area under basmati rice as well as number of farmers under contract farming has been increasing but also fluctuating in Punjab. The companies which are involved in contract farming of basmati rice in the state include Pepsi Foods Ltd., Tata Chemicals Ltd., Chambal Agritech, Naranjan Rice exports Pvt. Ltd. and Hindustan Level Ltd.

Impacts of Contract Farming

Contract farming has been used to promote new high-value crops, which are more input intensive, risky, and market dependent for profitability, to lower costs either by yield improvement or cutting input costs through better extension services, and to raise returns by value addition to primary produce. In order to examine impact of contract framing in yields, we compared productivity levels of major crops such as rice and wheat between 2002 and 2007 on contract farms as well as between contract and non-contracts households in 2007 and results are presented. The per hectare productivity of basmati rice under contract farming showed an increase of about 12 percent (3.7 tonne in 2007 compared with 3.3 tonne in 2002), followed by nonbasmati rice (6.4% increase). While wheat productivity witnessed a declining trend and yield declined from 4.3 tonne per ha in 2002 to 4 tonne in 2007, which is consistent with state level productivity trends . Due to increase in crop productivity, area under basmati shows an increasing trend over the years. Many farmers believe that better quality seeds supplied by the companies along with better extension services have been responsible for increased crop yields in the area. It is also important to understand the downside of contract farming.Some of the farmers have discontinued contract farming or changed a company.

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Conclusion

Even as agricultural credit has been doubled in the Budget, the government has to improve the support system like logistics, cold storage facilities, and cargo handling. Extension should play a much expanded role. Implementation of a large number of central and state sector schemes with specific targets to achieve, consume a major share of block and village level officials' time. Very little attention could therefore be paid for diagnostic field visits, advice on technological options and strengthening the capacity of farmers. Government must pass the Agricultural Produce Marketing Committee (APMC) Act. This will reduce the dependence of farmers on mandis and middlemen. Contract farming and crop diversification are other issues we are working on. Contract farming brings in both financial and technical resources. Apart from advice and information on production technologies, farmers need a wide range of services, with improved access to markets, research, credit, infrastructure and business development services.

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OVERVIEW OF PUBLIC-PRIVATE PARTNERSHIPS FOR PROVIDING HEALTHCARE SERVICES

The public-private partnership is an initiative to improve efficiency, effectiveness and equity in the provision of healthcare services. This essay comments on the lessons that should be learned from some examples of such partnerships in various Indian states. The private sector is the most important source of healthcare services in India, providing close to 80 per cent of all services, according to the government's own reckoning (1). A related fact is that nearly 75 per cent of health-related expenses are out of pocket and occur at the point of service delivery.

Over the last few years there have been many initiatives to improve the efficiency, effectiveness and equity in provision of healthcare services in the country. Public-private partnership is one such initiative. Before considering emerging public-private partnerships in health in India, it may be worth recalling that healthcare has historically (even in developed nations) been a private sector activity. The emphasis on the government's responsibility for providing or supporting healthcare services for the entire population is recent. The National Health Service in the United Kingdom, often seen as the model for delivering universal and comprehensive healthcare services, was established only in 1948, after World War II.

Starting from the Bhore Committee report in 1946 there has been an increasing emphasis on the state providing healthcare services through a three-tiered approach in India. However, despite these efforts and despite many healthcare and family welfare plans and programmes made since then, health outcomes in India have remained closer to those in sub-Saharan Africa than in industrialised nations among which India would like to be counted. Public-private partnerships aim to harness the large pool of private sector healthcare resources and draw them into the process of nation building.

A key difference in the public-private partnership approach in India today and earlier such initiatives around the world is that those were implemented in times of economic crisis when state funding for the health sector needed to be reduced. India, on the other hand, is experiencing unprecedented economic growth and there has been an explicit commitment to increasing state funding on health from 0.9 per cent to 2-3 per cent of the gross domestic product Thus the primary reason to encourage private participation does not appear to be a lack of funds but a lack of managerial and technical ability.

The most high profile public-private partnership in the country today must be the Chiranjeevi programme launched by the Gujarat government. Gujarat is one of the most industrialised states in the country and a major hub of the pharmaceutical industry. Field experience tells us that, despite official figures to the contrary, the state's maternal mortality ratio is high, reflecting poor access to healthcare. There is also a great disparity between districts in access to healthcare. The state government drew up an ambitious scheme to ensure institutional deliveries for the poor through the active engagement of the

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private sector. In a pilot project, obstetricians in five districts were offered a financial package roughly Rs 1.75 lakh for every 100 deliveries they conducted. This amount was arrived at by proportional costing of a normal delivery, an assisted delivery and one with a surgical intervention. The first year of the programme has been completed and it is now being implemented all over the state.

The scheme sounds remarkably simple in its conceptualisation and delivery and typifies what may be called a win-win situation. The state issues a service voucher worth about Rs 2,000 to each poor pregnant woman and ensures that the provider is reimbursed: it is something like a pre-paid taxi service but you don't have to pay for the receipt. While some adverse reports have started coming in, certain design elements may be of greater significance. For example, the process of recruiting obstetricians does not include any quality parameters. In other words, though we know that the majority of maternal deaths take place in the postpartum period no quality criteria had been laid down for postpartum institutional care that would be mandatory for normal, assisted or caesarean delivery.

The financial dimensions of this arrangement are also worth examining. Assuming a population of 10 lakh for an average district and a poverty level of 33 per cent, one can expect around 8,000 childbirths among the poor in the district each year. With the Chiranjeevi programme a total of up to Rs 1.5 crore will be provided as cash vouchers to ensure institutional delivery for all poor women. This reasonably large amount to be shared by 100 obstetricians practising in the district is effectively taken away from strengthening services at the primary health centre and community health centre, services that would have provided services for diarrhoea, tuberculosis, malaria, hepatitis, chikungunya and a host of other health conditions - besides ensuring safe deliveries. But then as I mentioned earlier, this is a time of economic prosperity and it is possible that this additional sum will not take away from what is necessary to strengthen the system

There have been some reports from Gujarat that government centres are referring easy cases to private practitioners; private practitioners refer difficult cases to district hospitals. Government centres do not wish to operate outside fixed hours (and deliveries take place when least expected) and obstetricians under the government contract do not want to handle complications.

Another scheme, the Vande Mataram scheme, launched with much fanfare by the then union health minister in collaboration with the Federation of Obstetrician and Gynaecologists Societies of India, died an unsung death because it depended on obstetricians providing free services to the poor on one designated day of the week.

As the bulk of poor Indians seeking care visit the private sector, efforts to include the private sector within a formal planning and monitoring system for healthcare service delivery through the public-private partnership approach should be welcome. However current efforts are inadequate on many counts and the problems must be addressed if a robust, accountable and quality public-private partnership mechanism has to be developed. Some measures that need to be introduced are:

Setting up a set of technical and ethical parameters and standards for service delivery common to different levels of the healthcare system. A beginning has been made with the Indian Public Health Standards and these should be applicable to both the public and the private sector.

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There must be new regulatory mechanisms for the healthcare system including the pharmaceutical industry which is among the least regulated in India.

The cost of healthcare should be regulated just as other consumer products are, through a system of maximum prices. The voucher system can be seen as a precursor of this mechanism.

An efficient monitoring and enforceable system should be introduced of penalties for breach of regulations and standards. One hopes that the poor will then receive the services they need and at a cost they can afford, and providers will receive a fair compensation
For their sevices.

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PUBLIC PRIVATE PARTNERSHIPS FOR TRANSPORTATION & LOGISTICS WITH SPECIAL REFERENCE TO INDIA'S ROAD TRANSPORT

Introduction

Traditionally, the road projects were fully financed and controlled/ supervised by the Government. The implementation of road projects was purely dependent on the availability/allocation of funds out of the budget of the Government. It was assessed, at the time of the preparation of the Tenth Plan that for National Highways alone, Rs. 1,65,000 crore is required for removal of the deficiencies. It is in this context that alternative innovative means of financing have gained importance for providing an adequate and sustained support for financing the road projects.

While public budgets are extremely tight failing to invest could jeopardize future tax revenues, as investment in infrastructure in both developed and emerging markets underpins national economies and has the potential to stimulate economic growth. Consequently, governments are looking to find other ways of financing infrastructure. An approach that has attracted much attention in recent years is for public authorities to come together with a private sector party as a public private partnership (PPP).

There is no universal definition of a PPP. Often it refers to an arrangement that expands beyond financing and also leverages private sector resources, expertise and management practices. The private sector party takes the responsibility for building new infrastructure, including relevant risks. In some cases, the private sector party also manages the operation and maintenance of the asset over the long term. The private sector party is expected to arrange the necessary financing, while the public sector will pay for the availability and operation of the asset. The PPP approach has been applied to a wide range of infrastructure including roads, airports and rail.

Quality of road, rail, water and air transport infrastructure is indeed an important criteria for the growth of a country's economy. In order to meet the high demand of sophisticated infrastructure need, various PPP projects are being promoted in India for implementation of infrastructure projects.

Policies in attracting private participation as well as innovation have shown tremendous results in PPP projects in India over the past years. PPP in road infrastructure for an example is classified as the largest PPP segment in India with a record of more than 3,3 million kilometers of road network with a total estimated investment opportunity of 25 to 30 billion USD in 5 years.

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Objectives of the study

- To study the Importance of PPP in road infrastructure development in India.

of National highways in India

- To assess overall patterns of public-private partnership in Road Transport and Highways in India

Importance of PPP in road infrastructure development

As India continues to try and build a sustainable road and transport networks for the future, Public Private Partnerships (PPP) is expected to play a very vital role in this growth story. It is well known that PPP in the road infrastructure is the largest PPP segment in India till date. The PPP segment in this area has an opportunity to bank more than $25-30 billion over the next five years covering 3.3 million kilometres of road network.

For the less informed, it is an arrangement under which a government-owned body leverages from the expertise and capability of the private entity. Under these arrangements, the contributions by the two respective parties can vary from a case-to-case basis and the revenue sharing model among the two parties also holds the same principal.

Considering facts like passenger car penetration is still very low in India where only 9 out of 1000 people own a car as compared to the US where the number has moved up to 950 out of 1000 people, it is surely an alarming situation for the government. While the passenger car manufacturers are looking at it as an untapped opportunity, the government is leaving no stone unturned to ensure that road infrastructure does not become a hurdle in the growth saga.

Industry experts are echoing the fact that for India to develop its road and transport infrastructure at a rapid pace, PPP is a very intelligent road the government can travel on. For instance, the recent 3-day long conference held by Fleming Gulf also emphasized on various aspects relating to the PPP arrangements between the government and the private players. Undeniably, the regulatory issues among the two have been the major issue that has curbed the growth of PPP in the domestic circuit.

Going forward, it is expected that the PPP arrangements between the government and the private players will take new shape at least in the road and transport infrastructure segment. As the untapped opportunity in this sphere is attracting more and more global names by the day, the government is also taking equal interest in making the road transport conducive to the needs of the future.

Going by the current situation, India is surely is not in a position in terms of the road and transport infrastructure where it will desire to be but as the awareness level grows by the day, it is believed that PPP will be apt solution for this country to meet the

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Conclusion

At Present PPP plays vital role in the road transport and Highways in India. According to India's Ministry of Road Transport and Highways, bids for about 4,600 kilometers have already been received or invited this year and the Ministry will award concessions for 7,300 kilometers before the year ends. In the first four months of the current year, the government has awarded public-private partnership (PPP) projects with an investment of over Rs. 21,000 crore. The bids received are far better than estimated bids for these projects. This will give the government additional revenues of more than Rs. 10,000 crore.

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AN EXPLORATION OF SECTORAL DISTRIBUTION AND PUBLIC PRIVATE PARTNERSHIP

Introduction

The Public Private Partnership (PPP) is an efficient mechanism for better output of invested capital. PPP can be interpreted as welfare-profit maximization as public sector aims to welfare motive and conversely private sector aims to profit motive. It is the blending of both public and private investments to deliver services in the certain activities such as airports, education, healthcare, ports, power, railways, roads, tourism and urban development. Favorable and innovative policies attract the private participation and help to achieve the success in the areas like roads. PPP approval committee was set up for the approval of various projects on the basis of guidelines for different categories and Viability Gap Funding (VGF) of PPP helps to support the financial gap of the projects.

India has attracted most of the investment commitments to infrastructure project with private participation in the region. India has made the broadest and most sustained efforts to attract investment. Harriss (2008) revealed that India has seen a rapid increase in private investment in infrastructure since 2003. PPPs have relied heavily on commercial banks for their debt financing and it is unclear how sustainability or how desirable – this dependence will be. Estimates suggest that closing the gap in service provision and meeting future needs will require infrastructure investment in the range of 7.8 percent of GDP a year. The private sector can do more to help close the regions infrastructure service deficit.

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Methodology

This study relies on secondary sources gathered from the official websites. The data related to all India level and State level (Tamil Nadu). Basic statistical tools like percentages and ratio analysis is used. Pictorial form of representation is exhibited in this study. It is taken as the projects up to 100 crores are very small projects, 100 -250 are small projects, 251 to 500 projects are medium projects and above 500 projects are long term projects.

Analysis And Discussion

PPP in India

Since 1991, the government's strategy attaches high priority to the development of efficient infrastructure and towards creating an enabling environment for private participation in the infrastructure sector (Datt and Sundram, 2000). Besides, PPP can encourage better risk sharing, accountability, cost recovery and management of infrastructure. The government of India has announced various measures to attract foreign investment in infrastructure. It has promulgated an ordinance to facilitate private investments in the transmission of electricity, as district from generation and distribution of electricity. The government has also announced guidelines for private in highway development through the Build-Operate Transfer (BOT) route – these would provide more financial concessions and also facilitate the preparation of detailed feasibility exports, clearance for the right of way of land, relocation of utility services, resettlement and environmental guidelines. The table -1 shows the projects undertaken through PPP in India.

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The laying of roads under PPP constitutes 53 percent. The urban development, ports, tourism and energy sector have limited achievements. The partnership is lower in the sectors like airports, railways, energy, healthcare and education. The following table 3, shows sector wise details of projects amount in India.

Estimates from a World Bank study suggest that annual GDP growth of 7.5 percent would lead to annual investment needs of about five percent of GDP to meet the increased demand for infrastructure services along with another two percent of GDP for capital replacement. Raising investment to this level will be a big challenge.

Rural road connectivity has been changing the socio-economic fabric of the Indian countryside. Providing basic infrastructure facilities like roads and health services in marginalized regions is the order of the day for attaining faster and equitable development. (Gandhimathy and Rajendran, 2011). In fact as is known empirical studies in the neighboring state (Karnataka) show that laying of rural roads through the Rural Infrastructure Development Fund (RIDF) has made considerable socio-economic impact on the rural economy (Rajendran, 2003). Starting of small business, cottage industries and self employment was possible due to new road connectivity. Easy flow of transport makes the people to get access to public health facilities, preventive and curative health care facilities in neighboring main land health centers. Reduction of infectious diseases, reduction of infant mortality, decline in mortality rate, reduction in delivery related complications and attention during emergency times have been ensured through better road bus connectivity. Among the infrastructure facilities, roadways plays dominant role as it connects all the remote areas.

PPP in Tamil Nadu

In Tamil Nadu , the PPP fall to selected areas such as industries, ports, roads and urban development. Due to the continuous efforts of the government for encouraging private sector participation in the service sector, the roadways, railways and ports are developed.

The share of Tamil Nadu in India. It have a considerable position by occupying 5.67 percent of the total number of projects, 2.83 percent of 100 very small project,1.79 percent of 100 to 250 crores projects, 16.10 percent of 251-500 crores and 3.05 percent of more than 500 crores projects. Tamil Nadu has 4.86 percent of total value contracts in India.

Summary And Conclusion

PPP attracts the private investments through innovative policies, providing tax holidays and concessions. The projects are undertaken for certain sectors. In all the categories of the projects - very small, small, medium and large investments road sector constitutes leading. The total value of contracts is more in this sector only. The laying of roads under PPP constitutes 53 percent. The urban development, ports, tourism and energy sector have limited achievements. The partnership is lower in the sectors like airports, railways, energy, healthcare and education. Railways are purely domestic and air ports are purely international biddings. Hence, these two sectors are at two extreme levels. Education, energy, tourism are having more domestic investments where as ports are having more foreign investments. Both the public and private sectors invested capital in the sectors like Health care, roadways and urban development. It have a considerable position by occupying 5.67 percent of the total number of projects, 2.83 percent of 100 very small project,1.79 percent of 100 to 250 crores projects, 16.10 percent of 251-500 crores and 3.05 percent of more than 500 crores projects. Tamil Nadu has 4.86 percent of total value contracts in India.

The expected outcome of the project is extending infrastructure facilities to the rural livelihoods. Accessing markets for local population, reduction in vehicle operating costs, ensuring higher education, health and social infrastructure are the major concern of the project. It will also encourage employment opportunities, investment in the local region, and price escalation of land values.

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PUBLIC-PRIVATE PARTNERSHIP IN EDUCATION SECTOR IN INDIAN PERSPECTIVES

Introduction

Since independence, higher levels of population in India, considered about as a burden for national development, but now being seen as opportunity to convert population into quality population for achieving economic development, and more independently, individual development. Driving forces behind universal high quality education are the Six Education for All (EFA) goals and the Millennium Development Goals. The Education for All Track initiative is a Global initiative to support basic education, launched in 2002, by donor governments under the organized leadership of the World Bank; it was a direct response to the pledges made at Dakar in 2000 and Monterrey in 2002, which said, among other things, that the international community, would provide the necessary resources to countries committed to achieving the EFA and MDG goals.

Caillods Francoise mentioned in financing secondary education in developing countries (UNESCO-IIP-2001) that "whatever additional resources the state will be able to mobilize will not necessary be available for secondary education, as reaching universal primary education still requires a large proportion of government resources, and a secondary education place costs at least two or three times as much as one in primary education". Costs have a significant. Due to constraint of funds successive governments did not spend enough on elementary education help contain social and gender inequity that facilitates social security. The citizen and civil society have put pressure on government to provide quality education for all in the society, which can be done with the help of private sector participation. In the beginning of the 21st century, Public Private Partnership (PPP) has become a redefined strategy for social governance (Gandhi, Jegadish and M.L Joshep, 2005). PPP is a logical transformation of a mixed economy like India (Rangarajan.C, 2003). Both public and Private sectors have matured in the last half century and have developed competencies in their respective spheres. PPP is a creative enterprise where the best of two sectors is brought together to achieve fruitful results (Sing, ShivRaj and Aarushi Jain, 2008). Hence, this paper analyses the problems of education, need for public-private sector parnesrship (PPP), various initiatives and constraints in implementing PPP in education sector and suggestion for improving.

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Problems in Education Sector

India also has one of the lowest public expenditure on higher education per student at 406 US dollars, which compares unfavorably with Malaysia (11,790 dollars), China (2728 dollars), Brazil (3986 dollars), Indonesia (666 dollars), and the Philippines (625 dollars)(National Knowledge Commission, 2009). Even the amount which is allocated every year does not fulfill the three objectives; Economy: the waste should be eradicated: Effiency; the education as a service has to be streamlined" and Effectiveness: the various objectives have to specific, so that resources are allocated accordingly.

Right to Education Act

There are great financial constraints on the part of government as even for implementing newly Right to Education Act in the age group of 6-14 years, the different states are not in a position to implement this law, because of lack funds or resources, in opening new schools, increasing of present available seats in the school, running school in two shifts, recruitment of teachers and other personnel and more important creation of the necessary infrastructure as per requirements of the Act.

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Need for Public-Private Partnership in Education Sector

The main advanced reasons for the governments to enter into contractual public private partnerships recommended by Report by Education International, 2009.

1. Improve the quality of spending by lifting the effiency of service delivery and by allowing better targeting of spending;
2. Allow governments to take advantage of specialized skills from the private sector;
3. Allow governments to overcome operating restrictions such as inflexible salary scales and civil service restrictions;
4. Allow governments to respond to new demands and facilitate the adoption of innovations in service delivery and experimentation;
5. Permit economies of scale;
6. Allow governments to focus on these functions for which they have comparative advantage;
7. Increase access to services, especially for those groups who have been poorly served under traditional forms of service delivery; and increase transparency of government spending by making the cost of services more visible.

On the basis of above discussion, there is a need for involvement of private agencies along with NGO's with public sector to fulfill educational need in our society at all levels.

David Osborne and Ted Gaebler in their book 'Reinvesting Government: How the Entrepreneurial Spirit is Transforming the public sector' rightly emphasize that community problems are sought to be solved by combining all sectors-public-private-voluntary-into action and also providing public service(Rumki Basu,2004).

Conclusion

From the point of view of the private sector there are concern about political and economic stability and transparency of laws and regulations. Given the substantial risks involved, private sector may not be too enthusiastic about teaming with the bureaucracy to provide and manage social sector like elementary and secondary education. In view of low economic returns, corporates may not be interested in public private partnership projects in several areas such as Elementary and secondary education and rural health care. Thus, education and health care should be accorded much greater priority by the Government than made so far with support of all including Panjayat Raj Institutions (PRI), NGO's and corporates. Finally private partnership can be possible only in higher education, but in the field of elementary and secondary education, the government involvement is prerequisite especially for women education for market benefits (such as education's effect on fertility rate of women education, parental education's effect on child' s education, health etc.,) and non market benefits of education (like education effects of on health of spouse, crime reduction, increased savings behaviour, consumer choice efficiency, increased civic sense, increased environmental awareness, increased charitable activities, increased social cohesion etc.,).

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THEORETICAL REVIEW OF HEALTH, EDUCATION AND HUMAN RESOURCES FOR THE NEED OF PUBLIC-PRIVATE PARTNERSHIPS

Introduction

The state of Tamil Nadu is encouraging public-private partnerships (PPP) to facilitate the provision of ancillary services. While the state continues to provide most medical care, it is experimenting with private sector collaborations for ambulance services, facility maintenance, medical equipment, sanitation and construction, to name just a few. In addition, Tamil Nadu is establishing PPPs to provide health care access in tribal areas. Presently it has collaborations with the private companies and NGOs for mobile outreach clinical services, blood banks and provision of training and support for community health workers in remote areas. The present paper theoretical reviews the Health, Education and Human Resource status of a country and more specifically Tamil Nadu for the Need of Public-Private Partnerships.

Back Ground of the Study

India has diverse ethnic, linguistic, geographic, religious, and demographic features which reflect its rich history and shape its present and future. India is often described as a collection of many countries held together by a common destiny and a successful democracy. An incomparable resource of educated, skilled, hard-working and ambitious workforce is the trademark of India's human capital. India is being as one of the most preferable country in the world for investment by outsiders due to its cheapest and youngest workforce. India's diverse cultural heritage also puts Indians at ease with people from other cultures, and vice versa. Poverty in India cannot be overcome without dramatically expanding and improving access to and quality of public education, health, water and sanitation. Despite, in India, the government of Tamil Nadu pays more attention in terms of human capital investment such as education and health care. The government of Tamil Nadu has been making systematic efforts to encourage private sector participation in almost all the sectors and more specifically on health and educational sectors. The Tamil Nadu state government is well equipped with all the health care and educational facilities. The government has committed itself to make elementary education as a Fundamental Right of every single child in the 6–14 years age group through the introduction of the 83rd Constitutional Amendment (GOI, 2002).

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Human Resources – a crucial input to health systems

In most developing countries, the lack of financial resources is an emerging consensus that explains the slow progress towards improved health indicators. In India, more than 73 per cent of health care expenditure is out-of-pocket from the people, around 6 per cent contributions from third-party insurers and employers, and the remainder from government. In India, the states typically account for about 2/3rd of these public expenditures, and the central government take care the remaining one third.

The immense private contribution on health care sector has made a huge inequality among the states in India. The overall health care expenditure in Himachal Pradesh per person was almost 5 times more than Tamil Nadu's annual health care expenditure per person in 2005. Interestingly, spending levels appear to have only the most general correlation with health indicators. Where as in 2005, Tamil Nadu's infant mortality rate (IMR) was 9 per cent lower than that of Himachal Pradesh; under-four mortality was 31 per cent lower, and life expectancy was 3.4 years longer.

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In India, the state Tamil Nadu is well equipped with all the health care facilities. The state capital Chennai is also popularly known as health care capital of India. In Tamil Nadu there are 315 hospitals, 8683 health sub centres, 1417 primary health centres and 213 dispensaries to improve the health status of the state. During 2000-06, the life expectancy of male and female population of the state is higher than that of the national average, which mean life expectancy at birth for male was 67 years and females was 69.8 years in Tamil Nadu, whereas in India it was 64.1 years and 65.4 years respectively for men and women. Tamil Nadu is increasingly been recognized as the medical hub in South Asia. The state government is concentrating on bringing about improvements in the general health, access to health care services and effective control and prevention of communicable diseases.

Using Human Resource Strategies and Health Worker Shortages in Tamil Nadu

In India, the state Tamil Nadu is the 6th most populous state of the country and it holds the 11th position by area. At the same time, the health status of the people in Tamil Nadu is considerably above the national average and also it plays a significant improvement over the years. In 2005- 2006, the IMR of a country was 57 per 1000, where as in Tamil it was only 31 per 1000. The state has also made dramatic improvements in maternal mortality, reducing MMR from 195 per 100,000 live births in 1996 to 71 per 100 000 live births in 2007.

Tamil Nadu has continued to be a champion of public primary health care model while still the same challenges of the other areas of India struggling with many of plaguing. For some years, the state has faced chronic shortages of surgeons, anaesthesiologists, obstetrician gynaecologists and laboratory technicians in the public health system. In spite of that, the government has continued to invest in health infrastructure; including new primary health centres (PHCs) and extended hours at existing centres. In order to deal with staff shortages, the state has successfully used a variety of HR strategies, including enhancement of the non-specialist physician and nursing roles, innovations such as the creation of Comprehensive Emergency Obstetric Newborn Care Centres (CEmONC) in 51 government hospitals, and the relocation of some health system functions to the private sector.

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Tamil Nadu has also focused on reorganizing its public health care systems to ensure accessibility of emergency obstetric care. CEmONC have been established at two hospitals in each district and staffed with specialists in ob/gyn, paediatrics, anaesthesia and general surgery in order to provide referral emergency obstetric and newborn care services 24 hours a day, seven days a week. Each CEmONC has an operating theatre, blood bank, diagnostic laboratory and ambulance service. At current levels, mothers from any area in Tamil Nadu can gain access to emergency obstetric care within one hour.

Conclusion

The government of Tamil Nadu is the most aggressive in experimenting with HR strategies, improvement in education and in health care sectors among the other states of the country. Though somewhat Tamil Nadu has been neglected the public health care sector and educational infrastructure by the centre, it is historically being among the best in India. In this way the role of Public-Private Partnerships to improve the human capital investments such as education, health care sector, so on is inevitable in the present society.

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PUBLIC AND PRIVATE PARTNERSHIP IN EDUCATION
PPP in education sector: Adequacy,Equity and Effectiveness

Introduction

Public-private partnership (PPP) has become a fashionable slogan in new development strategies, particularly over the last couple of decades. It is projected as an innovative idea to tap private resources and to encourage the active participation of the private sector in national development. It is more forcefully advocated when public resources are projected to be inadequate to meet needs. PPP is already being adopted in several infrastructure development sectors, such as the development of airports, railways, roads, and so on. But, going by media reports, these have mixed outcomes.

Effects of Public and Private Partnership;

The operational cost of the school would be shared on 70:30 bases between the State government and the private partner. There would be a 2-tier management structure at State and school level. PPP is projected as an innovative idea to tab private resources and to encourage the active participation of the private sector in national development. In the case of education PPP has been proposed as an important strategy in 11th Five Year Plan.

The 11th Plan allocation for PPP schools is Rs.1,256crore. It is expected that implementation of the scheme would commence only in 2011-12 owing to the delays in formulation and approval of the scheme. It is anticipated that expenditure on financial support to PPP schools during the 11th Plan period would be well within the allocation. In fact, the actual expenditure is likely to be much less than Rs.500crore. 7.2 It is expected that a majority of the 2,500 PPP schools would start functioning during the first year of the 12th Plan, i.e. in 2012-13. The financial support to a school during the first five-year period is expected to be about Rs.6crore on an average. Hence the expenditure on 2,500 schools during the 12th Plan period could be about Rs.15,000crore. However, implementation of this scheme may face start-up delays in selection of eligible applicants, acquisition of land by the private entities, financing and construction of infrastructure, enrolment of students etc. It would, therefore, be adequate if an allocation of Rs.10,000crore is made for this scheme during the 12th Five Year Plan. In case the actual expenditure turns out to be higher, additional Plan allocations shall be provided for meeting the deficit.

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Equity in PPP education;

The aim of PPP is to creating access to world-class education Children from low-income families in rural as well as urban areas are unable to access high quality school education as they cannot afford to pay the fees normally charged by good private schools while good schools that can provide such access in the public sector are limited. To ensure inclusive growth and an equitable socio-economic order, affirmative action is necessary to accelerate the provision of quality education to those who have hitherto lacked access.

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PPP schools will not be private enterprises acting in pursuit of profits. Nor will their management have the freedom that a private school normally enjoys in matters such as admissions and fees. These schools will essentially be public schools run by non-profit private entities which are to be guided by the public objectives set by the government and enshrined in an enforceable contract. The success of PPPs is an efficient mode of implementation of public projects of several sectors such as highways, airports, ports, power, railways, etc.

Suggestions for Improving PPP

- The government will take steps to control PPP for profit making policy.
- The government can take more percentage of partnership. This will give more control to the partnership
- Partnerships between private companies and NGOs in implementing and increasing the scope of a project need to be emphasized and explored further.
- Reviewing, revising and updating policy goals and targets based, in part, on the success and failure of practices in the field needs to be emphasized.

Conclusions

The present PPP model conceived in the neo-liberal times provides for no government or any type of social control on education. In fact, it provides for unlimited power to the private sector. According to earlier thinking, these schools were to become 'voucher schools', and totally privatized, after 10 years, when government funding would cease. Secondly, the aided school system has not actually provided scope to make profits, though some schools have made profits by adopting unfair methods. In contrast, the PPP model openly allows for profit-making, as schools are free to fix fee levels and the government has no role with respect to either the fee rates or the expenditure of the schools. After all, it is now recognized that no private company will set up a school unless "a reasonable return on investment" is ensured.

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PPPS AND INFRASTRUCTURE DEVELOPMENT IN INDIA

Need for PPPs

Development of infrastructure and provision of basis civic services has always been considered a very important public sector activity for the following reasons:

- ✓ Governments have recognized the crucial role of infrastructure in fostering economic growth and reducing poverty;
- ✓ Because of its 'public good' and 'essential' nature, Governments have attempted to ensure availability of basic civic services irrespective of market conditions; and
- ✓ For a number of economic, social and political reasons, private sector is involvement in these important areas was slow to develop and thus uneven.

Provision of public services and infrastructure has traditionally been the exclusive domain of the government. However, with increasing population pressures, urbanization and other developmental trends, government's ability to adequately address the public needs through traditional means has been severally constrained. This has led the Government's across the world to increasingly look at the private sector to supplement public investments and provide public services through PPPs

Primary Feature of PPPs

- ✓ It is a contract or an arrangement between a government entity and a private entity.
- ✓ Substantial risk transfer to meet government or social needs,
- ✓ Attractive private investment in infrastructure

PPPs: Inter and Interanational Perspective:

In a comparative global perspective, the performance of south Asian countries in infrastructure development is unsatisfactory. In terms of the RIS infrastructure index representing principal components of transport infrastructure (rode, railway, port and air) infrastructure banking and financial infrastructure for 104 countries a three points of time, the South Asian countries come up with poor rank of 50 or below.

Infrastructure investment needs in South Asia

South Asia is expected to grow at an average 8.0 per cent per annum in next few years. Accompanying this growth will be an increase in demand for infrastructure services. Economic and population growth prospects are expected to place additional pressure on existing infrastructure facilities. Therefore, addressing these challenge will be essential if the infrastructure sector is to continue fostering economic growth rather than becoming a constraint. At present infrastructure investment as a proportion of GDP in South Asia Varies from less than one per cent (Nepal) to 4.8 per cent (India) Bangladesh, Pakistan, and Sri Lanka come in between. In order to sustain 8.0 per cent GDP growth in South Asia, there would be an increased demand for Infrastructure services that in turn would require investment amounting to about 10-12 per cent of GDP during the period 2008-2012. In other words, this results in an investment of US$ 108 billion per annum in the next five years on roads, railways, airways, ports and electricity across five South Asian countries.

PPPs are agreements between the public and private sectors for the provision of assets or services such as power, water, transportation, education, and health. Unlike traditional procurement contracts,

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PPPs allocate risks between the partners and create efficiency incentives for the service provider by linking payments to specific performance criteria. For example, a PPP for road maintenance specifies a target road surface quality to be maintained over a given period of time. In contrast, a traditional road maintenance contract provides for payment against a number of kilometers of road resurfaced. In the traditional model, the risks remain with the purchaser, and there are few efficiency incentives. In the PPP model, if the contractor does not ensure that road surfaces are maintained to the standards specified in the maintenance contract, payment could be withheld. PPPs also allow the public sector to spread service delivery/infrastructure investment over the lifetime of the asset. For example, in a Build-Operate-Transfer (BOT) contract for a new power station, the private partner provides the capital outlay for building the facility, which it should then recover by selling power to the public sector over a specified period of time.

Infrastructure Deficit- Problem

Highways 66,590 Km of NH (2% of network, 40% of traffic): only 12% Four-lane; 50% Two-lane; and 38% Single-lane.

Ports Inadequate berths, rail / road connectivity and draft are constraints.

Airports Inadequate capacity: Runways, aircraft handling capacity, parking space & terminal buildings.

Railways Old technology; saturated routes: slow average speeds (freight: 22 kmph; passengers: 50 kmph); low payload to Tare ratio (2.5).

Power 13.8% peaking deficit and 9.6% energy shortage; 40% T&D losses; absence of competition; and inadequate private investment (Ravi Mital)

The banks in India had developed the appraisal skill to enter into long-term lending including infrastructure finance in a big way. Bank credit to the infrastructure sector increased steadily from Rs.7243 Cr in 1999-2000 to Rs.269972 Cr in 2008-09 a compound annual growth of 43.6 per cent during last ten years. The share of bank finance infrastructure in gross bank credit increased from 1.8 per cent in 2001 to 10.2 per cent in 2009. The banks exposure to infrastructure lending has grown by over 3.7 times between 20005-2009. Still a large part of gap in demand over the supply of bank credit is explained by the inadequate commercialization of projects for regulatory, political and legal constraints and total absence or insufficiency of user charges in many sectors. Therefore, the current issues to meet the demand for infrastructure finance by the banks arise the bankable and commercial viable projects.

Governments embarking on PPP programs have often developed new policy, legal and institutional frameworks to provide the required organizational and individual capacities. New agencies are sometimes created to bring in financial and contract design skills not present in the government, and existing processes, for example in planning and budgeting, need to be adapted. India has seen rapid growth in recent years in its program of infrastructure PPPs.

Institutional Mechanism for PPPs

Progress in creating new infrastructure has been slow while demand for infrastructure services is burgeoning. While it is clear that private sector is keen to participate in infrastructure projects, organizations are very causing In their approach. Recognized the imponderable risks, which infrastructure project entail, with long gestation periods, high costs and budget constraints, the government has proposed a flexible funding scheme, which will find support from budgetary allocation to fund PPPs for infrastructure projects. The government has proposed India Infrastructure Finance Company (IIFC) and formulated a scheme; PPP opportunities are to be awarded through competitive bidding in a transparent manner and for each project, performance is to be assessed against easily measurable standards, based on unambiguously defined criteria, in order to inspire confidence among investors.

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Scope and Opportunity of PPPs in India

India possesses a vast opportunity to grow in the field of power generation, transmission, and distribution. The target of over 150,000 MW of hydel power generation is yet to be achieved. By the year 2012, India requires an additional 100,000 MW of generation capacity. A huge capital investment is required to meet this target. This has welcomed numerous power generation, transmission, and distribution companies across the globe to establish their operations in the country under the famous PPP programmes. The power sector is still experiencing a large demand-supply gap. This has called for an effective consideration of some of strategic initiatives. There are strong opportunities in transmission network ventures - additional 60,000 circuit kilometers of transmission network is expected by 2012 with a total investment opportunity of about US$ 200 billion.

- Coal based plants at pithead or coastal locations (imported coal)
- Natural Gas/CNG based turbines at load centers or near gas terminals
- Hydel power potential of 150,000 MW is untapped as assessed by the Government of India
- Renovation, modernization, up-rating and life extension of old thermal and hydro power plants

Conclusion

India agenda to promote PPPs for infrastructure development aims at enhancing the quality and quantum of infrastructure services, releasing the full potential of public sector assets and ensuring that stakeholders receive a fair share of benefits from the PPP. These partnerships backed by the IIFC and the viability gap fund scheme hold the promise of faster financial closure of infrastructure projects without overburdening the country finances. An infusion of private capital and management can ease fiscal constraints on infrastructure investment and boost efficiency. India has had policies in favor of attracting private participation in the infrastructure sectors since economic reforms were introduced in 1991. These initiatives have met with varying degrees of success, but real progress has been made in some sectors, first in telecommunications, and now in ports and roads, and with individual projects in other sectors. The central government and the states are hoping to build on this progress, both in sectors where few private projects have been realized as well as scaling up their use in sectors where progress has already been made. These public private partnerships (PPPs) can help meet the infrastructure gap in India, but are not a panacea. They represent a claim on public resources that needs to be understood and assessed. They are often complex transactions, needing a clear specification of the services to be provided and an understanding of the way risks are allocated between the public and private sector. Provision of quality and efficient infrastructure services is essential to realize the full potential of the emerging Indian economy. Indian government's first priority is therefore rising to the challenge of maintaining and managing high growth through investment in infrastructure sector, among others. To sustain 9.0 percent growth, the Government of India has estimated that an investment of over US$ 492.5 billion during the 11th Five Year Plan (2007-2012) is required. Therefore, there is substantial infrastructure needs in infrastructure sector in India, which, in other words, also offers large investment opportunities. PPP is emerging as the preferred instrument, where the private sector gets its normal financial rates of return while the public sector partner provides concessional funding based on the long-term direct and indirect benefits to the economy

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DELIVERING SOCIAL INFRASTRUCTURE THROUGH PPP

Introduction

Though PPPs are common in transportation and utility infrastructure projects, for social infrastructures such as civic buildings, schools, libraries, police departments, courthouses and hospitals PPPs have been slow to materialize, especially at the local level. With huge infrastructure deficits, both public and private sectors need to look for cost-effective and timely methods of designing and building social infrastructure. PPPs can be one such method as long as an open and true partnership is developed between the sectors. Education and health provide biggest guarantee for social security. Government, NGOs and corporates need to accord much greater priority to social infrastructure particularly education and healthcare.

PPP in health and education sectors are based upon three premises:

- Health and education are critical areas of activity for national development.
- The "public good" character of health and education and the scale of effort required to meet society's needs in these two areas call for close cooperation of all stakeholders in both public and private sectors.
- The current status and future prospects of PPP are contingent upon country specific circumstances.

The primary benefits of using PPP to deliver services include:

- Reduced government spending (e.g., eliminating large up-front investments of scarce public funds),
- Greater efficiency (e.g., due to private partners' operational efficiency), or better management (e.g., of hospital services and infrastructure).
- Leveraging technical or management expertise (e.g., performance-based monitoring and incentives)
- Spurring technology transfer, all of which can lead to quality improvements.
- Reduce or better allocate risks (e.g., the private partner may be better able to manage cost and schedule overruns)

Indian Experience

Scopes of PPP in India

The inadequacy of the public sector has forced people to seek for private sector services. It is recognized that PPPs can contribute in delivery and maintenance of hard infrastructure and services, and typically excludes all socio-cultural, policy, and political issues that require much wider reform. The Tenth Five-Year Plan (2002-2007) envisioned the need for private sector participation in the delivery of health and education.

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Challenges for Implementation

- A number of inconveniences can be highlighted associated with **private-for-profit** involved PPP:
  - Use of illegitimate or unethical means to maximize profit
  - Less concern towards public health goals
  - Lack of interest in sharing clinical information
  - Creating brain drain among public sector health staff
  - Lack of regulatory control over their practices.
  - Unwilling or unable to take on social sector projects if return is not attractive.
  - Limited grassroots level outreach

- The private (for profit) sector would collaborate with the government **only if there are monetary benefits without having to face any risk**. The non-profit organizations, on the other hand, are **popularly perceived as givers** and therefore this image is advantageous for them.
- Though not-for-profit NGOs may be easier to engage as partners, concerns have been raised about the difficulties of NGOs working with the government and the financial (survival) motives of the NGOs.
- **Volatility in non-profit organizations** in terms of size, expertise level and geographical spread hard for the public sector to pick up the best partner
- **Limitations of funds** leads most NPOs clustered only in charitable clinics or hospitals have a grass-root level presence and devoted working volunteers.
- **Dependency on philanthropic donations or external funding** result in their interventions being ad hoc and up-scalability being doubtful. However, they can provide good quality care, need little regulation or oversight from government.

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PUBLIC PRIVATE PARTNERSHIP IN SOCIAL SECTORS FOR THE SUSTAINABLE DEVELOPMENT IN INDIA

Introduction

The world is becomingly increased- economically, socially and environmentally through technological developments. The availability of affordable, clean energy has been a fundamental driver of progress in the developed world and is becoming even more essential in helping developing countries achieve their economic social and environmental aspirations. Public Private Partnership (PPP) is seen as a major strategy by state governments to improve efficiency, reliability and availability of services in the social sector, which includes Health, Education, Environment, Rural Development, Gender etc. PPP is undertaken to improve access to services for the poor and socially vulnerable sections of the population especially in the remote and underserved areas. There are now a wide range of PPP initiatives being started especially in the social sector.

Today, there has been a rapid rise of Public Private Partnership (PPP) across the world. Governments in developing as well as developed countries are using PPP arrangements for improved delivery of infrastructure services. Governments are improving infrastructure, education, health care, waste management, and water supply etc. through Public Private Partnerships. PPP is becoming the preferred mechanism for infrastructure development and service delivery throughout the world and PPP has become the buzzword in all developing nations including India. The public-private partnerships have been seen in diverse fields, ranging from poverty alleviation and environmental protection, to the communication and transport sector.

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Objectives of the Study

1. To study the Public Private Partnership in social sectors, through education, health, infrastructure, drinking water and sanitation, environment protection, women and child development, agriculture development, etc.,

2. To suggest suitable measure for sustainable development of Public Private Partnership in social sectors in India

Methodology

This study has been using from secondary data based. Secondary information for present study has been collected from various sources such as books in library, journals and online resources. This study has been contributing on Public Private Partnership in social sectors, such as Education, Health, Infrastructure, Drinking Water and Sanitation, environment Protection, Women and Child Development, Agriculture Development and etc., In this study focus on critical issues and challenges from Public Private Partnership in social sectors and sustainable development on various sector in India.

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Public Private Partnership in Social Sectors in India

The Government of India is planning to use the public private partnership (PPP) route more effectively to finance projects in the social sectors especially health and education. According to Planning Commission, the government is developing a generic framework for various categories of PPPs at primary, secondary and tertiary levels of health care aimed at improving cost-effectiveness, enhancing quality and expanding access through extensive stakeholder consultations. Currently, the health sector gets only government investment which is just about 1 per cent of GDP. The Centre wants to increase funding to 2 per cent of GDP. The government would look at contracting out well-specified and delimited projects such as immunisation to help enhance accountability. Diagnostic and therapeutic centres set up by private players in hospital premises would be encouraged. The government may consider giving them infrastructure status by giving incentives such as land at concessional rates, increasing floor area ratio and ground coverage, tax holiday and loan at lower rate. Here, Public Private Partnerships for various sectors are discussed to give an insight into the initiatives of the government.

Public Private Partnership in Education

The access to education needs to be considerably improved if we are to catch up with the burgeoning demands from various sectors. Budgetary allocation for education by the Central Government for both for school education and higher education in 2008-09 amounts to Rs.38,703 crores which is an increase of 20 per cent from the previous year. Combining the government and private expenditure, the total expenditure on education is approximately 5.3 per cent of GDP and private sector share works out to be 47 per cent. India ranks are 115th in the world in terms of investment in education as a percentage of GDP. The foundation of good quality education only is laid by sound and widely accessible primary and secondary education. The government can meet the challenges of globalization with political commitment and by maintaining a high level of expenditure in social sector, especially in the field of education.

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Health Sector

Public-Private Partnerships in the health sector is important and timely in the light of the challenges the public sector is facing in health care finance, management and provision. Improvement in the health status of the population has been one of the major thrust areas for the social development programmes of the country. This was to be achieved through improving the access to and utilization of health services with special focus on under-served and under-privileged segments of the population. Public Private Partnerships (PPP) in health sector are emerging across the country. India spends about 39 per cent of its total public expenditure on health which is less than one per cent of its GDP.

Drinking Water and Sanitation

Availability of potable water in rural areas is strongly interlinked with rural development and growth and displays direct, positive results for human health and well being, especially for women and children. Sanitation facilities improve the health of rural inhabitants and their quality of life. The rural environment also benefits from better drainage and waste management practices. Traditionally, the programmes for supply of drinking water in rural areas in India have been government funded. But there have been several lacunaes in the existing system. The Government of India introduced reforms in the sector and started a new programme 'Sector Reforms Project (SRP)'. The Project envisaged community participation in creating and maintaining drinking water sources and sanitation facilities. It redefined the role of the government from being a 'provider' to that of a 'facilitator'. The public-private-community partnerships could be an effective solution for the problems of drinking water in rural areas of India.

Women and Child Development

Women as an independent group constitute 48.46 per cent of the country's total population as per the 20011 Census. The importance of women as an important human resource was recognized by the Constitution of India which not only accorded equality to women but also empowered the State to adopt measures of positive discrimination in their favour. Also, India is home to the largest child population in the world. The development of children is the first priority on the country's development agenda, not because they are the most vulnerable, but because they are our supreme assets and also the future human resources of the country. The future of India lies in the future of Indian children – across income groups, geographical locations, gender and communities. The involvement of voluntary organizations, associations, federations, trade unions, non-governmental organizations, women's organizations, as well as institutions dealing with education, training and research will be ensured in the formulation, implementation, monitoring and review of all policies and programmes affecting women and children. Towards this end, they will be provided with appropriate support related to resources and capacity building and facilitated to participate actively in the process of the empowerment of women.

Conclusion

Public-Private Partnerships which are an integral part of the new paradigm of good governance has its roots in the concept of New Public Management. Owing to enormous problems faced by developing countries, there is no alternative but to seek private sector partnership in providing the infrastructure and basic services to the citizens. There is an urgent need of involving the private sector and NGOs in supplementing the efforts of the government to achieve socio-economic development of the country at an accelerated pace. On the whole, the state with its resource crunch cannot neglect the affluent private sector looking for avenues to invest and hence, augment its sphere of activities. Developing India, with paucity of basic infrastructure and essential services is a new horizon for private sector. The governments should try and encase on the increasing importance being given to Corporate Social Responsibility by the industry and should find out ways and means of collaboration to accelerate multi-faceted development. Thus PPP emerges as an inevitable mode of providing infrastructure and other basic services. However, for a country like India, poised to be one of the leading economies of the 21st century, PPP is perhaps the best available option. The need is to use PPP extensively both for infrastructure development as well as for social development to transform India into a developed country. PPP is a tool for all-round development and the benefits depend on how such tools are utilized by the policy and decision-makers.

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PUBLIC AND PRIVATE EDUCATION IN INDIA

Introduction

The education policy of developing countries like India has largely centered on increasing the resource base and the number of government-run schools, the role of private fee-charging schools in the primary education sector has not been appreciated as much by academics and policy makers. In particular, emphasize that increased use of private provision combined with public financing does not in any way absolve the state from its duty of ensuring universal quality education, but instead provides a potentially more efficient and equitable way of doing so. The discussion in this paper is centered on primary education many of the points here are equally relevant to higher levels of schooling, and even more so to vocational and higher education.

Schools in India

Lack of systematic data on private schools has made it difficult to estimate their true share in enrollment and most research on this subject to date comes from small-sample studies at the state or district-levels6. Two recent studies (Muralidharan and Kremer (2006) and the Pratham ASER report (2005)) however present results from nationally representative samples of rural India to show that 28 Per cent of the population of rural India has access to fee-charging private primary schools in the same village, and that 16.4 Per cent of children aged 6 – 14 in rural India attend fee-charging private schools. The increasing prevalence of rural private schools appears to be a recent phenomenon, with nearly 50 Per cent of the rural private schools.

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As many scholars have noted and as my field work and data confirms, private schools on average have inferior infrastructure and facilities compared to government schools, and the teachers have typically not undergone teacher training. But in spite of this, the performance of the private schools is systematically superior in almost all the measures mentioned above. An idea of the relative cost-efficiency of the private schools can be gathered from the fact that the total monthly revenue of a typical rural private school is often less than the monthly salary of one government school teacher11. However, despite the very low salaries, the private school teachers are less absent and more likely to be engaged in teaching activity.

In India higher education sector has expanded at a phenomenal rate in the last century. The European system of higher education was introduced in India by the British in 1857 with the establishment of universities for European education in three cities and withdrawal of support for indigenous education. By India's independence in 1947, an additional 18 universities had been established. In 1950-51 when the country's First Five Year Plan was launched, there were 27 universities serving 174,000 students. By 2006, there were 348 universities (composed of general universities; science and technical universities; open universities; agricultural universities; women's universities; language universities; and medical universities), more than 17,625 colleges, and 10.5 million students, making India's system of higher education the third largest in the world in terms of enrollment and the largest in terms of number of institutions (Agarwal, 2006).

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Financing Education

In cost of higher education in India is supported by the central and state government sector and by the nongovernmental sector. The 16 Central universities receive maintenance and development grants from the central government through the UGC, while other universities and colleges receive maintenance funds from state governments and some development grants from the UGC. Private colleges, instead, are either privately managed and publicly funded (aided colleges) or privately managed and funded (unaided colleges). Private aided colleges are required to admit 50 percent of their students based on their performance on entrance exams (free seats). These students are not required to pay any extra fees or tuition. In the other 50 percent of students are admitted based on their willingness to pay extra tuition (payment seats). Unaided private colleges set their own fee levels (below a government-set ceiling) that are generally extremely high in comparison to the aided private colleges and government colleges. Finance in higher education expansion, the government has consistently increased its share in the total expenditure on higher education, from 49.1 percent in 1950-51 to more than 90 percent in 1999 (Chitnis, 1999, 26).

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PUBLIC PRIVATE PARTNERSHIP IN INDIA FOR SOCIAL INFRASTRUCTURE FINANCING

Introduction

Infrastructure shortages are proving a key constraint in sustaining and expanding India's economic growth and ensuring that all Indians are able to share in its benefits. To meet this challenge, the Government of India is committed to raising investment in infrastructure from its existing level of below 5% of GDP to almost 9%. This suggests that more than $450bn will be required to fund infrastructural development in India over the next five years. However, the scope for making improvements on this scale is fundamentally constrained by the state of public finances. The combined deficit of the central and state governments is roughly 10% of GDP and government borrowing is capped through the Fiscal Responsibility and Budgetary Management Act. This necessarily limits the capacity of the State to finance as much infrastructural development as is required and it is likely that at least one-third of the finance needed for infrastructural development over the next five years will be funded by the private sector. PPPs are a relatively new phenomenon in India but already more than Rs.1000 billion worth of PPP projects are currently under development across the country. Both central and state-level governments are hoping to build on this progress, both by scaling up the use of PPPs in sectors where progress has already been made and introducing it into sectors where few private projects have yet been realized. However, to achieve their ambitions for the use of PPPs in infrastructure projects, both national and state governments will need to provide for much higher visibility PPP programs and also seek to disseminate best practice, as both commercial and bureaucratic learning advances.

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Benefits To The Private Sector:

Engaging in PPPs offers private sector companies a wide range of business opportunities that were previously confined to public agencies. Given the long term nature of these relationships, undertaking work under PPP arrangements provides a stable foundation for the growth of the business. In addition, PPP arrangements encourage the private sector to engage in a broader spectrum of activities, throwing open the possibility of designing and delivering innovative solutions, rather than merely constructing assets to existing standards and designs.

Benefits To The Public:

By combining the skills and expertise of public and private partners, PPPs are able to provide services which meet the needs of the public in a more efficient and costeffective manner. When appropriately designed and implemented, PPPs can yield better quality services without compromising public policy objectives or broader public need.

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Weaknesses (And Risks):

Firstly, there is the possibility that the public sector may lose managerial control of its services. Under PPPs, the management of outputs is transferred to the private sector, meaning that the public sector has very limited ability to intervene, as long as services are being delivered. The public body has no day-to-day control over the management of the project and is reduced in its capacity to change the project or cooperate with wider public sector services, and indeed may not be able to make use of its own expertise in the area. Secondly, the process of PPP procurement can be time consuming and expensive.

Thirdly, there is the problem of the higher cost of finance in the private sector. The weighted cost of finance in the private sector, including both debt and equity, is typically between 1% and 3% higher than the public sector's cost of debt on a non- risk adjusted basis. This has the effect of increasing the overall cost of PPP in comparison to traditional procurement methods, unless this can be offset by the increased cost efficiencies that the private sector should deliver.

Finally, PPPs can sometimes prove to be rather inflexible instruments – especially given the long term nature of most PPP contracts. While there can be significant financial benefits in setting rigidly defined output specifications for the life of the PPP, these should be weighed against the inflexibility this inevitably brings. Under PPP arrangements, there is limited potential for modifying services or flexible spending.

Financing Infrastructure

Debt Financing

Net bank credit to infrastructure in 2009-10 defined as the difference between Outstanding deployment of bank credit to infrastructure in March 2009 and March 2010, increased substantially in the current fiscal (Table 11.11). As compared to net bank credit increase of ' 64,322crore during April-November 2009-10 there has been an increase of ' 1,02,301 crore during April-November 2010, showing 59 per cent rise.

Infrastructure Development And Ppps

The appraisal mechanism for PPP projects has been streamlined to ensure speed, eliminate delays, adopt international best practices, and have uniformity in appraisal mechanism and guidelines. The appraisal mechanism notified includes setting up of the Public Private Partnership Appraisal Committee (PPPAC) responsible for the appraisal of PPP projects in the Central sector. The Committee has mandated detailed guidelines for submitting proposals and follows a predetermined time frame for according approval to proposals submitted in a time-bound manner. Standardized bidding and contractual documents have been notified. Further, project sponsors are encouraged to award projects through a transparent open competitive bidding process, which leads to greater transparency and consistency.

Conclusion

Public private partnership (PPP) in social economic over heads in India is only evolving stage. This novel venture will solve the issues of dearth of capital and inefficient management by bringing together both and under single in roof. The social sector needs immediate attention in India due to population upsorve, neither public sector her private sector can solve this perplexing issue. The PPP is a visible solution to enhance the social sector development in India viz, education and health.

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PUBLIC-PRIVATE PARTNERSHIP IN THE HEALTH SECTOR IN INDIA

After Independence, until the mid-sixties, voluntary effort in health care was again limited to hospital-based health care by rich family charities or religious institutions. In the mid-sixties, the effectiveness of the Western curative model of health care in the less developed countries came under serious attack by development planners. The Chinese experience of decentralized health care through effective use of motivated health cadres at the grassroots level also received widespread attention. Out of this rethinking, grew various models of community health programs that emphasized decentralized curative services. In these, trained vil334 Public-Private Partnerships in the Social Sector lage-level workers played a key role. Much more importance was given to preventive aspects, where the community plays a more effective part in their 'own' health care. Unfortunately, this refreshing trend too ignored the important role of traditional healers and dais in health care, and very little attention was paid to the Indian systems of medicine.

National Policies for Involvement of NGOs

From mid-sixties, the government has envisaged a major role for NGOs in the health sector. Most of the plan documents clearly mention the important role that NGOs have to play in all aspects of health care, especially for the underprivileged population and remote areas. Since health is a state responsibility in India, this concern of the Central Government is not very often shared in all the state governments. Consequently, there has been uneven partnership between the government and NGOs, depending on the political leaning of the respective state governments.

The other major problem has been that of inadequate involvement of NGOs in health planning. Consequently, governments look for NGOs to participate in the final phase of implementation of programs, the content of which may not be close to the NGO perspective of the problem. These lead to a situation where a large number of sensitive NGOs do not take part in major government programs, but a large number of NGOs who are coined as GONGOs (government NGOs) jump into the band-wagon of all government programs just for their own financial survival. They operate more like sub-contractors than sensitive representatives of a civil society.

The other problem in this partnership has been the mismatch between the grassroots needs and the government agenda. Very often, an NGO working at the grassroots with the community perceives communicable diseases and reproductive health as a major problem, whereas the government enthusiastically supports proposals that are target-oriented, pre-conceived and may not have anything to do 337 Part Two: Country Experiences with the local realities. The partnership is further complicated by the unequal nature of relationships and the red-tape involved in getting programs sanctioned and the budget released from the government.

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These problems have been discussed in various forums between government representatives and NGOs for the last decade leading to some improvement in the collaborative relationship. Some fairly good examples of this could be cited in the areas of immunization, HIV/AIDS-related work as well as newly formulated government programs on reproduction and child health. As stated above, however, these dialogues have been mostly at the level of central government and the concerns shared in these dialogues have yet to filter down to many of the States.

Towards a More Fruitful Partnership between the Government and Voluntary Sector

Given this situation, as well as keeping in view the tremendous potentiality of the voluntary sector in meeting critical needs, we propose that the following mechanism be put in place within the Ministry to strengthen and encourage voluntary effort in key areas of health care. A National Co-ordination Committee, consisting of the Director General Health Services, Secretary (Health), three representatives from voluntary organizations and one representative from the state government, should work as an active listening post for the voluntary agencies working in the field of health. This committee should meet periodically to monitor the implementation of the committee's recommendations, and provide inputs on the planning and implementation of health services in the country.

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Its functions should include:

- Promoting collaboration and co-operation between the government and voluntary organizations in primary health care.
- Identifying people's health needs and bringing them to the notice of planners.
- Assisting in developing comprehensive national health policies and action plans at all levels.

Public-Private Partnerships in the Social Sector

- Working out the modalities of administrative relationships between the government and voluntary organizations for health care delivery to the people.
- Identifying voluntary organizations at the state, district and block level which are capable of taking up, in collaboration with government agencies, health education, primary health care services and operational research.
- Monitoring and providing feedback to the government on various National Health Programs.
- Providing guidance and support to voluntary organizations in the health field.
- Calling an annual convention of all voluntary organizations in health, to provide healthy interaction between the health functionaries responsible for policy-making and planning at the national level and various representative voluntary organizations.
- Updating the national directory of voluntary organizations, which should be a priced publication from which profits should be used to update the directory every year.
- Organizing periodic quarterly meetings of the National Co-ordination Committee.
- Sanctioning innovative projects in the voluntary sector to conduct research, health service delivery and the production of educational materials. The Ministry of Health and Family Welfare may consider decentralizing the power of sanction to the states.
- Screening, monitoring, and evaluating, as well as providing support to all the sanctioned projects.

The National Co-ordination Committee should evolve a working mechanism with a state-level counterpart. Its activities should be aimed at:

- Preparing and updating a state-level directory of voluntary organizations in the health sector.
- Convening a people's health assembly annually, comprised of information leaders, religious leaders, trade unions, media representatives, policy-makers, planners and voluntary organizations.
- Identifying voluntary organizations that have the training and resource potential to undertake orientation programs for the government and other voluntary organizations. 341 Part Two: Country Experiences
- Responding quickly to epidemics.
- Meeting quarterly for effective co-ordination and cooperation.
- State health secretaries should act as convenors to the state co-ordination committees.

Voluntary organizations should be involved in various activities at the district and block level, such as innovative health service delivery, training and special programs for endemic areas. A fine example of voluntary agencies taking up health and development initiatives in remote areas is VHAI's initiative through its KHOJ projects.

Certain criteria should be followed when providing financial support to voluntary organizations. Only those registered as societies or trusts should be considered for assistance. Moreover, only those voluntary organizations that have worked for at least three years in primary health care and development, and are currently engaged in such work, should be provided financial assistance. These strategies, if realistically pursued, could go a long way towards improving the provision of health care in the voluntary sector.

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THE NEED FOR STATE INTERVENTION IN HEALTH CARE SECTOR IN TAMILNADU

Introduction

The traditional economic theory has always been emphasizing on the accumulation of physical capital as well as the use of technical progress to achieve economic growth, of late the need to prepare an efficient human workforce has long been recognized. The role of human capital (comprising health, education, and skill) is now almost universally regarded as being indispensable to sustain the economic growth of any nation. And the main determinants of an efficient workforce are the level of health and educational status as well as the level of skill attained in several spheres. This becomes all the more important for a country like India with a billion plus population. When health improves, the country and technological knowledge. Development in health sector is an inevitable ingredient of over all development of a country. Vital indicators like infant mortality rate life expectancy at birth death rate etc are the indicators of development.

Longer life expectancy encourages investments in human capital, which in turn accelerates per capita income. A healthier life increases the productive number of workdays thus enabling the poor to get out of poverty trap. Latest medical technologies are transforming health care making it more effective and portable to not only new regions but to altogether new population as well. For example, the advent of sophisticated equipments and instrument has simplified many complex surgical procedures which can now be performed with minimal incision such as endovascular surgery, interventional radiology or laparoscopy. The human capital theory of Grossman states that individuals invest in themselves through education, training and health to increase their earnings. thus health can be regarded both as consumption good as it makes people feel better as well as a productive or capital good as it increases the number of health days available to work and thus to earn income.In this context the present paper deals with the need for state intervention in health care sector in tamilnadu.

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Methodlogy

In the present paper four health indicators, namely, life expectancy at birth, birth rate, death rate and infant mortality rate are used for measuring the levels of health status in Tamil Nadu. In this paper, eighteen determinants, namely number of Primary Health Centres and Health Sub Centres, population per bed ratio, number of doctors and nurses in primary health centres, population per doctor ratio, female literacy rate, per capita food availability, PHC per million population, per capita income at current prices, public health expenditure, literacy rate, employment in organised sector, provision of drinking water – villages covered, couple protection rate, fertility rate, sex ratio, density of population, beds and hospitals are taken as determinants of health status in Tamil Nadu State.The study period is 10 years from 1997-98 to 2006-07 and secondary are collected from various statistical reports, published by Government of Tamil Nadu, Directorate of Medical and Rural Services, Chennai, Directorate of Public Health and Preventive Medicine, Chennai, Directorate of Family Welfare, Chennai Department of Economics and Statistics, Chennai Joint Directorate of Health and Medical Services. The present paper is aimed at, to evaluate the health care sector in the Tamil Nadu State and to suggest possible lines of approach in the

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formulation of health policy and programmes that help to promote in the health status in the coming years. Moreover the trends in the eighteen chosen determinants are also obtained to know their movements.

Trends In The Health Indicators:

Almas Ali and Pratap Sisodia (1995) confirmed that the primary determinants of improved health status of the population had been general mortality, infant mortality and life expectation at birth. He further stated that studies on fertility and morbidity and also on the impact of health programmes and use of health services had been introduced as secondary health indicators. Nevertheless, the analysis of mortality data was still very much an indispensable part of health situation analysis. At this level

The demography and vital statistics provide the base information on the health status of any region or community. Life Expectancy at Birth (LEB), Infant Mortality Rate (IMR), Birth Rate and Death Rate are the important indicators that reflect the health status and human development.

Estimated Trends In The Health Indicators In Tamil Nadu(1997-98 To 2006-07)

Life expectancy at birth has registered an increasing trend and its annual average yearly increase is, 0.179. The birth rate, death rate and infant mortality rate have shown a declining trend, with the annual average yearly decrease being –0.43, -0.07 and -1.88 respectively. All these rates are statistically significant, and here the following inferences are drawn for Tamil Nadu state: During the study period, Life expectancy had increased from 64.72 to 67.00 in the state. It had increased at the rate of 0.17 per annum. Among the four health indicators, Infant mortality rate had undergone the largest change. It had decreased from 53.00 to 37.00 and its higher annual average yearly decrease was -1.88. The birth rate had declined from 19.50 to 16.00 during the study period and the annual average yearly decrease was -0.43. The death rate had also declined from 8.00 to 7.40 in the state and the rate of change per annum was –0.07. Both the birth rate and death rate had declined but annual rate of the decline in birth rate (- 0.43) was higher than the decline in death rate (-0.07).

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- Regarding the first health indicator, namely life expectancy at birth, the annual growth rate had shown increasing trend both in Tamil Nadu State .
- The life expectancy at birth had increased from 64.72 to 67.00 in Tamil Nadu.
- The birth rate had declined from 19.50 to 16.00 in Tamil Nadu
- The death rate had declined from 8.00 to 7.40 in Tamil Nadu .
- The infant mortality rate in Tamil Nadu had declined from 53.00 to 37.00.
- Infant mortality rate, birth rate and death rate in Tamil Nadu statet were experiencing a declining trend. The declining trend in infant mortality rate was stronger than that of birth rate and death rate.
- Among the four health indicators, life expectancy at birth and infant mortality rate were decisive and dominant in indicating the health status of any region.

The annual growth rate of infant mortality rate in Tamil Nadu State it was -1.88. There was good sign of health improvement in Tamil Nadu state. The decline in birth rate was higher in Tamil Nadu .Therefore Government of Tamil Nadu has to concentrate on taking steps to reduce infant mortality rate further in the state and administration has to concentrate on multifarious measures to bring down the birth rate thereby controlling the growth of population and elevating the level of health status.

Trends In Health Determinants:

Child health status is determined by several factors such as health, economic, demographic, social and educational variables. Regarding the trends in the health determinants in Tamil Nadu, namely per capita food availability has not significant trend but others have significant and positive trends except PHCs per million population and fertility rate which are favorable to improve the health status. Among the 18 selected determinants, 15 determinants have significant and positive trends. Per capita income at current prices, public health expenditure and provision of drinking water villages covered have shown the highest growth rate; where as female literacy rate, literacy rate, couple protection rate, sex ratio and number of hospitals have shown the lowest growth rate. The growth rate of other determinants was moderate during the study period in the state. The favorable and unfavourable monsoons during the study period resulted in fluctuations in food production and output. This was the reason for insignificant and negative trend in per capita food availability in the state. Secondly, PHC per million populations was statistically significant and its growth was marginally negative. Thirdly the fertility rate had also negative trend which exhibited the awareness of people in small family norms. Per capita income at current prices in the state had increased from Rs.5,878 to Rs.17,893, that is, an increase of four fold during the study period. Public health expenditure had risen from Rs.10, 502.17 lakhs to Rs.50, 100.92 lakhs, an increase of five fold. The inflationary effect might have partly contributed to this huge income in public health expenditure. The villages covered for provision of safe drinking water, increased from 5436 to 15676.

The female literacy rate had been accelerated from 63.54 to 73.47 in the state, thanks to Total Literacy Campaign launched by National Literacy Mission, New Delhi between 2001 and 2005. The per capita food availability in the state was increased from 146 kilograms to 156.60 kilograms during the study period. Panikar and Soman (1984) analysed the health status of Kerala and found out that a mere linear expansion of curative medical care facilities could not take the state any nearer to the goal of heath for all; already public and private expenditure together were absorbing a high and increasing proportion of the state income, without any visible impact on the incidence of diseases.

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Conclusion

The tamilnadu seems to have performed better compared to All india average in demographic and several health indicators. However, tamilnadu is capable of much higher levels of achievements with its knowledge base, administrative and institutional strength and its growth potentials.

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PUBLIC AND PRIVATE ENTREPRENEUR TO MARKETING OF PADDY IN TAMIL NADU

Introduction

The 'New Strategy' for agricultural development, which was initiated in 1966, in essence called for the implementation of High Yielding Varieties Programme (HYVP) in all districts selected under Intensive Agricultural District Programme (IADP) and allied schemes. The strategy was concerned with higher productivity of crops per acre, but with multiple cropping, the HYVP had assumed 'crucial importance' in the Planning Commission's agricultural development strategy.

There is a great impact of Green Revolution on the power structure at various levels and the issue of taxation of agricultural incomes. The most interesting feature of the new agricultural strategy was that the movement for scientific agriculture and programmes for research and extension received fresh stimulus.The new agricultural strategy technology adopted since the mid sixties has helped in revolutionizing Indian agriculture. Technological change in agriculture is characterised by the use of pesticides, irrigation, machinery, improved implements, soil conservation and the like. The successful adoption of these components of new strategy has resulted in the increase of agricultural production. The introduction of above mentioned components of new agriculture strategy depends upon factors like irrigation, size of farm, capital, institutional credit, and extension services. There are many regions with better factor endowments. The new agricultural strategy was the first to adopt modern inputs and derive the benefits as a sequel. The production performance of the paddy production is of critical importance in improving the efficient use of resources. The cost of production and net returns obtained per unit would determine the profitability of the paddy production. The profitability of an enterprise depends upon the efficient use of the resources in production.

This study will be undertaken to analyze cost and returns structure, determinants of yield, yield gap and yield constraints of High Yielding Variety (HYV) and Traditional Variety (TV) and of small and large farmers producing paddy in Tamil Nadu. Further, the market structure, marketing efficiency and price spread of paddy will be discussed for small and large farmers.

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Objectives

1. To analyse the distribution of paddy area of the state among the districts

Methodology

The study is based on secondary data in Tamilnadu. The time series data on area yield and production of paddy were obtained from the records compiled by the Directorate of Economics and Statistics, Government of Tamilnadu. The district wise time series data on area, yield and production of paddy were collected from District Statistical Offices of the respective district.

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Results and Discussion

Tamil Nadu is the southern-most state in India. The total rice area in 2005-06 was 2.05 m ha. Season-wise areas were 15.7 per cent in kuruvai (Jun.- Oct.), 74.7 per cent in samba (Aug.- Jan.) and 9.6 per cent in navarai (Dec.- Apr.). Rice is grown in all 30 districts of the state except Chennai and the top five districts with a higher rice area were Villupuram (8.2%), Nagapattinam (7.7%), Thiruvarur (7.6%), Thanjavur (7.55%) and Thiruvannamalai (6.99%). The total paddy production was 7.83 million tonnes (5.2 million tonnes of rice, which was 84.3% of the total food-grain production in the state) in 2005-06, but had increased to 9.92 million tonnes in 2006-07.

Paddy is the principal crop extensively cultivated in all the districts of the state having a unique three-season pattern viz Kar/Kuruvai /Sornavari (April to July), Samba/ Thaladi/Pishanam (August to November) and Navarai/ Kodai (December to March). Paddy accounted for 34.0% of the total cropped area in the state during 05-06. Villupuram district is at the top with an area of 168435 ha followed by Nagapattinam district with 158100 ha, Thiruvarur district 156098 ha and Thanjavur district 154901 ha. The normal area under Paddy is about 1800000 ha. However, owing to good rainfall, the area under paddy had increased to 1872822 ha during 04-05. Subsequent monsoon condiction and abundance of water thereof during 05-06, prevailed on the extent of area under paddy which has picked up to 2050455 ha registering an increase of 9.5% and correspondingly the production of rice has also increased to 5209433 tonnes from 5061622 tonnes in 04-05 showing an increase of 2.9%. The yield rate of Rice, on the contrary, has reduced to 2541 kg/ha in 05-06 from 2703 kg/ha in 04-05.

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Conclusion

This study examined empirically the spatial distribution on paddy cultivation in tamilnadu There were five districts that produce paddy in large quantities (*i.e.* above the per capita national average), namely Villupuram (8.2%), Nagapattinam (7.7%), Thiruvarur (7.6%), Thanjavur (7.55%) and Thiruvannamalai (6.99%). and others that, in general, produce relatively low quantities. The outcome of the analysis has some implications for food and agriculture related policy. The government of tamilnadu should initiate a more rewarding and encouraging system of incentives to the cultivators and steps may be taken to educate the farmers in the latest methods of cultivation. Their literacy rate could still be improved.they will promote innovative awareness among the farmers.

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THE ROLE OF PUBLIC PRIVATE PARTNERSHIPS FOR QUALITY EDUCATION IN INDIA

Introduction

The Public Private partnership is very important, looking at the growing demand for higher education in our country. The government is not able to provide quality education to a large section of students passing out of schools. Thus Public Private Partnership should be encouraged as India is a vast country. We have to convince private players to invest in higher education but should also see that it is not being done to just make money and should have good control and monitoring for establishment of a quality higher education institution so that the fee remains equal to that in government run institution.

The main rationale for developing Public Private Partnerships (PPP's) in education is to maximize the potential to expand equitable access and improve education outcomes, especially for marginalized groups. PPP, when implemented correctly, can increase efficiency and choice as well as expand access to education services. It also allows governments to take advantage of the specialized skills offered by certain private organizations and to overcome operating limitations faced by organizations in the public sector. On the other hand, sustainability for the private sector depends on the innovation and expertise of their employees. The challenges that higher education institutes face in recruiting and skilling and enabling students, has a direct bearing on the future workforce and the future of business and industry at large and I believe the PPP model in education will be the most effective way to take India forward in the 21st century.

In the 11th five year plan, the government allocated around Rs 850 billion for higher education but according to Planning Commission, there is a resource gap of about Rs 2.2 trillion. Thus without involving private players it would be difficult for the government alone to fill the gap and provide quality education. But, at the same time it is also to be seen that only those private players should allowed bringing up education institutions who will give priority to providing quality education rather than coming up with single point agenda of making money and opening shops.

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A Brief History Of Public Private Partnerships

In principle, companies and business associations kept their distance from the UN for many years. However, individual companies did appear early on at the UN as sponsors. One particularly symbolic example is that of multimillionaire John D. Rockefeller Jr's gift to the UN. At the end of the 1940s, he donated $ 8.5 million to purchase a piece of land on the New York East River for the UN's headquarters.

Without this donation, the UN today would probably have its seat on the outskirts rather than in the centre of the city. Until the 1980s such collaboration tended to be one offs, with international politics largely remaining the territory of governments. The United Nations was founded in 1945 as a state organisation and then as now there was no international legal basis covering hybrid forms of international collaboration. The move towards what we can now describe as a boom in global partnerships was not a linear progression, nor did it proceed at a steady pace.

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Scope Of Public Private Partnership In Education

Looking at the present trend of Public Private Partnership in Education, it is clear that while there is a lot of scope of such collaboration, it is not being fully harnessed. Education in India can be broadly classified into two levels: University Education and School level Education. Collaboration at each of these levels needs to be handled individually with perhaps little similarities in the collaboration structure. Presently, the most common form of Public Private Collaboration is that the government provides funds to Private Educational Institutions so that they can reduce their fees. This is a crucial step in trying to achieve the goal of Education for All as subsidized education is accessible to more students as compared to non subsidized education.

This scheme works well for College Level Education, given the wide variety of students that these colleges cater to. The problem here is not that the scheme is not working properly. The scheme is working just about fine, given the slow steady growth in the education levels of the various cities in India. However, the scheme that has presently been adopted is so to say, redundant, especially at the School Level. Subsidized education is still far from the reach of most students who have to suffice with being educated at a government school that fails to cater to the growing need of a wholesome education. The problem is of choice. The students/parents do not have the means to choose the institutions that they wish to enroll their child into, given their income constraints and the lack of good Private schools in most parts of the country.

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Public Private Partnership - The Best Foot Forward For Higher Education

Imparting education is generally perceived as the responsibility of the government. But, lack of financial and managerial capacity often impede the government's ability with regard to national education system. Another problem is the rotation of power both in the centre and in the states. Till now the central government has been spending one per cent of the GDP in education and is planning to increase it to 1.5 percent.

Recently, the University Grants Commission (UGC) has recommended four models of Public Private Partnership to the Planning Commission and according to an estimate, the country requires an investment of over US $ 150 billion in the next 10 years. The four models proposed by the Planning Commission are in terms of basic infrastructure model in which the private sector invests in infrastructure and the government runs and operates the institutions and in turn pays to the private investor. In the second model the private sector will not only invest in the infrastructure but also run and manage the institutions and the government will pay for the selective services it will avail from the institution.

In the third model the investment will be done by both the government and the private sector but the institutions will be run and managed by the private players and in the fourth model, the government will invest in the infrastructure and private sector will run and manage the institution.

There is no doubt that the government cannot alone handle the investment required in the higher education sector looking at the growing demand for it and the number of students entering, thus, posing question both on quality and quantity. India Education Review asked several of the experts about their view in Public Private Partnership in Higher Education in the Indian Higher Education System

Conclusion

Education is generally perceived as the prerogative of the government. Lack of financial and managerial capacity often impede the governments' ability to meet their obligations in regard to their national education systems. Governments can use partnerships to make up for deficiencies in state education programs. At the same time, improving education around the world is in the long term interest of every business. There are benefits from engaging in enhancing skills of workers, developing brand reputation and strengthening community relations. Even if their core business does not directly relate to the education sector, many companies find that their core competencies can add significant value. Chronic financial constraints in developing countries, together with the positive experiences made with public private partnerships, have led to new private and community management, financing, and investment in education. An important element of success is lining up private sector efforts with broader policy frameworks and strategies. At the global level, this can mean broad campaigns or commitments such as the World Declaration on Education for All or the Millennium Development Goals. At the national level, there are many intervention points within the education system where highly valuable private sector competencies could be joined with the competencies of the public sector. The private sector is becoming an essential partner in promoting education. A large number and variety of public and private partnership iniatives are being carried out in many different countries.

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PUBLIC PRIVATE PARTNERSHIP IN HEALTH SECTOR IN INDIA

Introduction

The concept of Public-Private Partnership (PPP) has been popular in the last decade of the last millennium and has now become an increasingly popular option in health care delivery system in India. Historically many such projects have been implemented in the PHC segment in different states of India with different levels of perspectives. The National Rural Health Mission (NRHM: 2005-2012) from the Government of India planned to set up PPPs at different levels of health care as key partners to success in implementation. NRHM has contemplated that involving the private sector as part of the RCH initiative will provide more effective health care delivery system. The number of private sector institutions and dependence on them has been increasing over the years; the private sector now provides more than 70% of curative care. In Uttar Pradesh, of the women who seek care for reproductive health problem, 71 % seek care from the private sector.

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At over 8 percent GDP growth in recent years, India is one of the fastest growing economies in the world in terms of GDP and is expected to be the third largest economy by 2050. Healthcare services which are critical to the growth in economy have seen vast improvements over the past few years in India. Yet, India's total expenditure in healthcare as a percentage of GDP is still one of the lowest in the world. Though the public health services infrastructure is widespread, starting with sub-centers, primary health centers, community health centers, secondary level district hospitals, up to medical colleges, the quality of these are not uniform and subject to regional vagaries.

Partnership with the private sector has emerged as a new avenue of reforms, in part due to resource constraints in the public sector of governments across the world (Mitchell- Weaver and Manning 1992). There is growing realisation that, given their respective strengths and weaknesses, neither the public sector nor the private sector alone can operate in the best interest of the health system. There is also a growing belief that publican private sectors in health can potentially gain from one another (ADBI 2000; Bloom et al. 2000; Agha et al. 2003). Involvement of the private sector is, in part, linked to the wider belief that public sector bureaucracies are inefficient and unresponsive and that market mechanisms will promote efficiency and ensure cost effective, good quality services (WHO 2001). Another perspective on this debate is linked to the notion that the public sector must reorient its dual role of financing and provision of services because of its increasing inability on both fronts (Mitchell 2000). Under partnerships, public and private sectors can play innovative roles in financing and providing health care services.

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Results and Discussion

In an ideal PPP, in the health sector, the newly created entity pools the best features of the two merging authorities. Various state governments in India have been experimenting partnerships with the private sector to reach the poor and underserved sections of the population. PPPs are increasingly seen as an important mechanism for improving PHC. Located in rural and urban areas, the health services studied included mobile services, general curative care, maternal and child health services, community health financing activities, health promotion activities. We examined how the roles of a common shared vision, strong governance, and effective management influence a partnership's ability to achieve its objectives.

The findings, based on both qualitative and quantitative analyses, underscore the importance of membership organizations' perceived benefits and cost of participation and management capabilities to the partnership's progress toward a vision. In India, several private partnership initiatives are currently under implementation in the Manipal Group of Health Care enterprises including Sikkim-Manipal University of Health, Medical and Technological Sciences, Gangtok, Sikkim.

In the array of these forms of partnerships, there is little evidence to indicate the relative merits of one form of private partnership over the others. There are four types of operational issues in the management and policy perspectives on PPP. A brief overview of them is needed before any specific analysis. 'Contracting' (contracting 'out' and 'in') was the predominant model of private partnership. Other two forms of partnerships i.e. social franchising and social marketing; were also studied in the research. The private sector was represented in the form of individual physicians, commercial contractors, large private and corporate super-specialty hospitals and NGOs.

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Some of the partnerships deal with simple contracts (diet, laundry, cleaning, etc) while others are more complex involving many stakeholders (Yeshasvini, a community based self financed health insurance scheme). In almost all partnerships, the principal public partner is the department of health and family welfare, either state or central, directly or through health facility level committees. In terms of the monetary value, the least valued contract was in providing dietary services at a rate of Rs. 27 per meal for about 30 meals a day (Bhagajatin hospital, Kolkata). The oldest partnership (since 1996) is the adoption and management of primary health centers in Karnataka by Karuna Trust. The Chiranjeevi scheme (engaging private doctors for deliveries) in Gujarat is the newest of the initiatives (since Dec. 2005). Most of the projects are specific to a geographical region while some benefit an entire state (Yeshasvini scheme).

The role of individuals in the initiation and success of PPP is very crucial. In the case of Karnataka and West Bengal, the state level policy on public-private partnership was framed after launching few pilot projects. In the case of Tamil Nadu, Rajasthan, and Gujarat, the state policy towards the private sector partnership seem to have been introduced without any prior experimentation. Tamil Nadu is one such state where private sector involvement in health services was encouraged for a long time, especially encouraging the industrial houses. It would be fair to say that as of now the policy is virtually ineffective. The state of Andhra Pradesh, had a positive engagement in health sector reforms, does not have any private sector

partnership initiatives of significance in the state currently. Government pays 75% of the running cost and the rest is to be mobilized by the NGO. Karnataka is one of the first states to begin this scheme for involving NGOs and private medical colleges in running primary health centers. Karuna Trust was the first NGO to be handed over a primary health center when in 1996 the Gumballi PHC in Chamarajanagar district was handed over to us after 10 years of work in that area on Leprosy, Tuberculosis and Epilepsy

From the analysis of the cases, it is clear that the government grants under PPPs are invariably directed towards primary care services. This repudiates the claim in some quarters that partnership with private sector would divert government resources towards tertiary care services. The argument that private partnership is a route towards privatization does not hold much truth even in the primary care services as the private sector cannot sustain operations at these locations without government grants. Therefore government role is indispensable. The critical issue in PPP all over the world, is the timely release of grant/ reimbursement to the private partner. Core to this issue is the procedural requirement in getting the funds released.

Across the world, partnership with the private sector has emerged as a new avenue of reforms, in part resulting from resource constraints for the public sector by various governments. However, there is a growing realization that given their respective strengths and weaknesses, neither the public sector nor the private sector alone would be at the best interest of the health system. Involvement of the private sector is, in part, linked to a wider belief that public sector bureaucracies are inefficient and unresponsive and that market mechanisms will promote efficiency and ensure cost effective, good quality services The World Bank and the National Commission on Macroeconomics in Health strongly advocate harnessing the private sector's energy and counter its failures, and to make both public and private sectors more accountable.

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Opportunities exist for PPP in a competitive environment. Private institutions may deliver their services at a profit but at reduced prices, subsidized or even fully paid for by the government. Similarly, the government may make available products, such as drugs, for free or at significantly low costs to private providers who serve the poor. There is no shortage of ideas to improve the quality of health care delivery, while ensuring access for everyone regardless of income. However, only with a global commitment to improving PHC can the present health crisis faced by developing countries be effectively addressed. Primary health care is a new approach to health care, which integrates at the community level all the factors required for improving the health status of the population available to all people at the first level of health care. In a radical departure from the traditional health care system, it is conceived as an integral part of the country's plan for socio-economic development.

The National Health Policy 2002 states: "In principle, this policy welcomes the participation of the private sector in all areas of health activities - primary, secondary or tertiary." The policy includes not just private sector companies but also NGOs, community-based organizations (CBOs), Panchayati Raj institutions (PRIs) and other forms of civil society.

Conclusion

Private partnership is an administrative decision. An obvious but important point is that it must enjoy political and community support. It is important to understand not only what services are to be provided under private partnership, but also the basis on which such decisions are made. We explored the implications of this research for future evaluations of public-private primary health partnerships. One of the core components of PPP is mutual responsibility/ commitment. All the partnership projects are expected to provide services under national programs, including immunization, family planning, etc. All the partnership agreements should have clear operational guidelines and specific performance indicators for the private partners.

In the health sector, the PPP as a social entity pools the best features of the two merging authorities of government and private sectors which have already shown their potential of accountability the people of India. The time has come to explore this to the fullest extent to promote health of the common mass in our country.

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THE NEED AND ROLE OF PUBLIC PRIVATE PARTNERSHIP IN HEALTH SECTOR IN INDIA

Introduction

Health is one of the vital and largest sectors for achieving overall equitable human development in the country. Nowadays the total value of the sector is more than $34 billion. This translates to $34 per capita, or roughly 6 per cent of GDP. By 2012, India's healthcare sector is projected to grow to nearly $40 billion. The private sector accounts for more than 80% of total healthcare spending in India. India's health spending (4.8% of GDP) is much lower than other countries. The private sector can bridge the investment deficit and improve the efficiency and outreach of service delivery. So there is a need of Public Private Partnership in Health Sector in India

The positive role of Public Private Partnership in Health Sector

The positive role of Public Private Partnership are explained with the following headings

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Sharing of financial risks

One motivation for governments can be a desire to share financial risks with the private sector. It is very difficult to bear the financial risks alone by the private sectors.

Sharing of expertise

PPPs can also enable the government to benefit from private sector expertise in areas where the government has little experience. It is not practical for governments to try to maintain a high level of expertise across highly specialized areas in particular. An increasing trend in recent years is for governments to look to the private sector for input in areas where it can add value. This approach can increase innovation in public sector enterprises and provide benefits through the cross-fertilization of skills.

Competition

Proponents of PPPs also argue that they can increase competition through introducing additional players into sectors which have traditionally been monopoly. This can augment diversity, improve efficiency and introduce market disciplines into these areas, resulting in substantial public benefits. On the other hand, there may be some more overtly political motivations for a government in entering into a PPP. These may include using PPPs as a means of justifying increasing consumer payments for services, through distancing the government from the provision of the service via the involvement of a third party.

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Funding public enterprises

PPPs can provide a way for Governments to raise funding for infrastructure without major increases in public borrowing. Large infrastructure projects can involve substantial outlays and, in an environment where governments' budgets are increasingly being scrutinized for their 'bottom-lines', reducing debt is always a high government priority.

Better services for consumers

By enabling governments to raise resources from the private sector, more services can also be provided to the general public sooner. This is often put forward by governments as a reason for pursuing PPPs.

The Negative role of Public Private Partnership in Health Sector

Of course there are also potentially negative impacts of PPPs, for both governments and the community. The drawbacks categorized under several headings.

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Have to face many Challenges

Collaboration with the private sector to provide health services to the poor has generated many challenges. These include the motives of the private sector, scope and objectives of partnership, policy and legal frameworks, benefits of such partnerships, technical and managerial capacity of governments and private agencies to manage and monitor such partnerships, incentives for the private sector, stakeholder's perspectives towards partnership, and explicit benefits to the poor through such partnerships. Research evidence on these issues in India is scanty.

Reduction of services

One of the most obvious risks is whether the profit motive of the private sector will result in a reduction in service or an exclusion of less profitable, but socially important, services.

Democracy compromised

Another issue is whether PPPs can compromise democratic principles in the case of longer term contracts that outlive one or more governments. If an incoming government inherits a contract from a previous government that restricts its ability to implement its policies. This also raises issues of accountability for PPPs - if the original parties to the agreement are not around at a later stage of the contract, who is responsible for problems that may occur? Given that many PPPs involve contracts of ten years or more,

and average terms of government in Australia are 2-3 years, there is a real risk that transparency and accountability for public funding may be compromised.

Community pays

Opponents of PPPs say that the financial benefits claimed by governments often turn out to be illusory and the community ends up paying more over the long term, through increased charges and fees, for services provided by the private sector.

Loss of public asset

It is also claimed that handing over responsibility of public infrastructure to the private sector results in the loss of a valuable asset to the community. In other words, the so-called sharing of risks through PPPs is in reality a privatization of profits and a socialization of the losses, as governments often have to end up bailing out failed enterprises.

Political fall-out

Governments may face political fall-out when things go wrong as last week's headlines demonstrate.

Conclusion

The Indian healthcare sector can be viewed as a glass half empty or a glass half full. The challenges the sector faces are substantial, from the need to improve physical infrastructure to the necessity of providing health insurance and ensuring the availability of trained medical personnel. The use of public-private partnerships has both a positive and a negative impact on the economy. There is the need for public-private partnership in health sector to provide efficient and quality of services which are necessary to promote the economic development.

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PPP IN HEALTH SECTOR

The Revised National TB Control Programme (RNTCP)

I. Objective & Function:

RNTCP is a WHO-recommended Directly Observed Treatment Short Course (DOTS) strategy to control TB with the objective of curing at least 85% of new sputum positive TB patients and detecting at least 70% of such patients. The components of the strategy are: (a) political and administrative commitment at all levels, (b) diagnosis through quality sputum microscopy of patients attending peripheral health facilities, (c) uninterrupted supply of Short-Course Chemotherapy drugs, which are given in patient-wise boxes, (d) direct observation of treatment through involvement of peripheral health functionaries, NGOs and community volunteers, and

(e) systematic monitoring, evaluation, and supervision at all levels.

II. Client : State Government/District TB Control Society.

III. Service Providers:

- Private medical practitioners (Allopathic, Indian Systems of Medicine and Homeopathy),
- Paramedics,
- Private hospitals & nursing homes,
- Non Governmental Organizations (NGOs) and
- Corporate sector health care institutions.

Involvement of NGOs has been decentralized to the district level. The District TB Control Society (DTCS) can approve collaboration at its level.

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IV. Contract Structure:

MoU/contract is signed between the District TB Control Society and the NGO with intimation to the State TB Cell and the Central TB Division. The normal period of agreement is three years, to be renewed on the basis of satisfactory annual reports/evaluation by the DTCS.

V. Selection Criteria

(Competitive Bidding/Negotiation):Voluntary offer (negotiation) to participate in the programme. Any NGO registered under the Societies Registration Act and having a minimum of 3 years experience in the area of operation and having requisite infrastructure and staff is eligible to apply.

VI. Payment Mechanism Grant-in-aid as approved by the GoI.

VII. Penalties /Incentives:

In case of poor performance and non-diligence, the contract can be terminated any time without prior notice. Incentives, in kind or cash assistance, for different schemes as approved by the GoI.

VIII. Monitoring & Disbursement of funds:

Involvement of NGOs in the Revised National TB Control Programme (RNTCP) has been decentralized to the district level and funds for this purpose are released from the Centre to the State

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Governments for onward transmission to the District TB Societies. As such, funds are not released by the Central Government to the NGOs directly. The Central Government, therefore, provides grants-in-aid to the State Governments, to be released to the service providers based on the utilization certificate.

National Programme for Control of Blindness

I. Objective & Functions:

(i) Free cataract surgery including Intra-Ocular Lens (IOL) implantation for poor patients;
(ii) School Eye Screening for detection and correction of Refractive Errors in School going children.
(iii) Support to eye banks for collection of donated eyes;
(iv) Training of eye surgeons in IOL surgery.
(v) Public Awareness on eye care.

National Cancer Control Programme

Schemes under National Cancer Control Programme, including grant-in-aid for cobalt machine and for awareness programmes are being revised w.e.f. 2004-05. The proposal has been approved by the Expenditure Finance Committee and is being taken up with Cabinet Committee on Economic affairs (CCEA). There is, therefore, no further information to furnish.

National AIDS Control Programme

I. Objective & Function:

Prevention and control of HIV/AIDS in the following ways:

(a) Preventive interventions for high-risk populations through targeted interventions; adopting a multi-pronged strategy including peer counseling and behaviour change communication.
(b) Preventive interventions for the general population through programmes for blood safety, voluntary counseling and testing services, Prevention of Parent to Child Transmission (PPTCT), Information Education and Communication (IEC) & awareness building among adolescents and sensitization for the AIDS Vaccine Initiative.
(c) Provision of low cost care and support services by providing community care services, treatment of opportunistic infections and prevention of occupational exposure.
(d) Collaborative efforts to promote inter-sectoral programme activities including workplace interventions and public-private partnerships.
(e) Build technical and managerial capacities for programme implementation through surveillance, training, monitoring and evaluation, technical resource groups, operational research and Programme management.

Department of Family Welfare

The Department has the following schemes, under the Reproduction and Child Health (RCH) Programme, being implemented fully/partially through public-private partnership, namely;

1. Sterilization (for Population Stabilization)

I. Objective & Function:

Improving access to sterilization services through involvement of private/ NGO health facilities. Beneficiaries are the acceptors of family planning services, both tubectomy and vasectomy.

II. Client: State Government.

III. Service Providers: Private Practitioners/NGOs having medical facilities.

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IV. Contract Structure:

Public funding with private service delivery and private management. Contract/MoU is signed between the State Government and the private practioner /NGOs having medical facilities for the services to be provided.

V. Selection Criteria (Competitive Bidding/Negotiation):

Different States are using different mechanisms for selection of service providers. Some State Governments advertise the scheme inviting applications. Others decide on the basis of sou motu proposals submitted by the private sector. Eligibility criteria for service providers have been recently issued by the Department of Family Welfare, Government of India, detailing the checklist for basic medical facilities/infrastructure as a necessary precondition.

VI. Payment Mechanism:

The Government of India provides grant-in-aid, to the service providers, which is a package of Rs.300/tubectomy and Rs.200/vasectomy in non- EAG States and Rs.400/sterilization in EAG States and is routed through the State Government. Some State Governments give a Revolving Fund for the services. A minimum amount of Rs.150/sterilization has to be given to the acceptor of sterilization.

VII. Penalties/Incentives:

The service provider is debarred/black listed in case of any deviation from the scheme, or on adoption of fraudulent practices.

VIII. Monitoring and Disbursement of Funds:

Verification of claims is done by the District Health Administration, and funds are released in accordance with the claims submitted by the private practioner/NGO.

X. Remarks/Benefits:

The PPP model is working well in Tamil Nadu, where 1.5 lakh sterilizations out of the total 4 lakh sterilization were executed through the private service provider.

2. Mother NGO (MNGO) Scheme

I. Objective & Function:

Involvement of NGOs for supplementing and complementing medical services provided by the Government, especially in unserved and underserved areas.

II. Client: State Governments.

III. Service Provider:

NGOs with fixed assets amounting to Rs.2 lakhs, with at least 3-5 years experience in health and family welfare.

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PPP IN EDUCATION SECTOR

Introduction

Better physical infrastructure augments productivity (and lowers production costs), it is no guarantee to sustainable development in the absence of investment in human capital. After all, it is the man behind the machine who is important. The UN's Millennium Development Goals aims at (i) eradication of extreme poverty and hunger, (ii) achievement of universal primary education, (iii) promoting gender equality, (iv) reduction in child mortality (v) improvement of maternal health, (vi) combating HIV/AIDS, malaria and other diseases, (vii) ensuring environmental sustainability and (viii) developing a global partnership for development, including partnership with private sector and civil society in technological development. All these objectives are to be achieved by 2015.

Objectives

- To explore a comprehensive approach for development-through public-private Partnerships.
- To examine conceptual, legal, policy, regulatory and practice framework in forming the partnerships;
- To understand the practices, problems, and constraints of the private sector;
- To explore strategies to encourage private involvement in education and health;
- To develop the strategy for and identify the role of government in forming effective partnerships.

Most of the functions in the category of social services belong to states. The Government of India has been supplementing the efforts of State Governments in this direction. As evident from the budgetary allocations a large sum is spent on these services, although they fall short of the requirements. It is all the more necessary in such a situation to ensure that the expenditure incurred is best utilized. Moreover, the services so provided are mostly in-house dependant on the salaried staff. Limitations of this system have often been pointed out. The World Development Report 2004 ('Making Services Work for Poor People'), thus observed, 'In random visits to 200 primary schools in India, investigators found no teaching activity in half of them at the time of visit'. Public-private-partnership (PPP) is an alternative to the traditional approach of providing services through in-house facilities. Community participation through supervision of schools and involvement of non-profit service agencies in providing social services is being increasingly favoured and encouraged by the governments. The different Ministries of Government of India in recent years have been implementing their various schemes through PPP.

Some of the programmes under implementation in the Department of Elementary Education through PPP are mentioned below:

1. Programme of Mobilizing Local Support to Primary School (PLUS)

I. Objective & Function:

Improvement of primary education with local community support / Adoption of School.

II. Client1 :

State Departments of Elementary Education/Local Bodies running Elementary Schools.

III. Service Providers:

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Corporate Sector / VOs / Banks/Elected Representatives / Retired Teachers / Public Sector / Universities & Colleges / Any person from civil society.

Under the National Education Policy (NEP) only VOs, NGOs and Trusts can undertake activities in higher education (other than the Government) to the exclusion of individual and private companies. The private sector (trusts/societies) has been coming in a big way in the area of higher education and technical education, in recent years. Private educational institutions have, however, to abide by the prescribed guidelines and the Government oversees these institutions as part of its regulatory functions. Private unaided schools could be established in the realm of Secondary Education by Societies under the Societies Regulation Act (or under Acts of the State Governments which may include educational, charitable or religious societies having non-proprietory character or by Trusts having affiliation to CBSE under its relevant by-laws). Institution of higher learning in the private/public sector (other than university) are considered by the University Grants Commission (UGC) for recognition as 'deemed university' if they meet the requisite standards.

Conclusion

Various schemes in the social sector are implemented by the State Governments in collaboration with VOs/NGOs and the local community. The Government of India has been extending the requisite grants-in-aid for its Centrally Sponsored Schemes, which are routed through the State Governments. The public-private-partnership (PPP) brings in greater professionalism to bear on this association through introducing meaningful concepts. There is, nevertheless, scope of further expanding its coverage and also involve the private corporate sector in this endeavour. This may sometimes require legal and regulatory reforms in select sectors. Any amendment/reform in legislation is, however, possible when the essential features of PPP are well understood. One of the persuasive arguments in favour of PPP is the promise of better quality of service through clear customer focus. It is also argued that introduction of PPP would reverse the years of chronic under-investment through mobilizing public and private capital. Although experience, in this regard, shows that it did not open the floodgates to private sector participation. Perhaps, there is a need for greater public participation in PPP projects through 'risk sharing' to assure the private sector of the necessary 'comfort' they may look for. A closer look at the poor performance of public utilities and social services, in general, also shows that the disease lies in the 'monopoly' characteristic of such activities. Since there is no alternative to the existing (in-house) service providers, the citizens are left with no option other than that of "take it or leave it". The executives/ bureaucracy (low & high) may thus take the liberty to indulge in lethargy, corruption and high handedness. It has, therefore, been commented that the important distinction is not public versus private rather it is monopoly versus competition. In this respect, PPP may be looked at as a measure towards administrative reforms. Competitive bidding or competitive negotiation in selection of the developer/ service provider gives 'competition' a chance. After the selection has been made the monopoly like situation of a public utility or social service is kept under check through the process of monitoring and evaluation. This can be further supplemented through putting in place 'independent regulatory systems' to protect the consumer's interests. Equally important is to ensure 'transparency' at all levels in all activities being implemented through public-private partnership. Since 'competitive negotiation' is less transparent than 'competitive bidding', it has been suggested that the 'contract' and its content could be brought under the purview of the government auditor. It may be reiterated that the objective of the government in introducing PPP is to choose a (private) partner with skills, experience and resources. The government, moreover, retains the safeguards in the form of step-in rights for appointing another operator in case the first operator fails to perform.

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PUPLIC PRIVATE PARTNERSHIP CRITICAL FOR HIGHER EDUCATION

Introduction

Education has always been and continues to be one of the most important needs of mankind. It helps man indoctrinate values and apply the technical know-how in real life situations.he Human Resource Development Ministry is thinking of introducing public-private partnership Model in higher education sector. The ministry will hold meeting with the Central Advisory Board of Education to discuss the possibilities in introducing PPP model.The PPP model will include concession agreements for the private players. It will also have an infrastructure model where the real estate players can provide land and other facilities for educational institutions. The government is also planning to introduce reverse outsourcing where the foreign universities are allowed to set up institutions in the country. Also the Indian universities can establish their institutions abroad.Education has always been and continues to be one of the most important needs of mankind. It helps man indoctrinate values and apply the technical know-how in real life situations. Of late, there has been an increasing trend towards privatisation of higher education in India. The Government of India cannot absolve itself from the responsibility of providing higher education to its citizens.

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The Role Of Partnership In Education

There was a rise of partnerships in the provision of health and education during the 1990s in western economies. The argument for these partnerships was to bring in the management practices of the private sector into the public sector and improve competitiveness and increase efficiency. The understanding was that this would make public expenditure more effective and in some cases would attract financial investment from the private sector.Partnerships in education have been driven by the need for more finances to run the ailing school system as well as the need to improve the quality of provision through raising management standards in schools. The development of the charter school model entails contracting a school from the state that is managed by the parents in a community and it has provided a new form of accountability to local schools. Charter schools began to emerge in 1991 and by the mid 1990s numerous states were advocating legislation to advance this type of provision. The charter school idea is based on the principle that state schools are dragged down by the failing state system and the ability to extricate individual schools from this morass under parental management permits them to have a new lease of life. The success of the charter school movement has been that the new form of partnership has injected new life and content

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into teaching and learning within local communities. The charter model has been flagged as a success with its emphasis on community level ownership that fosters entrepreneurship and accountability.

The achievements of the PPP form of provision should consequently be evident in areas of service delivery and accountability. The differences between the types of PPPs adopted in the UK and the USA indicate that PPPs will conform to a 'one-size fits all' idea but will be based on the demands of the political processes and not governed by economic considerations alone. There does appear to be a strong element of national ideology and social policy in fashioning the terrain of public-private partnerships to date in western countries. The manner in which state and non-state players regard each other in the education sector is an important starting point for identifying the type of PPPs that might emerge as providers of schooling. Where there is a political and/or economic shift in the field of education new thinking emerges regarding the provision of education. The shift in the 1980s and 1990s towards more market-oriented and contractual based approaches is a case in point. The term 'private' sector in these partnerships currently covers all non-state actors with corporate entities, NGOs and faith based organisations all falling into this category. The early models of partnerships focussed on the gains from private financing while current thinking indicates that private provision of schools by various non-state providers such as the corporate, NGO, charity and faith schools is an area of growing interest.

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Changing Scenario In Higher Education In India :

An academic revolution has taken place in higher education particularly in the past half century marked by a paradigm shift in scope and opportunity. Over the years higher education system has become an enterprise having much of business orientation with all its exposure to fierce competition at different levels of stakeholders. Indian education system considered as one of the largest of its kind in the world also faces/encounters enormous challenges in the new millennium. The impact of potential entrants on Indian higher education system can be felt in most of the functional areas like access, equity and quality. Moreover, in view of the inherent lapses in the regulatory structure of the system, unregulated foreign participation may lead to unfair and exploitative practices; to mention a few high capitation fees, misrepresentation of courses and corruption in admission process which may further accentuate the functional and ideological differences.

The concerns are not absolutely/always ill founded since privatization and commercialization are synonymous. For instance, private sector being influenced by the axiom 'value for money' may impose unnecessary restrictions leading to loss of academic freedom affecting badly the scope of creativity and innovations. This makes the role of the Govt more pivotal so that privatization with the high order of commercialization does not dilute the basic objective and quality of higher education. As such private higher education systems must have to be subjected to strict administrative and financial regulations. However,

by encouraging private participation accessibility of higher education to a diversified demography in a resource constrained economy can be expanded. The need of the hour is to develop a strong, viable regulatory mechanism to grant permission to private or cross-border institutions to operate for ensuring and expanding qualitative higher education. Therefore, public private partnerships built on the expertise of each other through appropriate allocation of resources, risks and rewards can really play crucial role in nation's strategic development of higher education.

Suggestion And Recommendations

With the advent of globalization it has become imperative to reorient our education system to the global realities rather than continuing with the age old inward looking policies. Developed as well as developing countries like USA, UK and China are now reshaping their education policies with massive thrust on sustainable qualitative higher education along with spirit of dynamism and competitiveness. India in this context requires a comprehensive reforms package to harness optimum potential of its human resources crucial in achieving its socio-economic objectives.

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Conclusion

The current providers of education in India indicate that there has been a shift in the manner in which education is conceptualised. The market based approach has regarded parents and communities as purchasers of a commodity. The new models of education provision seem to regard strengthening of existing patterns of supply and demand as a sufficient basis for education. There is little attempt to address social inequities that might skew the costs imposed on poor families. The ability to access an education system is limited by hierarchical social structures. The use of voice requires political legitimacy otherwise it reproduces and reifies existing differentiation. Conceptualizing educational provision as a phenomenon that operates through exit emphasises the competitive-price based approach while a community based understanding of educational provision would highlight the benefit of voice and the need for negotiated, local solutions. Public private partnerships built on the expertise of each other through appropriate allocation of resources, risks and rewards can really play crucial role in nation's strategic development of higher education.

PUBLIC AND PRIVATE BANK PARTNERSHIP ON FINANCING OF AGRICULTURE ACTIVITIES UNDER PRIORITY SECTORS ADVANCES IN INDIA

Introduction

India is one among the fastest growing economy in the world. Economic development depends on the development of rural areas because, around three-fourth of people live there. The important given to rural development in India with greater emphasis on agricultural and allied activities could be evidently seen in the plan priorities shown in the various Five Year Plans. In this regard, banks play a vital role by mobilizing and providing the resources needed for implementation of plan objectives. The Central Government and RBI have issued a number of directions in this regard, highlighting the social purpose which they have to sub-serve.

Priority Sector

The concept of priority sector is associated with those segments of the economic activities where financial assistance is primarily needed. In a country like India, majority of the population live in rural and their major occupation is either agriculture or allied activities or both. Therefore, bank credit is essential to develop agriculture and related activities and thereby uplift the economic and social status of these people who are the lowest level in the economic ladder.

An enunciation of the need to channelize the flow of credit to certain specific activities of the different sectors of the economy in the larger interest of the country is known as priority sector lending. The priority sector consists of economic activities of the agriculture, small scale industries and weaker sections.

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Objectives

Based on the above literature the researcher made objectives on the present study are given below.

- To study total credit flow to the priority sector advances by public and private banks;
- To analyze the composition of agriculture credit in terms of total priority sector advances by public and private banks;

Analyses and Discussions

In overall data 71.98 percent of lending given by public sector banks (Rs. 51567.50) for direct agriculture activities like Medium and long term loans directly to farmers for production and development needs, Purchase of agricultural implements and machineries, etc.

In overall, 38.79 percent of total priority sector advances from 2005 to 2008 go to the agriculture sector (Rs.716436 crores) and rest of the amount (Rs.1130697 crores) gone to other priority sector.

As seen in Table-3, overall composition of agriculture advances to the total priority sector advances by private sector banks is 35.34 percent (Rs. 146448 crores) from 2006 to 2008. Particularly in 2007 agriculture advances increased to 36.00 percent from 34.44 percent in previous year.

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Agriculture advances by public sector banks increases in every year from 80.87 percent to 81.17 percent, where as private sector banks reduces from 19.13 percent to 18.83 percent in the year from 2006 to 2007. In overall public sector banks advances to the agriculture sector higher (83.03 percent) than private sector banks (16.97 percent)

Findings and Conclusions

The important given to rural development in India with greater emphasis on agricultural and allied activities could be evidently seen in the plan priorities shown in the various Five Year Plans. Increasing trend of agriculture advances to the total priority sector advances by the public sector bank in every year from Rs.109917 crores in 2005 to Rs. 248685 crores in 2008. Also found from the study 38.79 percent of total priority sector advances from 2005 to 2008 go to the agriculture sector (Rs.716436 crores) and rest of the amount (Rs.1130697 crores) gone to other priority sector and overall composition of agriculture advances to the total priority sector advances by private sector banks is 35.34 percent (Rs. 146448 crores) from 2006 to 2008. Particularly in 2007 agriculture advances increased to 36.00 percent from 34.44 percent in previous year.

An enunciation of the need to channelize the flow of credit to certain specific activities of the different sectors of the economy in the larger interest of the country is known as priority sector lending. In this regard, banks play a vital role by mobilizing and providing the resources needed for implementation of plan objectives and increase the agricultural production by the way to improve the farmer's position in the society.

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PUBLIC PRIVATE PARTICIPATION IN EDUCATION INFFRASTRUCTURE CHEYYAR IN THIRUVANNAMALAI DISTRICTS

Introduction

Education is an important component in the process of human development. It not only creates a literate society, which is essential for a well functioning democracy, but improves human capital and promotes growth and equity. Literacy is one of the crucial parameters of the Human Development Index. Does private education have a role in meeting the United Nations Millennium Development Goal (MDG) of universal primary education by 2015? Many assume that private education is concerned only with serving the privileged, so is irrelevant to concerns about extending access to the poor. However, the existence of a burgeoning private education sector serving the poor is now acknowledged in the development literature: the Oxfam Education Report states, '... the notion that private schools are servicing the needs of a small minority of wealthy parents is misplaced ... a lower cost private sector has emerged to meet the demands of poor households'.

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Objectives

1. to analyze the various streams of education starting from primary to higher education.
2. to study the role of both Public and Private Sectors towards educational investment
3. to analyze disparities existing in education expenditure between Government and Private Institution.

Methodology

The methodology adopted in the study is historical and analytical. The technique structured re-determined the interview schedule has been used. The primary data is collected through the questionnaires used by random sampling techniques based on educational expenditure data collected in Thiruvannamalai district. Totally two hundred samples have been collected out of eighteen blocks in the districts, Cheyyar were selected. The published materials, journals have been used for the review purpose.

Average annual household expenditure per student of age 5-24 years pursuing general education by level of education and type of institutions. There is nearly 5 times increase in the primary educational expenditure in Private aided Schools while comparing with the Government Schools. The table further reveals that there is two times increase in the middle schools expenditure incases of private aided schools with government schools. The educational expenditure gap between government and private is getting down when it reaches to higher education.

Expenditure on fees in government primary schools vis-à-vis other types of schools. Such information is available by type of school and not at the same time by level of education. Considering all levels of education together, it can be noted it is not only fees, but also expenditure on every item of expenditure is higher in government aided schools than in government and local body schools, and is the highest in the private schools. The exceptions are very few. Expenditure on private coaching, and also on books and

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stationery is higher in case of children attending government aided schools than the other schools. Further, except transport and to some extent private coaching in rural areas, a majority of the students have to spend on all other items, including fees, books, stationery, uniforms and 'other' expenses, and they have to spend, not insignificant, but considerable amounts.

Results And Discussion

The co efficient of R^2 0.830 translates that 83 percent of the variables of education expenditure incurred by household spent on educational expenditure is explained independent variables in the multiple regression model the high value of the co efficient of determination implies model is strong as is a "good fit" the adjusted R^2 .0.815 s how that the model is strong and is a "good fit".

Conclusion

In the modern competitive world the Government alone can't spend towards quality education. For increasing the quality in education the combined efforts of both Government and Private Sector are needed. The Investment in education by the private sector should be monitored by the Government other wise too many poor students in India may not get an opportunity for **Education-The Fundamental Right.**

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ORGANISED VERSUS UNORGANISED MANUFACTURING SECTOR - A DISTRICT-LEVEL ANALYSIS OF TAMIL NADU: 2001-06

Introduction

The industrial expansion in the states at the sub-national level depends on the initiatives for industrial promotion taken by the states. Towards this end, the policies of industrial promotion spelt out in the national development policies, needs to be suitably pursued with state-specific promotional measures. The variation in the state-level initiatives marks for the differences in the industrial expansion and overall development of the different sub-national regions (or states) in a country. Also, within a state and among the different districts, some districts perform better than the others. While such differences are normal to expect, studying the dimensions of the differences is useful for evolving industry promotion policies. Against this background, the present paper aims at studying the growth dimensions of organized manufacturing sector (OMS) and unorganized manufacturing sector (UMS) in Tamil Nadu, especially at the district level. An associated hypothesis of interest is to test whether there is evidence of 'jobless growth' (defined as higher growth of value added in the face of a negligible or negative growth rate in employment) in the state.

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Data Base and Methodological Issues

The period of study is confined to the first quinquennium of new millennium i.e. 2001-06 which corresponds to the results of two surveys conducted by NSSO in the years 2001 and 2006. At district level, data for UMS is available only for two time points viz. 2001 and 2006. The data for 2001 is available for 29 districts while that for 2006 for 31 districts, the latter as a result of bifurcation of two districts: Perambalur and Dharmapuri. In order to make the datasets for the two time points comparable, data for the bifurcated districts are merged. This would also make it possible to draw a comparative profile of the structural shift in the relative shares of the OMS and UMS units. In order to compare with the trends in the organised sector, data for OMS for period 2001 to 2006 is drawn from the state's BES (Bureau of Economics & Statistics) which collects them for the Annual Survey of Industries (ASI) of CSO. Data on two variables viz. employment, and gross value added (GVA) are considered. To facilitate temporal analysis, the value based variable (GVA) is deflated (to base 1993-94) by applying the wholesale price index (WPI). The growth rates have been calculated by using the trend method for OMS and compound annual growth rates (CAGR) for UMS. The trends in employment growth have been studied by the computation of employment elasticity (EE) taken as the ratio of growth rate in employment to that in GVA. A conclusive characterisation of industries as 'better performing' has been made by analysing the "models of growth".

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Growth in Employment and GVA

According to the standard neoclassical theory, output growth is supposed to lead to employment growth. Employment growth without output growth amounts to 'output-less' growth (B. S. Prakash & A.Balu, 2011). Table 1 presents the performance of districts by growth in employment, output and employment elasticity with respect to output in the OMS. About 16 districts have registered positive growth rates in both employment and GVA. Further, as many as 9 of these 16 districts have registered higher than the State's average growth rate in employment of 4.6 percent. Evidently, these are the districts which have performed in a manner that is worthy of emulation for best practices. Particular policy focus on industrial performance, however, needs to centre on 6 districts of the State which have registered negative growth rates both in employment and GVA. Erode and Coimbatore have registered positive growth rates both in employment and GVA while Nilgiris has registered negative growth rates both in employment and GVA.

Employment in the OMS has increased while UMS employment has decreased during the period 2001 to 2006 (Table 2). One can say that quality of employment in the manufacturing sector has been increasing in the state. Ten districts (viz. Tirunelveli, Theni, *Erode*, Cuddalore, Tuticorin, *Coimbatore*, Nilgiris, Dharmapuri, Madurai, Sivagangai) which have registered positive growth in value added but with negative growth in employment come under jobless growth districts in the UMS. Only three districts (viz. Namakkal, Cuddalore, Nagapattinam) in the OMS were under this category (Table 1). Nine districts (viz. Chennai, Kancheepuram, Villupuram, Dindugul, Karur, Perambalur/Ariyalur, Tiruvarur, Ramnad, Kanyakumari) have registered negative growth rate in both employment and GVA. Only 10 districts have registered positive growth rate in both employment and value added (i.e. growth in employment goes together with high growth of output).

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Employment Elasticity

It is clear that the pursuit of higher output growth rates is essential, but equally important is the question of how to squeeze more employment out at each rate of growth in output. The employment elasticity for the districts in the OMS classified into four groups based on the sign or direction of growth in employment and GVA (Table 1). 16 districts registered vary from a low of 0.06 to a high of 3.76, are classified for their employment creating growth characteristic. Hence, from a policy point of view, the goal would have to be to move a state towards this phase. The two other classifications with negative employment elasticity [viz. (i) employment growth is positive but output's growth is negative and (ii) output growth is positive but employment's growth is negative in which the latter is characterised by its 'employment displacing' feature] carry positive feature due to which they cannot be considered from an altogether negative perspective. About six districts have evidenced stagnating characteristics, having registered negative growth rates in both employment and GVA, the State as a whole has nevertheless registered an aggregate employment elasticity of 0.52 in the OMS. On the basis of these indicators, therefore, the conclusion that there exists enough empirical evidence to reject the hypothesis of jobless growth for the OMS in general is supported.

"Models of growth"

From a policy perspective, employment depends on both economic growth and the labour-absorption capacity of the economy. Policy must target both of these. Tables 1 and 2 report trends in LP for individual districts in the organised and unorganised sectors, show that LP grew steadily in most districts in the unorganised sector. It grew at an annual rate of 4.5 during 2001-06. The growth was lower in the same period in the organised sector (4.0). Positive growth in LP is registered by as many as 18 districts in the OMS and 25 districts in the UMS. A low employment rate indicates that only the most productive workers are involved in the production process, because of their skill level or their age; as the employment level rises, less productive workers are hired (Belorgey et al. 2006).

Extensive model followed by 9 districts (including Erode) are in the OMS, in the UMS only 3 districts were under this category. These were the districts registered high employment growth with low LP. *Intensive model* (high LP growth accompanied by low/negative employment growth) adopted by the three districts, Coimbatore, Erode and Nilgiris in the UMS. *Stagnant* model: 8 districts in the OMS and 9 districts in the UMS were characterised as stagnant. Three districts, namely, Trichy, Dindigul and Chennai registered low LP growth and low employment growth. These three districts and remaining 11 districts under this model, require focused policy attention to improve the industrial development in the state. *Virtuous* model was followed by 7 districts including Coimbatore in the OMS: high LP accompanied by high employment rates.

Conclusion

The analysis presented in the paper rejects the jobless growth hypothesis for OMS and for UMS accepts the hypothesis based on the observed aggregate employment elasticity for the State and the districts which have registered significant growth profiles in variables like employment and labour productivity.

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AREA, PRODUCTION AND PRODUCTIVITY OF RICE IN INDIA: AN ECONOMIC ANALYSIS

Agriculture plays a predominant role in the economic development of a country. It is the primary sector of an economy that provides the basic things which are necessary for the existence of human beings. It also provides some raw materials for industries. As agriculture is the biggest industry in the country, the development of other industries as well as of the development of the country is not possible without the development of the agriculture sector (Dhian Singh Bhau, 1996).

The significance and role of agriculture in the national economy can be best explained by considering the contributions of agriculture sector towards other sectors of the economy. More than 80 percent of the total population in India lives in rural areas and a large proportion of the rural population directly or indirectly depends on agriculture sector for their livelihood.

Paddy occupies a prominent place in Indian agriculture. The area under paddy cultivation in the country is the largest, accounting for about one, third of the world's area under the crop. Next to China, India ranks second in-terms of its production. Paddy is cultivated in almost all the states in India. The major paddy growing states are Punjab, Haryana, Tamil Nadu, Andhra Pradesh, Uttarpradesh, Jammu and Kashmir, Madhya Pradesh, West Bengal, Orissa, Bihar, Karnataka and Kerala, which together account for 95 per cent of the total rice supply in the country.

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Statement of Problem

Paddy production is seasonal in nature while its demand is inelastic. This also affects the price fixation. There is a large variation in the quality of paddy which makes their grading and standardization some what difficult. Due to the prevalence of high level of illiteracy, more of the farmers are unable to follow the literature available on marketing rules and the relevant Act.

The specific objective of the study is area, production and productivity of cultivation of rice in India. To study the yield in rice cultivation in India and Tamil Nadu; to identify the problems faced in rice producers and to suggest policy measures to improve the production and marketing of rice.

Methodology

This study is based on secondary data. The secondary data will be made available from the economic survey, various journals, books and websites. The present study examines the rice production in India and Tamil Nadu for the period from 1989-90 to 2008-09. Specific tools of analysis and empirical models are also presented.

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Results and Discussion

Area, Production and Yield of Rice Cultivation in India

The annual average growth rate of production of rice has increased by 0.72 per cent, though the annual average growth rate of area under rice cultivation has increased by only 0.31 per cent during the same period.

The production of rice has ranged from 73.57 thousand metric tonnes in 1989-90 to 94.01 thousand MT in 2010-11. The growth rate observed over the last 21 years of rice production in India shows many ups and downs and the growth has been registered over 21.74 per cent. The area under rice production and yield has increased in India from 42.17 thousand hectares in 1989-90 to 45.34 thousand hectares in 2009-10 and from 1745 kg per hectares in 1989-90 to 1,965 kg per hectares in 2009-10, the increase being 6.99 per cent and 11.20 per cent respectively.

Multiple Regression for Rice Production in India

The major determining factors affecting the yield of rice production in India are analysed through regression analysis. Various explanatory variables such as area and production are considered.

The multiple regression has been estimated to find out the major factors affecting the rice yield in India. Here, rice cultivation area and rice production are considered as explanatory variables. The model is found significant in terms of the 'F' value (294.660) and the model explained over 97 per cent of the variations in the dependent variable. The co-efficients of rice production is significant in terms of their 't' values (19.186). Among the independent variables, the rice production is found to have influences. According to the estimated model, an additional unit of rice production could increase yield by 23.222 units. The rice cultivations area is negative relationship with the rice productivity and the't' value is -4.309.

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Area, Production and Yield of Rice Cultivation in Tamil Nadu

Paddy seems to be the most important crop in Tamil Nadu. The total area under paddy cultivation is 19.63 thousand hectare in 1989-90 abs it has increased to 21.74 thousand hectare in 2008-09. The area, production and yield of rice cultivation in Tamil Nadu depict in the following table.

The output of rice and yield has decreased in Tamil Nadu from 6,063 thousand tonnes in 1989-90 to 5,182 thousand in 2008-09 and from 3,088 kg per hectares in 1989-90 to 2,142 kg per hectares during 2008-09, the decrease being 11 per cent and 3.51 per cent respectively. This trend also in yield of HYV and yield of local rice and the yield of HYV of rice decreased from 2,178 kg per hectares to 2,142 kg per hectares and 1812 kg per hectares to 1307 kg per hectares respectively during the period 1989-2009, the decrease being 0.70 per cent and 0.08 per cent respectively.

Rice Production in Tamil Nadu: Estimated ARIMA Models

To find out the future changes in the rice production in Tamil Nadu, various ARIMA models are tried and among the models of order (1, 0, 0) has been found to fit well. The estimated ARIMA (1, 0, 0) model fitted well to Tamil Nadu rice production taking the following form.

Conclusion

India there has been a steady but slow rise in respect of production and productivity of rice over a period of 21 years since 1989-90. The annual average growth rate of production of rice has increased by 0.72 per cent, though the annual average growth rate of area under rice cultivation has increased by only 0.31 per cent during the same period.

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The challenges of the agriculture sector through comprehensive and coordinated efforts. Renewed attention needs to be paid to improving farm production and productivity, better utilization of agricultural inputs, proper marketing infrastructure and support, stepping up investment in agriculture with due emphasis on environmental concerns and efficient food management.

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REDUCING POVERTY AND HUNGER IN INDIA THE ROLE OF AGRICULTURE

Introduction

"Agriculture is the backbone of the Indian Economy"- said Mahatma Gandhi five decades ago. Even today, as we enter the new millennium, the situation is still the same, with almost the entire economy being sustained by agriculture, which is the mainstay of the villages. Not only the economy, but also every one of us looks up to agriculture for our sustenance too.

Early Focus On Foodself-sufficiency

In the 1960s India was deficient in food grain production and dependent on imports of wheat, inanced by PL 480 assistance from the United States. Understandably, the focus of Indian policy in this period was to increase foodgrain production with a view to ensuring food security. This objective was successfully achieved by the spread of the Green Revolution in the 1970s, eginning with wheat and then expanding to rice. This achievement must count as one of the major success stories in development, considering that influential groups such as the Club of Rome, in the early 1970s, had despaired of India's being able to feed its growing population.

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Agricultural Growth Forpoverty Alleviation

In the 1980s Indian policymakers shifted their focus from food self-sufficiency to generating additional income in rural areas as a means of tackling the problem of poverty,which was concentrated in rural areas. Acceleration of agricultural growth, with a special focus on improving the position of small farmers and extending the productivity revolution to non-irrigated areas, was seen as a critical part of the strategy for poverty alleviation.

This effort was supplemented with targeted antipoverty programs to address the needs of vulnerable groups who may not benefit sufficiently from general agricultural growth. India achieved considerable success with this approach in the 1980s. Growth of agricultural gross domestic product (GDP) accelerated to about 4.7 percent in the 1980s, compared with only 1.4 percent in the 1970s. This agricultural growth, together with the beginning of economic reforms in the non-agricultural sector, pushed up the growth rate of overall GDP to around 5.8 percent in the period 1980–81 to 1989–90 compared with about 3 percent in the 1970s.India's growth was disrupted at the start of the 1990s by a major balance of payments crisis that led to the adoption of an extensive process of structural reforms. It took time to regain momentum, and it was only in 1993–94 that the economy got back on track, clocking an average growth rate of 6.8 percent in the three years 1993–94 to 1995–96. This acceleration in growth in the postreform period led policymakers to set a more ambitious GDP growth target of 8 percent a year for the Ninth Plan period (1997–98 to 2001–2002), to be supported by a growth rate of 4 percent a year in agriculture. The

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projected growth of 4 percent per year in agriculture was clearly in line with the average growth of 3.8 percent achieved in the period 1990–91 to 1996–97. Actual performance since the mid-1990s, however, has been disappointing. Agricultural growth slowed to 2 percent a year in the Ninth Plan period, and overall economic growth was only 5.5 percent, well below the 8 percent target. Since agriculture accounted for about 25 percent of GDP, the shortfall of more than 2 percentage points in agricultural GDP growth, compared with the target, accounts directly for a shortfall of about half a percentage point in GDP growth. If the indirect effects of more rapid agricultural growth on other sectors are taken into account, the total impact on GDP growth may have been as much as one percentage point. Slow growth in agriculture is also at the root of growing evidence of distress in the farming community.

Irrigation.

Water is a critical constraint to raising agricultural productivity, and much of the success of the Green Revolution came from improved productivity in areas of assured irrigation provided through canals or, much more significant, through groundwater utilization. The scope for expanding irrigation through large and medium-scale projects has yet to be fully exploited. Out of the total of 59 million hectares that could be irrigated through such projects, only 40 million hectares have been irrigated. The slow pace of exploitation of irrigation potential is due to lack of resources in state governments and the tendency to spread available resources thinly over too many projects. Additional public investments in this area are therefore essential for early utilization of the potential. Effective maintenance of the existing system of canal irrigation also suffers because the irrigation departments of the states lack resources.

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Water Management In Rainfed Areas

About 60 percent of India's cultivable area will remain dependent on dryland farming even after all irrigation potential is fully exploited. Productivity growth in these areas is obviously essential for rural income growth and poverty alleviation, and it depends critically upon better moisture conservation and the development of varieties suited to dealing with moisture stress. Schemes for water retention, moisture conservation, and groundwater recharge have been implemented for many years in India but with mixed results. Experience suggests some pointers for the future. Greater use of technology inputs can help a great deal. Satellite mapping by the Indian Space Research Organisation has been particularly helpful in planning watershed management schemes to achieve optimal results. It is also important to adopt a holistic approach.

Other Inputs

Increasing agricultural productivity also depends on the efficient delivery of several other inputs. The quality of seeds and planting material needs to be greatly improved, and this calls for strengthening the research effort to make it more effective. Two expert committees have recently reported on how to restructure the agricultural research system to make it more results oriented, and their recommendations are under consideration. The system for producing and marketing certified seeds of existing varieties at reasonable prices also needs to be improved. Seed replacement rates in most parts of the country are only one-third to one-half of what they should be, a situation that reflects partly a lack of knowledge of the importance of seed replacement and partly a lack of availability of reliable seeds. There is evidence that the use of fertilizers

is at present highly imbalanced, suggesting that scientific application of fertilizers holds potential for raising productivity.Nitrogen fertilizers are oversubsidized compared with phosphorus and potassium fertilizer. The structure of fertilizer subsidies should be rationalized to avoid excessive and wasteful use of nitrogen fertilizers. Lack of knowledge of micronutrient deficiency in the soil is also a serious problem. There is need for much more extensive soil testing to encourage balanced application of nutrients. Underlying these problems is the deterioration of the extension services, which makes it difficult to disseminate best farming practices. Strengthening the extension system therefore needs special attention.The government has also identified credit to farmers as a critical area for corrective action. The public sector commercial banks are being pushed to provide credit to agriculture and have responded commendably. The cooperative credit system, however, which was meant to be the backbone of agricultural credit, has become financially weak. Part of the problem has been the politicization of cooperative institutions as a consequence of interference by state governments. The central government is considering ways of reviving the cooperative credit system by recapitalizing the cooperative banks, provided state governments agree to changes in the system of governance that would ensure professional management of cooperative banks without state government interference.

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The Role Of Public Investment

Issues and Challenges

It is here the challenge arises considering the implementation of the technology at various levels in the Global community. The need of the hour is not application of the technology but the adoption of appropriate technology, which would suit the particular level of the global community. In India, the farming practices are too haphazard and non-scientific and hence need some forethought before implementing any new technology.

Thus, the information on spatial variability in soil fertility status and crop conditions is a pre-requisite for adoption of precision farming. Space technology including global positioning system (GPS) and GIS holds good promise in deriving information on soil attributes and crop yield, and allows monitoring seasonally-variable soil and crop characteristics, namely soil moisture, crop-phenology, growth, evapotranspiration, nutrient deficiency, crop disease, and weed and insect infestation, which, in turn, help in optimizing inputs and maximizing crop yield and income. Though widely adopted in developed countries, the adoption of precision farming in India is yet to take a firm ground primarily due to its unique pattern of land holdings, poor infrastructure, lack of farmers' inclination to take risk, socio-economic and demographic conditions.

Measures Needed:

1. Enhancing agricultural productivity, competitiveness, and rural growth

Enhancing productivity: Creating a more productive, internationally competitive and diversified agricultural sector would require a shift in public expenditures away from subsidies towards productivity enhancing investments. Second it will require removing the restrictions on domestic private trade to improve the investment climate and meet expanding market opportunities. Third, the agricultural research and extension

systems need to be strengthened to improve access to productivity enhancing technologies. The diverse conditions across India suggest the importance of regionally differentiated strategies, with a strong focus on the lagging states.

Improving Water Resource and Irrigation/Drainage Management: Increase in multi-sectoral competition for water highlights the need to formulate water policies and unbundle water resources management from irrigation service delivery. Other key priorities include: (i) modernizing Irrigation and Drainage Departments to integrate the participation of farmers and other agencies in irrigation management; (ii) improving cost recovery; (iii) rationalizing public expenditures, with priority to completing schemes with the highest returns; and (iv) allocating sufficient resources for operations and maintenance for the sustainability of investments.

Strengthening rural non-farm sector growth: Rising incomes are fueling demand for higher-value fresh and processed agricultural products in domestic markets and globally, which open new opportunities for agricultural diversification to higher value products (e.g. horticulture, livestock), agro-processing and related services. The government needs to shift its role from direct intervention and overregulation to creating the enabling environment for private sector participation and competition for agribusiness and more broadly, the rural non-farm sector growth. Improving the rural investment climate includes removing trade controls, rationalizing labor regulations and the tax regime (i.e. adoption of the value added tax system), and improving access to credit and key infrastructure (e.g. roads, electricity, ports, markets).

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2. Improving access to assets and sustainable natural resource use

Balancing poverty reduction and conservation priorities: Finding win-win combinations for conservation and poverty reduction will be critical to sustainable natural resource management. This will involve addressing legal, policy and institutional constraints to devolving resource rights,and transferring responsibilities to local communities.

3. Strengthening institutions for the poor and promoting rural livelihood

Promoting Community-Based Rural Development: State Government efforts in scaling up livelihood and community-driven development approaches will be critical to build social capital in the poorest areas as well as to expand savings mobilization, promote productive investments, income generating opportunities and sustainable natural resource management. Direct support to self-help groups, village committees, user's associations, savings and loans groups and others can provide the initial 'push' to move organizations to higher level and access to new economic opportunities. Local governments' capacity to identify local priorities through participatory budgeting and planning needs to be strengthened. This, in turn, would improve the rural investment climate, facilitating the involvement of the private sector, creating employment opportunities and linkages between farm and non-form sectors

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HEALTH STATUS AND CHOICE OF HEALTH CARE SERVICES AMONG URBAN HOUSEHOLDS

Introduction

Health is an important aspect of human resource development. Good healthcare facilities and services are essential for creating healthy citizens and society that can effectively contribute to social and economic development. With increased urbanization, industrialization and the changing environment, health related issues and problems are being emphasized and have become a great concern for the contemporary world. In this context a research study on health status and choice of health care services among urban households was formulated. The basic objectives of the study were to examine the health status and to identify the determinants of health care choice by the selected households. The study covered a sample of 125 households from udumalpet city in Tirupur District. The data from these sample was collected during the period September 2010 to November 2010. To identify the determinants of health care choice by the selected households

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Multi Nominal Logistic Regression (MNL) has been used

Findings of the study

1. **Health Status of the Respondents**

majority of 52 per cent of the respondents reported that their health status was average.

2. **Type of Illness of the Respondents**

The researcher has collected information regarding type of illness as it has its own impact on the health and directly influences the decision on take health insurance.

A majority of 28 per cent of the respondents complained of having Bronchial Diseases. About 22 per cent of the respondents suffered from high / low blood pressures. 16 per cent of the respondents are not affected by any diseases. 13 per cent of the respondents suffered from Gynecological problems. About 12 per cent of the respondents had heart problems and only 9 per cent of the respondents had diabetics.

3. **Health Care Seeking Behaviour of the Respondents**

In the event of illness majority of individual seeks some kind of treatment. Health seeking behaviour of a person is determined by his social and economic background, knowledge, education, cultural practices, availability of providers together with accessibility and affordability. Out of 105 respondents 82.9 per cent had access in health care services and 17.1 per cent were not adopting for any kind of such care

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4. Choice of Treatment of the Respondents

The table 4.explains that majority of the respondents (65.6 per cent) are taking treatment from private hospital. About 24 per cent of the respondents taking treatment from government hospital. Only 10.4 per cent of the respondents based on self treatment

5 Multi Nominal Logistic Regression (MNL) for Choice of Hospitals

A variable wise analysis shows that age is positively correlated with the treatment taken at Government hospital while it negatively associated with the treatment taken at private hospital. This means age is observed to be an important variable in deciding the source of treatment.

The level of education has a negative relationship with the source of treatment taken at both government and private hospital. This is inferred that illiterate people may reluctant to go to hospital and may have self- treatment.

Primary educations of the respondents have a positive association with the treatment taken at government hospital while it is negatively related with the private hospital. This may be inferred that primary educated people may belong to lower income group and less likely to go to private hospitals.

The opposite trend to primary educated respondents has been observed in case of secondary educated people.

Higher secondary and higher-level education of the respondents is negatively associated with the treatment taken at government hospital and positively with treatment taken at private hospitals. The reason for preferring private hospital may be the difference in quality and the nature of service.

Lower income is positively associated with the treatment taken at government hospital and negatively associated with private hospital. But middle income and high-income factors are negatively related with the treatment taken at Government hospital and positively with treatment at private hospital. It may be concluded that lower income people would like to take free treatment at Government hospitals and middle income and higher income people may be in a position to spend on health and likely to be treated at private hospitals.

Occupational factors like agriculture, business and job in organised sector are positively associated with treatment taken at government hospital and negatively associated with the treatment taken at private hospital. It may be inferred that these people may be in lower income group and may like to taken treatment at free of cost i.e., in government hospitals.

Respondents who belongs to professional category are less likely to go to government hospitals and like to take treatment at private hospital because high income and expectation of sophisticated and enhanced service. Other occupation is positively associated with treatment taken at both government and private hospital. This may be concluded that the decision regarding the source of treatment may depend on the nature of disease.

Both SC/ST and MBC community variable is positively associated with the treatment taken at government hospital and negatively with the treatment at private hospital. It may be inferred that the SC/ST, MBC community respondents may belong to lower income group and more likely to go to government hospital.

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The community variable BC is negatively associated with the treatment taken at both the government and private hospital. It is be inferred that the BC community respondents may have higher level education and good awareness that helps to take care of their health and prevents disease.

Type of family is negatively associated with the treatment taken at government hospital and positively with the private hospital. It may be inferred that the respondents like to take up treatment at private hospital irrespective of the size of family. This may be due to quality treatment at private hospital

Conclusion:

To conclude, healthcare remains one of the most important human endeavours to improve the quality of life. Rapid industrialization, urbanisation and technological advancement have made the social environment full of stress and strains environment full of stress and strains giving rise to chronic and degenerative diseases. The finding of the present study also proves the same as more than half of the respondents reported only an average health status. A collective effort is needed to make people aware of their own health status and also make them to be covered under various health insurance schemes.

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AGRICULTURAL LABOUR IN INDIA

Introduction

Agricultural workers constitute by far the largest segment in the unorganised sector and their number according to 1991 Census was 74.6 million. In addition, a significant number, 110.7 million, are listed as cultivators (large, medium and small) of whom approximately 50% belong to the category of small and marginal farmers. Many of these small and marginal farmers on account of utterly deficit, small and uneconomic holdings and low yield work on the land of others. Further, a significant number engaged in livestock, forestry, fishing, orchards and allied activities as well as small and marginal farmers work as agricultural workers in their spare time or in times of difficulty to supplement their meagre incomes.

In spite of the fact that these agricultural workers have such numerical strength, they are extremely vulnerable to exploitation on account of low levels of literacy, lack of awareness, persistent social backwardness and absence of unionisation and other forms of viable organisation. The avenues of stable and durable employment for them have been limited leading to inter-district and inter-state migration in search of better avenues of employment and wages but with a lot of dislocation of family life, dislocation of education of children and numerous other handicaps.

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Agriculture and gender

The agricultural sector of the economy is shrinking while the percentage of women who are employed in the agricultural sector is increasing. According to the Penguin Atlas of Women in the World, women make up 40% of the agricultural labor force in most parts of the world, while in developing countries they make up 67% of the agricultural workforce. Joni Seager shows in her atlas that specific tasks within agricultural work are also gendered. For example, for the production of wheat in a village in Northwest China, men perform the ploughing, the planting, and the spraying, while women perform the weeding, the fertilizing, the processing, and the storage. In terms of food production worldwide, the atlas shows that women produce 80% of the food in Sub-Saharan Africa, 50% in Asia, 45% in the Caribbean, 25% in North Africa and in the Middle East, and 25% in Latin America. A majority of the work women do on the farm is considered housework and is therefore negligible in employment statistics.

The Problem of Agricultural Labour

1. The two principal problems are the place of agricultural labour in the future rural economy and provision of work.

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2. The size of the problem of agricultural labour varies from region to region, depending on such factors as pressure of population, availability of land for cultivation, differences in the extent of irrigation and double cropping, fertility of lnad, cropping patterns and opportunities available for seasonal migration and for employment outside agriculture.
3. The problem of agricultural labourers is part of the wider problem of unemployment and under-employment in rural areas.

Conclusion

In a real sense, the problems of agricultural labour are to be traced to the long period of stagnation in the rural economy and the persistence of a rigid social structure largely based on caste. These basic deficiencies are being gradually removed, and the processes of social and technological change have to be hastened. Successive Five Year Plans seek to harness the natural resources of the country, increase production and employment, and provide greater amenities to rural areas. Reorganisation of the rural economy along co-operative lines and emphasis on the role and obligations of the community are intended not merely to raise agricultural productivity and diversify the rural economic structure but, equally, to bring about as rapidly as may be possible an integrated society in which there will be equal opportunity for every member of the community irrespective of caste or status. In other words, in the structure of the rural economy which the Five Year Plans attempt to build up, agricultural labourers will participate fully and on equal terms with others, and will achieve effective economic and social equality with the rest of the rural population. A close watch on the progress actually achieved in these directions should be maintained through special studies and evaluation and review by the Central Advisory Committee on Agricultural Labour and similar bodies proposed to be set up in the States.

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PUBLIC PRIVATE PARTNERSHIPS (PPP) FOR EDUCATION IN INDIA: ADEQUACY, EQUITY AND EFFECTIVINESS

Introduction

Education plays an important role in the development of a country, especially countries like India, with vast human resources education act as the backbone of the country. It is the duty of the government to provide good education to the people. Time has proved that PPP is needed in this field due to lack of fund and insufficiency in performance. PPP is a contractual agreement between public and private entities where the private entity performs part of a government organization service for a significant period of time. In return, the private entity receives a benefit or financial remuneration according to the predefined performance criteria. The term PPP originated in the United States. Initially it was related to joint public and private sector funding for educational program.

Scope Of Study

Through the PPP govt. can increase the efficiency of the educational sector. It is also helpful to provide foreign education to Indian students. According to Sam Pitroda, the National Knowledge Commission chairman, the problem faced by India now was not illiteracy but development of skills. This can be attained through PPP.

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Objectives:-

1. To analyze the adequacy of PPP.
2. To analyze the effectiveness of PPP.
3. To find the reasons for the increasing importance of private sector and the reducing importance of public sector in education.
4. To find the benefits of PPP.

Methodology:

It is an analytic study of the method PPP collecting data from books, journals and website.

Arguments In Favour Of Ppp:

1. PPP can create competition in the education market.
2. PPP contracts can be more flexible than most public sector arguments because flexibility in teacher contracting is one of the primary motivation for PPP's.
3. It can increase the quality of education through PPP contracts by means of an open bidding process.
4. PPP contracts can achieve an increased level of risk sharing between the govt. and the private sector.
5. If PPP is implemented correctly can increase efficiency and choice, and expand access to education services.
6. Government can take advantage of the specialized skills offered by certain private organization and to overcome operating restrictions such as inflexible salary scales and work role that prevail in the public sector.

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7. It is the way to bring the private sector skills and resources into the education sector and to increase efficiency and innovation in the delivery of education.

Equity Through Ppp

Post independence, India' leader, Abul Kalam Azad advocated an education policy that would be liberal and humanitarian and set the nation on the path of progress and prosperity. But stratification in education poses a challenge to the state with regard to its duty to promote social equity and education for all. Without significant commitment by the state to improve the quality, a dual trade education system in which traditionally excluded cast and classes are only able to access the lowest quality education opportunity may became a permanent feature of Indian educational system. This will aggravate socio economic inequality. This must be avoided. Through the PPP the govt. can reduce the risk of not providing education to all. By utilizing available found govt. can create equity by increasing National Human Resource Fund and giving more scholarship, partial financial assistance etc to the poor and the backward caste. For this purpose with 25% clause in the Right to Education Act (RET), private school are required to provide 25% of the admission to children belonging to economically weaker strata of the society, whose costs will be reimbursed by the govt.

Total Plan expenditure in university and higher education was highest at 28% in the fifth plan. It has been continuously falling thereafter, touching the lowest level in the X Plan.

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Benefits Of Ppp

1. It will enhance govts. capacity to develop integrated solution and reduce govt. expense.
2. Facilitate creative and innovative approach.
3. Reduce the cost of implementing the project.
4. Transfer certain risk to the private.
5. Attract larger, potential, and more sophisticated bidders to the project.
6. Access skill, experience and technology.
7. Reduce or better allocate risks.

Conclusion

It is a fact that govt. enrollment in education is reducing and the private enrollment in education is increasing due to low quality education provided by the public. Even though cost of schooling in public is lower than the cost of schooling in private, parents choose to send their children to private school. This is an indication for the public to rethink another possibility in the education sector. By implementing PPP govt. can reduce its risk and can attract larger, potentially more sophisticated bidders to the project. It can also help the govt. to access skill, experience and new technology in this field. This will lead to quality improvement and lowering of risk. Through this govt. is able to provide better education to excluded class. It is true that govt. is increasing its fund allocation to education, but it is not compactable to the need. So PPP is adequate and effective to implement quality education especially in countries like India with such vast human capital. But, it is very important is take steps carefully.

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PUBLIC PRIVATE PARTNERSHIPS IN INDIA - AN OVERVIEW

Introduction

Today's world stands in front of challenges such as globalisation, climate change, waste utilization, population ageing, the need for renewable energy and infrastructural and technological progress. Social services such as education, healthcare or social housing are not less important. All these require intelligent and effective investing and public means won't be sufficient to meet the world's demand in the foreseeable future.

Therefore it is vital to pursue additional means in order to let the world continue its development. These means can be gathered from all of the potential the private sector has to offer including financing as well as effective managing and operating.

Infrastructure shortages are proving a key constraint in sustaining and expanding India's economic growth and ensuring that all Indians are able to share in its benefits. To meet this challenge, the Government of India is committed to raising investment in infrastructure from its existing level of below 5% of GDP to almost 9%. This suggests that more than $450bn will be required to fund infrastructural development in India over the next five years. However, the scope for making improvements on this scale is fundamentally constrained by the state of public finances. The combined deficit of the central and state governments is roughly 10% of GDP and government borrowing is capped through the Fiscal Responsibility and Budgetary Management Act. This necessarily limits the capacity of the State to finance as much infrastructural development as is required and it is likely that at least one-third of the finance needed for infrastructural development over the next five years will be funded by the private sector.

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Responding to this challenge, the Government of India is actively promoting the expansion of Public Private Partnership (PPP) activities across all key infrastructure sectors including highways, ports, power and telecoms. To date, various PPP models have been tried in India, including public contracting; passive public investment (equity, debt, guarantee, grants); joint ventures; and long-term contractual agreements (BOT, BOOT, BOLT). Regardless of the model pursued, however, the overwhelming consensus is that PPPs are the primary means by which the Government of India will seek to overcome the 'infrastructure deficit'.

PPPs are a relatively new phenomenon in India but already more than Rs.1000 billion worth of PPP projects are currently under development across the country. Both central and state-level governments

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are hoping to build on this progress, both by scaling up the use of PPPs in sectors where progress has already been made and introducing it into sectors where few private projects have yet been realized. However, to achieve their ambitions for the use of PPPs in infrastructure projects, both national and state governments will need to provide for much higher visibility PPP programs and also seek to disseminate best practice, as both commercial and bureaucratic learning advances.

Objectives Of The Study

(i) To perceive understanding international definitions on PPPs from different countries and multilateral entities;

(ii) To understand the various PPP initiatives of the state governments across the country and

(iii) T o understand sector wise PPP projects undertaken by the Government of India ;

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International Definitions On Ppp

The following section lists the definitions of Public Private Partnerships by various countries and multilateral entities.

Organisation for Economic Cooperation and Development (OECD)

OECD defines a public-private partnership as an agreement between the government and one or more private partners (which may include the operators and the financiers) according to which the privatepartners deliver the service in such a manner that the service delivery objectives of the government are aligned with the profit objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners.

International Monetary Fund

According to IMF (IMF 2006: 1 and 2004: 4) public-private partnerships (PPPs) refer to arrangements where the private sector supplies infrastructure assets and services that traditionally have been provided by the government. In addition to private execution and financing of public investment, PPPs have two other important characteristics: there is an emphasis on service provision, as well as investment, by the private sector; and significant risk is transferred from the government to the private sector. PPPs are involved in a wide range of social and economic infrastructure projects, but they are mainly used to build and operate hospitals, schools, prisons, roads, bridges and tunnels, light rail networks, air traffic control
systems, and water and sanitation plants.

European Commission

The term "public-private partnership" is not defined at Community level. In general, the term refers to forms of co-operation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management and maintenance of an infrastructure of the provision of a service. (EC 2004).

Asian Development Bank

The term "Public–Private Partnership" describes a range of possible relationships among public and private entities in the context of infrastructure and other services. PPPs present a framework that—while engaging the private sector—acknowledge and structure the role for government in ensuring that social obligations are met and successful sector reforms and public investments achieved. A strong PPP allocates the tasks, obligations, and risks among the public and private partners in an optimal way. The public partners in a PPP are government entities, including ministries, departments, municipalities, or state-owned enterprises. The private partners can be local or international and may include businesses or investors with technical or financial expertise relevant to the project.

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Public-Private Infrastructure Advisory Facility (World Bank Group)

A public-private partnership (PPP) involves the private sector in aspects of the provision of infrastructure assets or of new or existing infrastructure services that have traditionally been provided by the government.

United Kingdom

Public private partnerships (PPPs) are arrangements typified by joint working between the public and private sector. In the broadest sense, PPPs can cover all types of collaboration across the interface between the public and private sectors to deliver policies, services and infrastructure. Where delivery of public services involves private sector investment in infrastructure, the most common form of PPP is the Private finance initiative.

United States of America

The US Department of Transportation12 defines PPPs as essentially a form of procurement. Unlike conventional methods of contracting for new construction, in which discrete functions are divided and procured through separate solicitations, PPPs contemplate a single private entity, typically a consortium of private companies, being responsible and financially liable for performing all or a significant number of functions in connection with a project. In transferring responsibility and risk for multiple project elements to

the private partner, the project sponsor relaxes its control of the procurement, and the private partner receives the opportunity to earn a financial return commensurate with the risks it has assumed

Status Of State Wise And Sector Wise Ppp Projects In India

Development and use of PPPs for delivering infrastructure services has now at least 11 years of precedence in India, with the majority of projects coming in line in the last 5 – 7 years. Policies in favor of attracting private participation as well as innovation with different structures have met with varying degrees of success. Some sectors like telecommunications, power, and ports and roads, have done very good progress compared to limited success in other sectors.

Conclusion

Through this PPP projects the status of different states and sectors have improved. The Infrastructural facilities also improved. The contemporary thinking on PPPs is reflected in countries like UK, USA and multilateral entities. They view PPPs as an alternate form of public procurement whereby public infrastructure and/or public services are procured through the private sector. They treat efficient delivery of services as the key driver of PPP as opposed to merely substituting private investment for public capital expenditure. Efficient delivery of services, in turn, is achieved by substantial transfer of risk to the private sector and remuneration being based on outputs achieved by the private sector.

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PUBLIC PRIVATE PARTNERSHIP IN HEALTH CARE SERVICES IN INDIA

Introduction

It is widely accepted that the deficiencies in public sector health system can only be overcome by significant reforms. The need for reforms in India s health sector has been emphasized by successive plan documents since the Eighth Five-Year Plan in 1992, by the 2002 national health policy and by international donor agencies. The World Bank which has been catalytic in initiating health sector reforms in many states, categorically emphasized: now is the time to carry out radical experiments in India'shealth sector, particularly since the status quo is leading to a dead end. . But it is evident that there is no single strategy that would be best option The proposed reforms are not cheap, but the cost of not reforming is even greater".

Health Sector Reform (HSR) is defined as a sustained, purposeful change to improve the efficiency, equity and effectiveness of the health sector' (Berman 1995). The World Health Organization (1997) defined health sector reform as a sustained process of fundamental change in policy and institutional arrangements of the health sector, usually guided by the government. ..It is designed to improve the functioning and performance of the health sector and ultimately the health status of the people . Reform strategies include (i) alternative financing (user-fees, health insurance, community financing, private sector investment); (ii) institutional management (autonomy to hospitals, monitoring and management by local government agencies, contracting); (iii) public sector reforms (civil service reforms, capacity building, productivity improvement); and collaboration with the private sector (public/private partnerships, joint ventures).

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Private Sector In India

Over the years the private health sector in India has grown remarkably. At independence the private sector in India had only eight percent of health care facilities (World Bank 2004) but recent estimates indicate that 93% of all hospitals, 64% of beds,85% of doctors, 80% of outpatients and 57% of inpatients are in the private sector (World Bank 2001). Contrary to commonly held views, private hospitals are relatively less urban-biased than the public hospitals. Given the overwhelming presence of the private sector in health, various state governments in India have been exploring the option of involving the private sector and creating partnerships with it in order to meet the growing health care needs of the population.

The private sector is not only India's most unregulated sector but also its most potent untapped sector. Although inequitable, expensive, over-indulgent in clinical procedures and withoutquality standards or public disclosure of practices, the private sector is perceived to be easily accessible better managed and more efficient than its public counterpart.

Challenges In Partnership

While the health system as a whole has common objectives of equity, efficiency,quality and accessibility, public and private providers interpret the contents of these objectives differently. Generally, the motive of the government is to provide health services to all at minimum cost or free; it develops policies and programmes to provide equity of access to such services. From the public sector point of view, there are merits and demerits in collaborating with the private sector.

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Not-for-profit organizations have special concern for reaching the poor and the disadvantaged but, in many states, they account for less than one percent of all healthfacilities (World Bank 2004). Their sustenance depends on philanthropic donations or external funding. As a result their interventions remain ad hoc, and their up-scalability remains doubtful. But they provide good quality care, need little regulation or oversight from government, are able to attract dedicated staff, and cater to the needs of those otherwise excluded from mainstream health care. Moreover, they are also willing to undertake health care challenges that the for-profit sector is unwilling or unable to take on. Given their non-profit motives and grass-root level presence, NGOs can play useful oversight roles in the system. Their size and flexibility allows them to achieve notable successes where governments have failed.

In India, the formal for-profit sector has the most diverse group of facilities and practitioners. Since it accounts for the largest proportion of services and resources in the health sector, it is argued that future strategies to improve public health should take into account of the strengths of the private sector.

Adbi (2000) Identifies The Enabling Conditions For The Success Of A Partnership As:

- A clear understanding between the partners about mutual benefits
- A clear understanding of the responsibilities and obligations between the partners
- Strong community support
- Need for some catalyst to start the process of partnership (maybe an individual, a donor, a compelling vision or even a political or economic crisis)
- Stability of the political (government) and legal climate (laws)
- Regulatory framework that is followed and enforced
- Capacity and expertise of the government at different levels in designing and managing contracts (partnership)
- Appropriate organizational and management systems for partnerships
- Strong management information system
- Clarity on incentives and penalties.

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In many countries, legal and political considerations create obstacles for any partnership with the private commercial sector. Partnership with the private sector could be misconstrued as an attempt at privatisation. Such fears about the private sector may have emerged from the perceived social image of the private sector as exploitative and having ulterior motives . It is also possible to presume that bureaucracy would be more willing to partner with the for-profit sector for administrative efficiency, whereas the political and popular sentiments may prevent any overt or enthusiastic collaboration.

Contracting

Contracting is one of the dominant tools for engaging the private sector in health sector reforms across all types of public health systems throughout the world. Under contracting, the financing and provision (delivery) of health services are clearly delineated between the provider and the purchaser (Ashton, Cummings and McLean 2004). The private providers receive a grant or budget amount from the government for delivering certain services that the latter used to deliver itself. The relationship between the government and the private sector is specified in a written agreement. Bennett and Mills (1998) identified several stages in a contracting process viz., a) decision to contract and the services to contract,

b) tendering and selection of the contractor, c) contract design, d) implementation, e) monitoring the performance, and g) evaluating the implications of contract on the public health system. Other critical issues relate to the objectives and scope of the services to be delivered, costing of the services, performance specifications including quality and expected health outcomes, payment for the services, supervision, access or special privileges to the poor and target population, and the relative capacity of the partners in managing the partnership contract.

Conclusion

Policy innovations such as public/private partnerships are, of course, highly contextual. Partnership with the private sector is not a substitute for the provision of health services by the public sector. Also, public-private partnership initiatives cannot be uniform across all the regions or suitable under all kinds of political and administrative dispensations. While private partnership is an administrative decision, an obvious but important point is that it must enjoy political and community support. In states where the private sector is prevalent, partnership initiatives could be an alternative, not necessarily because of competitive efficiency but to prevent further immiseration of the poor and the deprived sections of society. There has to be a clear rationale for partnering with the private sector. It is important to understand not only what services are to be provided under private partnership but also to understand the basis on which such decisions are made. Any policy initiatives to strengthen the flagging public sector health services in India would be welcome. But a government that fails to deliver quality social services due to lack of basic administrative capacity would not be able to contract either clinical or nonclinical services. The first step must be to improve basic administrative systems.

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PUBLIC – PRIVATE PARTNERSHIPS IN INDIAN EDUCATION

Introduction

There is a need however to make certain distinctions between education as it is commonly understood, Education is usually understood as a course of study to acquire a body of knowledge or skills undertaken to enhance one's ability to do a particular job and be able to earn more money. The more liberal definitions of education, where it is understood as development and refinement of one's personality, without necessarily an eye to economic advantage, have been out of use for long, and one finds only scattered instances of the practice of education with such aims. Even so, what has been envisaged for Auroville is far beyond and above the goals set by liberal education.Educational partnerships between the public and private sector have been regarded as a way out of this impasse in the United States and Western Europe and there has been considerable debate about the economic and political implications of these public private partnerships (PPPs).Conceptualizing educational provision in relation to exit and voice permits the examination of how the role of the market and community affect the access to and quality of education. Educational initiatives by state and non-state providers in India are mapped onto this typology to gain an understanding of how the new models of education, such as PPPs, would affect the current provision of education.

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Public Private Partnership Models In Education

These formats vary in the kind of benefits they yield. The report provides case studies of different types of PPP arrangements in education such as:

- Public-private financing of education
- Science/research parks
- University-owned companies

Certain cases of successful PPP projects in the education sector from other countries have been cited as examples, such as:

- Southbank Educational and Training Precinct Development involved the development of high standard facilities for the Southbank Educational and Training Precinct
- Royal Northern College of Music in the UK which involved development of about 160 study rooms, staff and guest accommodation, car parking facility and a walkway.

Industry-academia collaboration may include companies and institutes conducting joint R&D, industry internships, and corporates training and certifying students of affiliated institutes. Lastly, foreign university collaborations can offer access to world class faculty and international students, curriculum based on global standards and sharing of culture. These may take the shape of exchange programmes, joint research projects or sharing of infrastructure facilities.

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Common misconceptions about PPPs

- Public private partnerships are the same as privatisation
- By entering into a public private partnership, public sector loses control over the provision of services
- Public private partnerships apply only to infrastructure projects
- The principal reason for government entering into public private partnerships is to avoid debt
- Public sector employee will lose under public private partnerships The cost of service will increase to pay for the private partner's profit
- There are only two partners in a public private partnership

Public Private Partnership In Education Needed In India

The Asian Development Bank noted in January 2010 that education in India was lagging seriously behind its rapid economic growth with only 12,000 training and vocational institutes, compared to half a million in China. Short-term turbulences aside, India has entered an era of high economic growth. As we enter the last quarter of FY 2010, the fourth consecutive fiscal when India has witnessed over 8% growth, we find India's manpower shortages aggravate even further. Just as growth has been multi-sectoral, so have the manpower deficiencies. There is a growing demand that the government should increase the outlays on education and do other things to motivate and encourage education. It is true that for India to have consistent rate of growth; Greater levels of PPP, combined with extensive investment in workforce can make a significant contribution. Part of the solution lies in forging strong partnerships between the private sector and the academia. In India; on the one hand, you have world-class institutions of higher education such as IITs and IITMs and on the other hand, we have mushrooming private institutions/ universities which function more as coaching centers, rather than as centers of achieving innovative excellence.

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Today education system in India can be divided into many stages.

- **Pre- Primary** - It consists of children of 3-5 years of age studying in nursery, lower kindergarten and upper kindergarten. At this stage student is given knowledge about school life and is taught to read and write some basic words.
- **Primary** - It includes the age group of children of 6-11 years studying in classes from first to fifth.
- **Middle** - It consists of children studying in classes from sixth to eighth.
- **Secondary** - it includes students studying in classes ninth and tenth.
- **Higher Secondary** - Includes students studying in eleventh and twelfth classes.
- **Undergraduate** - Here, a student goes through higher education, which is completed in college. This course may vary according to the subject pursued by the student.
- **Postgraduate** - After completing graduation a student may opt for post graduation to further add to his qualifications. Education Governing Bodies

Key Challenges For The Indian Education System

A few reasons why education in India is given less importance in some areas are as follows:

- 80% of schools are managed by the government. Private schools are expensive and out of reach of the poor.
- More hands to earn remains the mentality amongst many families and therefore little kids are set out to fend for the family over going to school to garner an adequate education, in the most literal sense of the word.
- Infrastructure facilities at schools across rural areas and in slums dispense very poor quality of education.
- The teachers are not well qualified and therefore not well paid and therefore are not willing to work hard enough. This has been a classical Catch-22 problem that the government has been trying hard to fight against.

Conclusion

Education is not just restricted to teaching a person the basic academics, say computers, mathematics, geography or history education is a much larger term.If you want to find out the impact of education on any individuality, you better do an intense observation to the ways of well-educated people and then compare them with an illiterate man. You would get a clear picture of the education and its accurate concept. Education is one of the important factors which formulate the persona of a person. Education is a productive and beneficial factor in a person's life. It is everyone's right to get. The training of a human mind is not complete without education.

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PUBLIC-PRIVATE PARTNERSHIPS IN INDIA: A CASE FOR REFORM?

Introduction:

As a policy response to the gap in infrastructure, in India, the state has been aggressive in its agenda and has committed to almost doubling infrastructure spending from an estimated 5% of the gross domestic product (GDP) in 2006-07 to almost 9% by the terminal year of the Eleventh Plan (2011-12). In terms of resources, it means that an estimated $500 billion would be required by the infrastructure sectors put together over the next five years .

There is increasing evidence to show that privatisation of public services has led to the exclusion of the poor and has had severe ramifications on issues in equity and access. There is widespread consensus now that the unfettered privatisation agenda of economic reforms is flawed, has not worked, and a greater role of the state is called for. In India, at the turn of this century, this was exhibited in the form of public-private partnerships (PPP). PPP is the new face of development where the state and private actors, who have had a long history of conflict now work in collaboration, and cooperate with each other to further common goals of a market driven, growth-oriented agenda. State actors "enter into partnerships with organisations in civil society, the market, and with transnational organisations, to effect the governance of globalisation. The fanning out of the state, the spanning out of the state, the privatisation of state and parastate institutions, and the subcontracting of state functions, is what governance is about" (Chandhoke 2003). To the international community, the state affirms the political will to change and promises a healthy investment climate, in coherence with the global governance agenda.

Where Do We Stand:

The concept and implementation of PPP is still very nascent in India. Diverse models are being operationalised by multiple stakeholders in a wide variety of sectors. Government policy regarding regulatory, legal and institutional framework is still evolving.

Given the multiplicities of ministries of the government and the engagement of both the central and state governments in the formulation and implementation of a vast array of projects under a wide range of schemes, it is not surprising that there is no estimate of the amount of public resources diverted to PPPs.

Morgan Stanley estimates that more than Rs 1,000 billion ($22.2 billion approximately) worth of PPP projects are under various stages of development in India (GoI and ADB 2006). However, in the recent past, there have been attempts to consolidate this information, and also provide various incentives to large PPP projects in the infrastructure sector. The PPP cell created by the ministry of finance, government of India, is a recent step in this direction.

It is suggested that governments embarking on PPP programmes have often developed new policy, legal and institutional frameworks to provide the required organisational and individual capacities. Creation of new agencies is recommended to bring in financial and contract design skills not present in the government, along with adapting existing processes like planning and budgeting. It is paradoxical that the all international financial institutions (IFIs) and international development organisations (IDOs) find that adoption of the

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PPP model is urgent because the government has ailed to deliver basic services, create institutions that were required for service delivery of health, education, water supply sanitation and a host of other developmental goals, and yet, they have massive faith in the ability of the same government to create robust institutions for PPPs, and it is assumed that it has the substantial resources required to invest in the same. In fact, these policy organisations criticise the government for viewing PPPs as simply a "source of investment".

Health:

There is a consensus, and rightly so that the Indian State has had a dismal record at providing healthcare to its vast population, especially the poor. At the time of independence, only 8% of the medical services were wholly private, as against 60% in the early 1990s. There is also evidence that the rich access the public healthcare system more than the poor, both quantitatively and qualitatively. This increasing demand for private healthcares coupled with inequity in access is given as a rationale for encouraging private health services for the poor. Though within India huge disparities exist between the states and a single policy prescription, or "onesize-fits-all" recommendation does not make sense in such a context. Yet, it is recommended that strengthening the state's PPP capacity by contracting out the primary health centres, social franchising and demand-led financing is the way forward, and these are promising areas for the private sector in the health industry. It is suggested that the delivery of health insurance should be left to the private sector and that the government should focus its efforts on improving the regulatory and enabling framework.

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Education:

There are serious issues in the public educational system with respect to quality and efficiency of services provided and its burgeoning claim on the state's finances. The mushrooming of private educational facilities in the recent years reflects the ever-increasing demand for educational service on the one hand, and the state's inability to provide quality education on the other.

PPPs have been very much operational in India before they recently came into vogue. According to Kingdon (2007), the system of government grant-in-aid to privately managed schools at the secondary and higher levels accounts for a very substantial proportion of the education budget. However, elementary education remains the realm of the state and the high public visibility of the non-governmental organisations (NGOs) gives a false impression of the extent of their activities. According to Aggarwal (2000), the elementary education system shows the signs of a dual system where public schools are meant for the poor, who are unable to pay for quality education, characterised widely by teacher absenteeism and private schools cater to the requirements for quality education involving high user costs.

There is widespread recognition of government failure in the delivery of education and PPPs are broadly seen as a solution to the problem. At the World Economic Forum, 2004, 54 participants, involved in PPPs in basic education from various parts of the world reported the key obstacles of partnerships between public and private sectors as "capacity to negotiate with non-traditional partners", "political will and public support", "agreeing key performance targets" and "transparency and accountability between PPP partners". These issues remain crucial in the Indian case as well, and PPP is not a panacea to solve the country's complex problems in the educational sector.

Water And Sanitation:

In the water sector, privatisation failed miserably in the 1980s and 1990s in the developing world leading to disastrous results which were at best a surreptitious exit of private companies, and at worst, water riots and violence.

The important project deserving special mention in the water sector is the New Tirupur Area Development Corporation Limited (NTADCL). It is hailed as a model PPP in Tirupur, the bastion of India's textile exports, in the southern Indian state of Tamil Nadu. By the 1990s, it became evident that the export-led industrialisation project had caused massive exploitation and contamination of groundwater in Tirupur, which needed to be addressed to sustain the textile industry. In this pressing context, in 1995, NTADCL came into existence as a special purpose vehicle (SPV), mandated by the Tirupur Area Development Project (TADP), promoted by the government of Tamil Nadu. The first PPP in the water sector in India, NTADCL prided itself to be commercially viable to develop, construct, operate and maintain a 185 million litre per day (mlpd) capacity water supply project and sewerage facility on Build-Own-Operate-Transfer (BOOT) basis.

Conclusion:

We have examined the paradoxical ramifications of ppp as a development strategy, and the issues in privatisation being repackaged as ppps. Apart from a multifaceted critique of ppp,across various sectors, we have observed that there has been asymmentry in the flow of funds, and an overarching emphasis on infrastructure in the hard sectors. Wherever PPP has been implemented in the soft sectors: health, education and water resources, old issues remain and new concerns have emerged. At a cursory glance, PPP may be interpreted as an apolitical model, indicating the blurring of the private and the public, but PPP, as a marriage of the best of the private and the best of the public, seems shaky. The time is right to debate the sudden arrival and pertinence of PPPs in India's development strategy and explore real alternatives for social change.

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PUBLIC PRIVATE PARTNERSHIP IN HEALTH CARE SECTOR IN INDIA

Introduction

a long tradition of voluntarism. For centuries, traditional healers have taken care of the health needs of their own community as a part of their social responsibility. After Independence, until the mid-sixties, voluntary effort in health care was again limited to hospital-based health care by rich family charities or religious institutions. In the mid-sixties, the effectiveness of the Western curative model of health care in the less developed countries came under serious attack by development planners. The Chinese experience of decentralized health care through

effective use of motivated health cadres at the grassroots level also received wide-spread attention. Out of this rethinking, grew various models of community health programs that emphasized decentralized curative services. In these, trained village-level workers played a key role. Much more importance was given to preventive aspects, where the community plays a more effective part in their 'own' health care. Unfortunately, this refreshing trend too ignored the important role of traditional healers and dais in health care, and very little attention was paid to the Indian systems of medicine.

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The voluntary health effort as it exists today, can be broadly classified as follows:

- **Specialized Community Health Programs:** Many of them go a little beyond health, by running income-generation schemes for the poorer communities so that they can meet their basic nutritional needs.
- **Integrated Development Programs:** In these programs, health is a part of integrated development activities. Consequently, their emphasis on health care may not be as systematic or as effective as that of the previous group.However, the long-term impact of their work on health and the development of the community is significant.
- **Health Care for Special Groups of People:** This includes education, rehabilitation and care of the handicapped. These specialized agencies are playing an important role, keeping in view the fact that hardly any government infrastructure exists in this sector of health care.
- **Government Voluntary Organization:** These are voluntary organizations which play the role of implementing government programs like Family Planning and Integrated Child Development Services. These bodies are marginally more efficient than the government system but their overall approach is the same.
- **Health Work Sponsored by Rotary Clubs, Lions Clubs and Chambers of Commerce:** They usually concentrate on eye camps – conducting cataract operations in the rural areas on a large scale with the help of various specialists, etc.
- **Health Researchers and Activists:** The efforts of these groups are usually directed towards writing occasional papers, organizing meetings on conceptual aspects of health care and critiquing government policy through their journals (which usually have limited circulation).

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• **Campaign Groups:** These groups are working on specific health issues, such as a rational drug policy and amniocentesis, among others. According to a rough estimate, more than 7,000 voluntary organizations are working in the above areas of health care throughout the country.

VHAI's Partnership with the Government

Given VHAI's presence in almost every corner of India and its technical and professional competence, we have been able to develop a relationship of mutual trust and confidence with the government. This has resulted in a situation where in many areas of common concerns, like reproductive and child health, HIV/AIDS, people-centered community health care as well as health promotion, VHAI is working closely with the Government of India, very often supported by the government financially and otherwise. This relationship has not been without its frustrations but given the size and complexity of the government machinery and its old bureaucratic tradition, the relation has not been too unfulfilling.

In the situation of natural disasters and epidemics, we have collaborated with the government in providing medical relief to a large number of refugees. We have also pointed out the failures of the government machinery in tackling this situation. It is important to note that quite a few consultants working with VHAI are ex-government employees and they have contributed enormously towards the voluntary sector development. It is also important to record that very often the collaboration between the government and the voluntary sector is dependent on specific person handling the program in the Ministry and their attitude and inclination towards the voluntary sector.

Towards a More Fruitful Partnership Between the Government and Voluntary Sector Given this situation, as well as keeping in view the tremendous potentiality of the voluntary sector in meeting critical needs, we propose that the following mechanism be put in place within the Ministry to strengthen and encourage voluntary effort in key areas of health care. Its functions should include:

- Promoting collaboration and co-operation between the government and voluntary organizations in primary health care.
- Identifying people's health needs and bringing them to the notice of planners.
- Assisting in developing comprehensive national health policies and action plans at all levels.
- Working out the modalities of administrative relationships between the government and voluntary organizations for health care delivery to the people.
- Identifying voluntary organizations at the state, district and block level which are capable of taking up, in collaboration with government agencies, health education, primary health care services and operational research.
- Monitoring and providing feedback to the government on various National Health Programs.

Partnership to meet the future challenges

We are also living under two shadows in India: the familiar one of infectious diseases like malaria, tuberculosis, etc., and the new and growing cases of non-infectious chronic diseases like cancer and coronary diseases. The large widespread health infrastructure that has been set up throughout the country seems to be non-functional and unresponsive in many parts. Instead of moving forward to meet newer health challenges, it is sliding backward. Over-centralized and lopsided planning, inadequate and unbalanced financial outlays, lack of accountability to communities, low moral values and, very often, dereliction of duty by medical and nursing professionals plague the system.

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Due to the prevailing situation in the government sector, there has been an unprecedented growth of the private sector, in both primary and secondary health care all over the country. Given the current ethical standards of the medical profession and free market technology-driven operational principles, the private sector generally does not provide quality health care at a reasonable cost. Before this sector becomes a public menace, it is necessary to introduce participatory regulatory norms.

The health of any nation is the sum total of the health of its citizens, communities and settlements in which they live. A healthy nation is, therefore, only feasible if there is total participation of its citizens towards this goal. In India, in the last five decades, we have followed a path of social transformation that mainly relies on five major institutions, namely, the parliament, assembly, cabinet, bu aucracy and party functionaries. In the absence of mediating and reconciling agencies between the state and society, the state lacks a base, and remains remote and insensitive to people's needs. Unfortunately, development efforts have not been rooted in our traditional institutions nor community initiatives that exist in some form or other throughout the country. Progress is easiest made if we are tuned in with the national genius that has developed over the centuries, with certain special traits. If this domestic capacity is ignored or discarded, development efforts will lose their bearing and roots, and, gradually, vitality.

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FOREIGN DIRECT INVESTMENT IN INDIAN INDUSTRIES UNDER THE LIBERALISATION POLICY

Introduction

India is the second popular country in the world after China. It is an essential for a country like India to attract more FDI for every sector of the economy. The Government of India in consultation with the RBI decided to follow more liberal attitude towards FDI in core sectors except defense sector. Country like India depends on borrowing powers, development assistance grant from international agencies, like IMF, IBRD and ADB just to fulfill the need of foreign exchange and to fill up the gap due to paucity of credits. All these components compelled the government to adopt more and more liberal attitude towards FDI inflows in India. Of late, globalization and liberalization have become most sought after economic approach to accelerate the pace of economic developing in the development (country) world. Hence, in order to make the economy globally integrated, four vital facts are of essential nature namely, capital, technology, advanced management techniques and modern innovative marketing techniques. These vital components of globalization could only be available when a country like India would open up its economy to foreign investors.

At a glance assessment of data relating to India's major economic indicators suggest that India's economic performance has improved considerably during the last 18 years of liberalization era and much has been left to be achieved in the years to come. This paper attempt to analyse the Foreign Direct Investment in Indian Industry under the liberalization policy. Since the implementation of economic reforms periods and compare the current position with the earlier position.

The highest FDI equity inflows during the period 1991-2006 (17.03 per cent of investment) have gone to the sector, which produces electrical equipments (which include computer software), Next to this sector 16.96 per cent is invested in service sectors, which include financial and non-financial sectors. Investment in communication sectors comes in the third place with 9.32 per cent and it has attracted 8.44 per cent of FDI. Power has received 6.67 per cent, and oil refineries chemical and other fertilizer companies have received 5.21 per cent. Drugs producing sector has received 2.83 per cent. Food processing has received 2.77 per cent. Cement production industries has received 2.35 per cent and 1.97 of investment goes to metallurgical industry

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Conclusion

India needs FDI not just to revamp its pitifully inadequate infrastructure, but even more urgently to become part of the global network of production. Indeed, attracting investment into infrastructure should be regarded as a prelude to attracting into manufacturing and service sector. India has a strong entrepreneurial class that can collaborate with the foreign investors.

India needs to expand international trade. Greater export earnings are necessary to lighten the country's debt burden as well as to rise the import capacity to support higher growth rates. Greater global trade would also bring in new ideas, technology and economies of scale. However export expansion requires supporting macro economic policies and certainty in the business climate. Increasing exports through policy reforms is a complex task. And its success depends not only on trade policies but also on macro economic policies and institutional reforms. It involves vigorous endeavor for several years and at several levels. In addition special attention has to be paid to supply. However, economic stability around a real exchange rate which is in harmony with the long-term growth of output and exports is the key to further export development. Foreign investment as a supplier of technology and expertise in critical areas is expected to raise productivity and India's competitive strengths and thereby to give exports a boost.

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PUBLIC-PRIVATE PARTNERSHIP IN THE HEALTH SECTOR IN INDIA -PARTNERSHIP TO MEET THE FUTURE CHALLENGES

"We apply natural design principles to create living environments that align earth, mind and spirit, creating a sense of 'place', where visitors can experience a profound personal resonance"

- Anil Kamath, President Hospital Business Development Wockhardt Hospitals.

Introduction

The health of any nation is the sum total of the health of its citizens, communities and settlements in which they live. A healthy nation is, therefore; only feasible if there is total participation of its citizens towards this goal. In India, in the last five decades, we have followed a path of social transformation that mainly relies on five major institutions, namely, the parliament, assembly, cabinet, bureaucracy and party functionaries. In the absence of mediating and reconciling agencies between the state and society, the state lacks a base, and remains remote and insensitive to people's needs. The health care system in India consists of a public sector, a private sector, and an informal network of care providers. The size, scale, and spread of the country hampered complete adherence to the number of well-intended guidelines and regulations. Although there are norms and guidelines, compliance is minimal. In reality, the sector operates in a largely unregulated environment, with minimal controls on what services can be provided, by whom, in what manner, and at what cost. Thus, wide disparities occur in access, cost, levels, and quality of health services provided across the country.

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India's Healthcare Expenditure

India has one of the world s highest levels of private out-of-pocket financing (87 percent estimated in World Bank 2001). Out-of-pocket expense at the point of service use is about 85 percent (Kulkarni 2003). Such a mode of financing imposes debilitating effects on the poor. Hospitalization or chronic illnesses often lead to liquidation of assets or indebtedness. It is estimated that more than 40% of hospitalized people borrow money or sell assets to cover expenses, and 35% of hospitalized Indians fall below the poverty line because of hospital expenses. Out-of-pocket medical costs alone may push 2.2% of the population below poverty line in one year (Selvaraju and Angier 2001; Mahal et al. 2002). Approximately 29 percent of the Indian population (almost 300 million people) live below the poverty line and depend on free health services from the public sector. The inequities in the health system are further aggravated by the fact that public spending on health has remained stagnant at around one percent of GDP (0.9%) compared

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to the global average of 5.5%. Yet even the public subsidy on health does not automatically benefit the poor. The poorest quintile of the population uses only one-tenth of the public (state) subsidies on health care while the richest quintile accesses 34 percent of the subsidies (Mahal et al. 2002).

Private Sector in India

Over the years the private health sector in India has grown remarkably (Baru 1999). At independence the private sector in India had only eight percent of health care facilities (World Bank 2004) but recent estimates indicate that 93% of all hospitals, 64% of beds, 85% of doctors, 80% of outpatients and 57% of inpatients are in the private sector (World Bank 2001). Contrary to commonly held views, private hospitals are relatively less urban-biased than the public hospitals. Given the overwhelming presence of the private sector in health, various state governments in India have been exploring the option of involving the private sector and creating partnerships with it in order to meet the growing health care needs of the population.

The private sector is not only India s most unregulated sector but also its most potent untapped sector. Although inequitable, expensive, over-indulgent in clinical procedures and without quality standards or public disclosure of practices, the private sector is perceived to be easily accessible, better managed and more efficient than its public counterpart. It is assumed that collaboration with the private sector in the form of Public/Private Partnership would improve equity, efficiency, accountability, quality and accessibility of the entire health system. Advocates argue that the public and private sectors can potentially gain from one another in the form of resources, technology, knowledge and skills, management practices, cost efficiency and even a make-over of their respective images (ADBI 2000). Partnerships are expected to ameliorate the resource constraints of the public sector by reducing investments in expensive tertiary care services.

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Analysis of available qualitative and quantitative data clearly shows extremely uneven health and development progress in various parts of the country. Often this difference is so dramatic that one can hardly believe that they are part of the same nation and have followed the same development path for the last five decades. Even within the states that are doing reasonably well, there remain regions of darkness where little has changed since Independence. Obviously, these parts of the country should be of major concern in the coming decades. We are also living under two shadows in India: the familiar one of infectious diseases like malaria, tuberculosis, etc., and the new and growing cases of non-infectious chronic diseases like cancer and coronary diseases. The large widespread health infrastructure that has been set up throughout the country seems to be non-functional and unresponsive in many parts. Instead of moving forward to meet newer health challenges, it is sliding backward. Over-centralized and lopsided planning, inadequate and unbalanced financial outlays, lack of accountability to communities, low moral values and, very often, dereliction of duty by medical and nursing professionals plague the system. A thorough review of the National Health Policy and a total revamping and restructuring of the health infrastructure are immediately

called for. Due to the prevailing situation in the government sector, there has been an unprecedented growth of the private sector, in both primary and secondary health care all over the country. Given the current ethical standards of the medical profession and free market technology-driven operational principles, the private sector generally does not provide quality health care at a reasonable cost. Before this sector becomes a public menace, it is necessary to introduce participatory regulatory norms.

Voluntary sector

The voluntary sector, though their overall presence is limited, is playing a significant role in providing innovative and quality health services to the needy in remote areas. There is a need to create an enabling climate for them to grow further, especially in those pockets of the country where the overall health and development situation remains grim. On the population front, two-and-a-half decades of following an aggressive, unimaginative target-oriented approach does not seem to have produced the desired results — in spite of the huge investments made. The indirect adverse impact of aggressive family planning programs on the primary health care infrastructure is well known.

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Challenges in Partnership

While the health system as a whole has common objectives of equity, efficiency, quality and accessibility, public and private providers interpret the contents of these objectives differently. Generally, the motive of the government is to provide health services to all at minimum cost or free; it develops policies and programmes to provide equity of access to such services. From the public sector point of view, there are merits and demerits in collaborating with the private sector. Not-for-profit organizations have special concern for reaching the poor and the disadvantaged but, in many states, they account for less than one percent of all health facilities (World Bank 2004). Their sustenance depends on philanthropic donations or external funding. As a result their interventions remain ad hoc, and their up-scalability remains doubtful. But they provide good quality care, need little regulation or oversight from government, are able to attract dedicated staff, and cater to the needs of those otherwise excluded from mainstream health care. Moreover, they are also willing to undertake health care challenges that the for-profit sector is unwilling or unable to take on. Given their non-profit motives and grass-root level presence, NGOs can play useful oversight roles in the system. Their size and flexibility allows them to achieve notable successes where governments have failed. Opinion is divided on the motives of the (for-profit) private sector, ranging from outright distrust to strong support for close co-operation with it. One extreme view is that the private sector is primarily motivated by money and has no concern for equity or access.

Conclusion

Public private partnership is becoming a popular mode of implementing government programmes and schemes throughout the country. Over the last few years there have been many initiatives to improve the efficiency, effectiveness and equity in provision of healthcare services in the country. Thus it is not only

the **lack of funds** but also lack of **political, managerial and technical ability in** government health care delivery system that requires Public private partnership. Public-private Partnership or PPP in the context of the health sector is an instrument for improving the health of the population. PPP is to be seen in the context of viewing the whole medical sector as a national asset with health promotion as goal of all health providers, private or public. The private and Non-profit sectors are also very much accountable to overall health systems and services of the country. Therefore, synergies where all the stakeholders feel they are part of the system and do everything possible to strengthen national policies and programmes needs to be emphasized with a proactive role from the Government. The report encapsulated the successful PPP experiences in India.

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PUBLIC PRIVATE PARTNERSHIPS – SECTOR AND STATE WISE ANALYSIS

Public Private Partnership (PPP) a cooperative venture between the public and private sectors is gaining worldwide popularity particularly in a fast growing but capital scarce economy like India by harnessing private sector efficiencies for infrastructure development which traditionally has been the government domain. The Ministry of Finance, Government of India defines PPP as "an arrangement between a government / statutory entity / government owned entity on one side and a private sector entity on the other, for the provision of public assets and/or public services, through investments being made and/or management being undertaken by the private sector entity, for a specified period of time, where there is well defined allocation of risk between the private sector and the public entity and the private entity receives performance linked payments that conform (or are benchmarked) to specified and pre-determined performance standards, measurable by the public entity or its representative". Government commits to the spirit of partnership amongst all the stakeholders public, private, end users and community. Build Own Operate (BOO) is similar to BOT model but without a clause for transfer of ownership. BOO is commonly used in developing telecom, power and social infrastructure e.g. wastewater treatment facilities. In Build Own Operate and Transfer (BOOT) the project is transferred to the government agency which controls the project after a negotiated period. This model is commonly used for financing road projects, port infrastructure, power utilities, etc (Singh, 2004).

In Build Transfer and Own (BTO) model, private enterprises build such as airports and then, transfer ownership of the facility to the public authority at the beginning of the franchise operating period, and then operate as per the terms of contract. For developing airport, port or rail infrastructure Lease Develop and Operate (LDO) model is particularly appropriate when the government agency retains ownership of the existing infrastructure and receives payments under lease agreement with a private lessee, who in turn finances development and oversees operation of the facility/utility. For a non-functional waste treatment plant, a sick pharmaceutical company needing financial, technical and research inputs, or any other non-functional service facility Rehabilitate Operate and Transfer (ROT) model enables private investors to rehabilitate and operate a facility during the concession period, after which the nursed or rehabilitated facility is restored to the official authority. For running utility services such as power, water or sanitation services 'Management Contract' permits private investors to assume overall responsibility for a full range of investment, operation and maintenance functions to make day-to-day decisions under profit sharing or fee payment. For running social infrastructure facilities such as schools or hospitals which official agency may find difficult to manage efficiently 'service contract' provides a private contractor to perform a particular operating or maintenance service for a fee over a specified period of time. For success of PPP models it is necessary that public capital (coming as it does, tied-in with government control) and private capital (tied-up with private sector efficiencies and incentives) have to be utilized in most effective manner with minimum of red-tapism or adhocism (Chatterjee, 2006).

As Desai (2006) aptly said contracts are designed to ensure service quality. As a growing economy, India is expected to spend 8 percent of the GDP on infrastructure development which means India has to mobilize a huge amount of $ 494 billion. Development and use of PPPs for delivering infrastructure services has now at least 11 years of precedence in India, with the majority of projects coming in line in the last 5 to 7 years. Policies in favour of attracting private participation as well as innovation with different

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structures have met with varying degrees of success. Some sectors like telecommunications, power, and ports and roads, have done very good progress compared to limited success in other sectors. Roads account for 53.4 percent of the total projects, much ahead of the PPP projects on urban development which came second with 20.05 percent of the total projects. Next to these two, PPP projects on ports came third with 61 projects followed by energy sector with 7 percent of the projects. Of the total value of contacts on PPP projects , 46 percent of the value of contacts had gone to the road sector, followed by the ports sector (21 percent) and energy sector (17.5 percent). Another significant point is that education and health care sectors have not been able to tap the PPP as these two sectors could augment only about 1 percent of the total value of contacts. Due to largeness of the country, providing elementary education is a gigantic task. It is to be noted in this context that the Reserve Bank of India has asked states to spend more on education, public health and family welfare (*The Economic Times*, January 5, 2007).

Out of the 756 projects Karnataka bagged 13.74 percent of projects, 104 in number followed by Assam with 96 projects , Madhya Pradesh with 86 projects and Maharashtra with 78 projects. These four states together have 364 projects accounting for about 48 percent of the projects. When one looks into the value of contacts the same picture prevailed, but here Assam has the highest value of contacts, followed by Maharashtra, Karnataka and Gujarat.

An analysis on the inequalities in the distribution of sector wise PPP projects across states and the volume of contacts was made using Theil's inequality index. The calculated inequality index values showed that inequality is high in PPP projects sector wise rather than state wise.

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Conclusion:

The study brings out the different types of PPPs and under what conditions they are applicable. The higher scope for PPT in health and education sector is brought out. Public-private partnership in healthcare and education have so far not made any significant headway. Further how certain states could attract more of PPP and certain states lag in this is also revealed. This calls for earnest effort from both states and centre to attract PPT in infrastructure development which alone is a possible and feasible solution in the vast technology driven economy where only improved technology would pave the way for speedy growth.

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PUBLIC PRIVATE PARTNERSHIP IN INDIAN EDUCATIONAL SECTOR - AN OVERVIEW

Introduction

Modern education was introduced by Britishers in India. After the recommendation of Lord Macaulay in 1835, the entire educational policy, the main aim of which was to make clerks available for offices, was implemented and there by the three-tier system namely primary, secondary and higher education was also introduced by them. The Constitution (86th Amendment) Act, 2002 seeks to make free and compulsory education a Fundamental Right for all children in the age group 6-14 years by inserting a new Article 21-A in Part III. Yet the country has been struggling with challenges in its primary educational sector and the dream of 100 per cent literature is still a mirage. Kerala is the only state to reach this goal so far. On the other hand, a number public and global school are mushrooming side by side. In case of higher education of Indian institutions such as IITs, IISc, IIMs, NITs, AIIMs, ISI, BITs and ISB are well-known world wide. Public private partnership describes a range of possible relationships among public and private entities in the context of infrastructure and other services. Education sector accommodates both private and public investment to envisage universal education for all. Today, in the educational sector public private partnership (PPP) has framework of engaging the private sector as well as for the government in ensuring that social obligations. The public partners in a partnership are government entities, including ministries, departments, municipalities, or state-owned enterprises. The private partners can be local or international and may include businesses or investors with technical or financial expertise relevant to the project. Traditionally, it has been the role of the government to provide primary school education to the appropriate age group of 6 - 14 years. However, a variety of public private partnership already exists in this field; the most common being the government aided schools system in the country.

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Current State of Higher Education Infrastructure in India

The National Policy on Education (1986) provides a broad policy framework for eradication of illiteracy and sets a goal of expenditure on education at five per cent of the GDP. Primary education was given and overriding priority in order to realize the goal of universalistaion of elementary education. The government projected to spend six per cent of the GDP on education, half of this on primary and secondary education alone. India currently has over 400 universities and more than 20,000 colleges with an enrolment of 14 million students. Despite the favourable figures on education, India still faces a lack of adequate infrastructure in higher education. The fact that Higher Education Institutions (HEIs) in India can accommodate only seven to eight per cent of the country's college age students. India thus has a gross enrollment ratio (GER) of only 11 per cent in higher education as compared to about 60 per cent in the US and Canada, and around 21 percent (average) in the BRIC countries.

The Government's expenditure pattern indicates that a rapid scaling up of infrastructure for higher education will not be within reach in the near future. While public expenditure on education has increased,

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the percentage share of GDP spent on higher education has come down from 0.77 per cent in 1991 to 0.7 per cent in 2008. Moreover, there is an unequal distribution of higher education institutions across the Indian states. This further affects the gross enrolment ratio which ranges from four per cent in states such as Arunachal Pradesh to about 26 per cent in Chandigarh. Indeed, the Government has increased the budget allocation for higher education to Rs. 850 billion in the XI Five Year Plan and intends to expand educational facilities. However, considering that the Planning Commission has identified a resource gap of Rs. 2.2 trillion, it seems unlikely that optimum infrastructure requirements. Owing to constrained investment, the sector is unable to cope with growing market demand and global competition.

The private education market in India is merely five per cent although in terms of value is estimated to be worth $ 40 billion in 2008 and will increase to $ 68 billion by 2012. However, India continues to face stern challenges. Despite growing investment in education, 25 per cent of its population is still illiterate; only 15 per cent of Indian students reach high school, and just 7 per cent graduate. As of 2008, India's post-secondary high schools offer only enough seats for seven per cent of India's college-age population, 25 per cent of teaching positions nationwide are vacant, and 57 per cent of college professors lack either a master's or PhD degree. As of 2011[update], there is 1522 degree granting engineering colleges in India with an annual student intake of 582,000, plus 1,244 polytechnics with an annual intake of 265,000. However, these institutions face shortage of faculty and concerns have been raised over the quality of education. India's higher education system is the third largest in the world, after China and the United States. The main governing body at the tertiary level is the University Grants Commission (India), which enforces its standards, advises the government, and helps coordinate between the centre and the state. Accreditation for higher learning is overseen by 12 autonomous institutions established by the University Grants Commission. As of 2009, India has 20 central universities, 215 state universities, 100 deemed universities, five institutions established and functioning under the State Act, and 33 institutes which are of national importance. Other institutions include 16000 colleges, including 1800 exclusive women's colleges, functioning under these universities and institutions. The emphasis in the tertiary level of education lies on science and technology.

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Public Private Partnership in Tamil Nadu Educational Sector

A strong public private partnership is fundamentally a venture with the tasks, obligations, and risks among the public and private partners in an optimal way. Vocational education was introduced in higher secondary schools during the 10th Five Year Plan period. The state government has set itself the objective of raising the gross enrollment ratio in higher education to 25 per cent by 2020 from the present level of 11.73 per cent. The state has successfully straddled investment in primary and higher education. Its focus on primary education has ensured that as high as 99 per cent of the state population has access to primary education. The distribution of Technical education in the country is highly askew. Four states—Andhra Pradesh, Tamil Nadu, Karnataka and Maharashtra alone account for approximately 55 per cent of engineering colleges and 58 per cent of technical enrolment in the country.

Conclusion

Mid-day Meal has made positive intervention in universalistaion of Primary Education by increasing enrolment, attendance of the children. The increase has been more marked with respect to girls and SC & ST students which have been earlier found by a study in the year 2006 by AC Nielsen Org, which vouched the efficacy of the program in increasing attendance in schools, improving nutritional status of these children, enhancing their learning abilities and reducing dropout rates. Of the 12 million students enrolled, one third study in private sector institutions, the rest of the sector is of variable and on the average poor quality largely focused on undergraduate education in the arts, social science and humanities on the other hand post-graduate, professional degree and science and technology enrolments accounts for a smaller share. The scenario is even truer in private sector. The unemployment rate among tertiary graduates is 12 per cent compared to five per cent overall, reflecting perhaps a combination of initiatives to be taken.

Despite these challenges, the PPP concept in the education sector needs to be explored. Since there are regulations with respect to being a not-for-profit entity, the infrastructure for educational institutions can be created through the government favourable policies in establishment of educational institution.

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PUBLIC PRIVATE PARTNERSHIPS FOR UNIVERSAL QUALITY EDUCATION

Introduction

Education all over the world is still upon as a harbinger of all other changes: Social, Cultural, economic, Scientific and technical. The role of education in facilitating Social and economic progress is well recognized. Education in its broadest sense of development of youth, is the most crucial input for empowering people with skills, and knowledge and giving them access to productive employment in future. Improvement in education are not only expected to enhance efficiency but also argument the overall quality of life.

The National Policy on Education (NPE) emphasis the fact that education should lead not only to empowerment in terms of professional competence but must also serve as a vehicle for upward economic and social mobility. It is seen as a means of reducing Inequalities and giving opportunities to the less privileged.

Education is general perceived as the prerogative of the government. Lack of financial and managerial capacity often impede the government's ability to meet their obligations in regard to their national education systems. Government can use partnerships to make up for deficiencies in state education programs. At the same time, improving education around the world is in the long-term interest of every business. There are benefits from engaging in enhancing skills of workers, developing brand regulation and strengthening community relations.

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What are the main reasons for the government promoting this concept?

1. The poor quality of the state run school education system has led to demands that the state should withdraw from schooling and that the government should only fund private initiatives or let the private sector take over schooling with public-private partnership initiatives.
2. An allocation of 67% of the gross domestic product to the education budget would not be sufficient to fund for universal education until the very distant future if the government system is used as the only instrument. The only way to meet the right to education obligation is to rely on low cost private schools as a significant instrument of the government education policy.
3. Feasibility of implementation of right to Education Act (EPW, 20 June 2009) makes the argument that some private schools have demonstrated their ability to provide quality education at considerably low salaries for teachers.
4. Public-private partnership in school education is projected as a strategy to distribute the ownership of institutions, rather than tasks with in institutions between private entrepreneurs and NGO's on the one hand, and the government or state on the other while the rationale for PPP is inefficiency of the government the means offered to overcome is actually promised no relief or improvement, PPP is not an idea, but rather an ideology when promotes privatization as a means of reducing the government's responsibility to increase number of schools.

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Mean while, there is a visible body of opposition to this move which has registered several objections such partnerships ranging from wariness of attaching a profit motive to education to the perceived lack of competency of private sector in meeting the pedagogical challenges of an Indian class room. There are others who see essential the proposal and articulating the proposal more meaning fully. The eleventh five year plan of the government of India speaks repeatedly of the benefits of PPP in education and proposes some measures to be executed in the PPP model. In September 2009, the ministry of Human Resource Development (MHRD) of the government of India released a note on PPP in education, seeking comments from stakeholders, interested parties and the public on its content. In response to this note a consultation of civil society organizations was held at NCERT, Delhi in Nov'2009. The comprehensive report and short summary of this meeting were submitted to the MHRD.

Conclusion

We live in a tense world often at the centre of these tensions is the depth of economic despair that exists in so many places in our world. While a political Battle rages about the wisdom of public private partnerships, the pioneering but controversial concept of mixing public and private money is catching on like wildfire abroad.

Driving forces behind universal high quality education for all goals and the millennium development Goals (MDGS) declared by the world leaders or summit marking the new millennium.

The education for all goals aim to provide equitable access to primary education for all children by 2015, access to life skills and learning programmer for youth, and expanded adult literacy.

This paper discusses if public private partnerships can and should play a role in education. It provides a brief history of global public private partnerships before touching on the issue with in the education sector. It inquires it public private partnerships are good or bad, why consider public private partnerships, takes stock on what is already done and what holds back the public private partnerships.

The paper concludes that public private partnership can add value, but it can be over-used or misused. The relevant equation here is how and when to adapt public private partnership to developing countries needs if they are to contribute to EFA and MDGs.

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PUBLIC PRIVATE PARTNERSHIP IN EDUCATION SECTOR

Introduction:

As the growth in traditional transportation revenue sources, such as gasoline taxes, continues to decline and operating deficits increase, transportation agencies are increasingly looking for new sources of revenue to coverage finding and to improve project feasibility and cost-effectiveness. One of the most successful methods employed by other infrastructure sector to improve project feasibility and cost-effectiveness and generate revenue is the use of public-private partnerships(PPPs). In addition to cutting costs and raising new revenue, ppps can significantly reduce the time it take to complete a capital project, can help the public sector allocate risks to the private sector is better able to manage and can improve the quality of the public's infrastructure. Public- private partnerships could be an opportunity to improve quality and relevance of an education system or increase finding possibilities in order to allow the government to offer a better educational system.

Primary Education:

The 86th constitutional amendment Act. 2002 led to insertion of a new article 21-A in part III of the constitution that made free and compulsory education to all children of 6 to 14 years of age a fundamental rights. The earlier policy for universalisation of elementary education in Tamil Nadu envisaged the enrolment of all children in the age group 5 to 10 and retaining there in the school for a minimum period of five years.

Number Of Children Not Enrolled In Elementary Schools In Tamil Nadu:

There has been a significant declining trend in enrolment in the elementary schools in Tamil Nadu particularly at the primary level. This may be partly due to lower population growth and partly due to drop-outs. The rate of decade change in population of Tamil Nadu has shown a decrease from 22.30 percent during 1961-71 to 17.50 percent during 1971-81 and to 11.19 percent during 1991-2001.

Secondary Education:

Secondary education serves as a bridge between primary and higher education and prepares young persons between the age group of 14-18 years for the entry into higher education and work. Though there are many different types of secondary and senior secondary schools function in Tamil Nadu, Majority of the students are enrolled in the state board and the central board schools.

Higher And Technical Education:

There has been a significant growth in higher education during the academic year 2006-2007. According to the university grants commission(UGC), enrolment in various courses at all levels in universities colleges and other institutions of higher education in 2006-2007 was 11.61 million as compared to 11.34 million in the previous year. Out of this, the number of women students were 4.70 million constituting 40.55 percent. The university structure is expected to provide the autonomy and flexibility in development of curriculum, pursuing research and development, raising resources and creating a conductive environment for achieving academic excellence many of the universities offer a large number of correspondence course within and out side the country at under- graduate and post-graduate levels. Tamil Nadu has 22 university levels institutions and 893 colleges (arts, science, engineering, medical, agricultural, veterinary, paramedical, teachers training etc.,

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Government

"Government educational bodies should employ professionals as part-time teachers and lease their infrastructure to the private sector for a second shift to impart specialised training" Former PM Mr Vajpayee on strengthening public-private partnership in education in December 2002.

Corporate Sector

In developing countries like India, the onus of development lies mainly with the government, which faces the predicament of multiple demands and limited resources. This leads to a situation where even fundamental objectives such as basic literacy for all are not met. On the other hand, there exists a vibrant private sector, which has resources and the desire to undertake social responsibility. This sector is also coming up with innovative approaches to overcome barriers to education and is targeting the have-nots. This paper discusses results obtained from Madangir (New Delhi), one of the sites where Minimally Invasive Education learning stations were installed. Minimally Invasive Education (MIE) is one such endeavour. It encourages children to learn on their own, with minimal, or no intervention. Children are provided with free access to computers in an open outdoor location. The informal environment enables children to acquire computer literacy, enhance their academic levels and imbibe other life skills. This project is an illustration of a public-private partnership between the Government of NCT of Delhi and NIIT Ltd (India's leading private sector corporation offering IT education, training and global IT learning solutions) to overcome digital illiteracy.

Funding Agencies

India has one of the largest populations of youth in the world. "Education for all," a foremost development goal for the country, is central to realizing the potential of these youth. Still, at least 8 to 10 million children are out-of-school, and a dearth of resources limits educational quality across a vast public school system. A public-private alliance is drawing together educational innovators and technology leaders to improve the quality of teaching, motivate children to complete school, and ensure that skills of young persons meet the needs of India's emerging economy. The Quality Education and Skills Training Alliance (QUEST) partners Indian and American technology corporations with NGOs that understand the needs of marginalized youth. The partnership, facilitated by the United States Agency for International Development (USAID), focuses on the continuum of youth development - from early learning to livelihoods - using technology as the medium.

NGOs:

The basic idea of an education voucher15 is that the government would fund students instead of school and that the money would follow the student and get paid to whichever school that the child chooses to enroll in. In such a situation, even the poorest parents would be able to send their child to a private school if they felt that it was superior to the public school, but they would be just as free to send their child to the government school if they felt that it was the best option for their child. Thus, the claim is not that all private schools are superior to government schools. Rather, the aim is to think about ways of providing the poorest and most disadvantaged sections of society with the same set of choices faced by their better-off counterparts. This is exactly what a voucher or scholarship program would do.

Planners:

The Indian education system is facing serious challenges especially at the elementary education level. These include universal access to an infrastructure of comparable quality, improving retention, efficiency and effectiveness of the schools. While in the recent years, there has been a considerable emphasis on decentralized management and involvement of community in micro planning; the outcome is quite mixed one. This is partly due to the inadequate planning and lack of managerial and professional competencies at

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various levels. At the national level, broad perspective on various sub-sectors is developed. The management, professional and financial support is provided to the state governments and the districts for implementation of various reform programs in the form of centrally sponsored schemes. Among other things, their successful implementation is contingent upon the availability of timely, comprehensive and up-to-date educational statistics on key performance indicators.

Conclusion:

The new directions in higher education will help to meet the social and economic goals of the state. The board directions for charge will comprise of increasing the supply capacity for higher education in Arts, science, engineering and other professional disciplines to meet the anticipated growth. This may be accomplished not by increasing the number of colleges to private or public sector as in the past but by enlarging the available facilities and maximizing their utilization efficiency. The partnership approach between the institution government and the society in the growth of the higher education would be necessary by raising resources through various traditional and non-traditional means. Our country is endowed with strong core competence in academic performance built over many decades by scholars, visionaries and philanthropists. The new financial compulsions should not let this competence whether away leading to a state of dependence on external support.

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THE ROLE OF PUBLIC PRIVATE PARTNERSHIP IN IMPORVING HEALTH SECTOR

Introduction:

The health of a nation is an essential component of development, vital to the nation's economic growth and internal stability. Assuring a minimal level of health care to the population is a critical constituent of the development process. Since Independence, India has built up a vast health infrastructure and health Personnel at primary, secondary, and tertiary care in public, voluntary, and Private sectors. For producing skilled human resources, a number of medical And paramedical institutions including Ayurveda, Yoga and Naturopathy, Unani, Siddha, and Homeopathy (AYUSH) institutions have been set up.

Considerable achievements have been made over the last six decades in our efforts to improve health standards, such as life expectancy, child mortality, infant mortality, and maternal mortality. Small pox and guinea worm have been eradicated and there is hope that poliomyelitis will be contained in the near future. The strong link between poverty and ill health needs to be recognized. The onset of a long and expensive illness can drive the non-poor into poverty. Ill health creates immense stress even among those who are financially secure. The country has to deal with rising costs of health care and growing expectations of the people. The challenge of quality health services in remote rural regions has to b e urgently met.

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Five planks of the National Rural Health Mission

- The Mission is expected to address the gaps in the provision of effective health care to rural population With a special focus on 18 States, which have weak Public indicators and/or weak infrastructure. The Mission is a shift away from the vertical health and Family welfare programmes to a new architecture of all Inclusive health development in which societies under different programmes will be merged and resources pooled At the district level.

- The Mission aims at the effective integration of health concerns with determinants of health like safe drinking Water, sanitation, and nutrition through integrated District Plans for Health. There is a provision for flexible funds so That the states can utilize them in the areas they fell are important. The Mission provides for appointment of ASHA in each village and strengthening of the public health infrastructure, Including outreach through mobile clinics. It emphasizes Involvement of the non-profit sector, especially in the under-served areas. It also aims at flexibility at the local Level by providing for untied funds. The Mission, in its supplementary strategies, aims at fostering ppp_s; improving equity and reducing out of Pocket expenses; introducing effective risk-pooling Mechanisms and health insurance; and taking advantage of local health traditions.

- promotion of ppp_s for achieving public health goals

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- Reorienting medical education to support health issues including regulation of Medical Care and Medical Ethics

- Effective and viable risk-pooling and social health insurance to provide health security to the poor by assuring accessible, affordable, accountable, and good quality health care.

Conclusion:

Non-Governmental Organizations(NGOs) have a long history of supporting health services at the community level, often with remarkable effectiveness and report with communities. NGOs also often have capacity to provide excellent treatment support, counseling for patients, and can contribute to public health-oriented activities in TB treatment, namely address verification and default retrieval.

The health sector already has large and vibrant private sector presence-both in formal and informal markets. In some states, private sector provision of health care is as high as 70% . The health services market (to a great extent) and the education market (to a great extent) and the education market (to some extent) have evolved into two distinct streams: private sector provision for those who can afford to pay for health and education services, and public sector provision for those who have limited means. The private sector provision that caters to the upper end of the market is already based on a self-sustaining revenue mode and is highly commercialized. The public sector provision that caters to the lower end of the market or to the poor has limited scope for revenue generation. This may limit the scope for models based on cross-subsidy.

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PUBLIC PRIVATE PARTNERSHIP IN THE DEVELOPMENT OF ROADS IN INDIA

Introduction:

In this article the importance of ppp in road sector development and steps to be taken to enhance the model of ppp in road development. The key to successful ppp is that the public must perceive that ppp has added value in terms of the scale of services and also quality and cost

Since various social sector and livelihood support programmes for the poor will have the first charge on public resources, the strategy for infrastructure development has been designed to rely as much as possible on private sector investment through various forms of pps. The plan recognize that the scope for private participation in infrastructure development in several areas is limited and the infrastructure requirement of these areas therefore, has to be met through public investment. However, it is therefore all the more necessary that the fullest possible the must be made of opportunities to attract private sector investment wherever this is feasible. Both the centre and the states have seen varying degrees of success in attracting private investment in areas such as power generation, telecommunications, roads, railways, airports, and ports, though much more needs to be done.

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Revised Strategy For Implementation Of Nhdp

The NHAI formulated work plans (work plans I and II) for awarding of about 12,000km each during the years 2009-10 and 2010-11. These plans lay down a specific time frame for various activities and are being monitored very closely at various levels. Under Work Plan I so far 73 projects of 6,426km length have been awarded and bids for a further nine are at various stages. Under Work Plan II, one project of 170km length was awarded and bids for five more projects are under various stages of process.

Impetus for private sector participation in the roads sector in India came in the late nineties, stemming from the government's concern to address the challenges of rapid deterioration of the national highway network and the lack of resources to support its development and maintenance. In 1998, the Government of India launched an ambitious National Highway Development Program (NHDP) aimed at four/six-laning of 14,000 kilometers of national highway corridors. Even as many of the roads were developed through traditional "cash contracts," the program ushered in PPP through two predominant modes, Build, Operate and Transfer (BOT) -Tolling and BOT Annuity. In both these cases, the contracts were awarded to private companies competitively but with a significantly different way in sharing the traffic and revenue risks. In BOT-Tolling method, the traffic as well as toll collection risks are borne by the private operator. In BOT-Annuity, the operator is paid a fixed semi- annual payment after completion and through the remaining contract period.

During the first and second phases of NHDP, 48 projects worth about $4 billion were awarded through PPPs for the construction of about 2,500 km of roads. Of these, 24 projects with a total length of 1200km were awarded as BOT-Toll concessions and the rest were awarded on BOT-Annuity basis.

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The NHDP, in effect, provided a platform for introducing a consistent framework for encouraging PPPs in the sector through a variety of policy and institutional interventions.

- Strong political commitment as reflected in the forming of a task force headed by the Prime Minister.
- A dedicated institution - National Highways Authority of India - with a clear mandate for implementing the program backed by substantial delegation of financial investment and administration powers.
- A programmatic approach that galvanized the enthusiasm of both the public and private sector players around a substantive investment opportunity.
- A clear focus on cost recovery based on collection of direct and proxy user charges,
- A framework for encouraging private participation through a combination of measures including indexing toll rates to the wholesale price index, developing model concession agreements in consultation with key stakeholders, tax concessions, liberal limits for external commercial borrowing and foreign equity participation, and allowing 100% Foreign Direct Investment(FDI).

Need To Strengthen The Public Transport System:

Public Transport causes lesser environmental damage in terms of air and noise pollution, optimization of road space, increased per unit throughput, and reduction in traffic congestion as compared to personalized vehicles. However, the composition of vehicle population in India is skewed towards personalized transport. The role of both public and private sector is crucial. Considering the advantage of public transport there is a need to strengthen the public transportation services through a policy regime, which fosters their financial viability and grants them more functional autonomy. They may be allowed to fix commercial fares based on a formula approved by the respective state Governments. The PSUs may also be reimbursed full cost of concessions provided to various categories of passengers.

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Private Sector Participation:

Almost all State Governments have facilitated entry of Private sector in providing passenger transport services to ease pressure on the public sector. As on 31st march 2004, the share of private buses was 85%. Private bus operators have, however, exhibited deplorable quality of service, with disregard to traffic rules, unsafe driving practices, unscheduled operation, and usage of irrational cost cutting measures and tax evasion. The private sector has also adversely affected the performance of public sector by resorting to unfair competition.

Initiatives Taken To Facilitate Private Sector Investment:

In order to maximize the volume of investments in the road sector, given the limited availability of public resources or the need to use them for development of roads in backward areas, it has been decided that all the sub-projects in NHDP phase III to phase VII would be taken up on the basis of ppp on BOT mode.

The government has announced several incentives such as tax exemptions and duty free import of road building equipment and machinery to encourage private sector participation.

The MCA for NHs which was approved by COI in 2005, has now been adopted for implementation of ppp projects by Ministry of shipping, road transport and highways.

Uccessful Implementation Of Public-private Partnership In Road Network Maintenance:

Several European countries have involved the private sector to design, build, finance and operate roads as a means to "fast-forward" delivery of road infrastructure and, hopefully, to achieve better value for money. More recently, a number of countries have started to explore extending the involvement of the private sector to maintenance of road network (in contrast to "short" road section) on a similar public-private partnership basis. Whilst public-private partnerships of short sections of roads are widespread, there is no equivalent public-private partnership road network maintenance concession in place to date. This paper looks at some key issues to successfully implementing public-private partnership road network maintenance. Drawing on practical experience from working for (government) sponsors and (private-sector) bidders it aims to provide useful insights of key issues and possible approaches to increase success.

Conclusion:

Given the complexity of ppp contracts and the exposure of government in such contracts, standardized documents and arrangements that provide predictability and mitigate risk to private capital are regarded as the best option for implementing a ppp programme of the magnitude envisioned under the eleventh plan. The use of standard documents also simplifies and expedites decision-making by the authorities. The COI has, therefore, mandated the adoption of model documents. Projects that are based on duly approved MCA do not require in principle clearance from PPPAC prior to inviting expressions of interest.

The MCA for ppp projects in national highways was approved by the COI. The Planning commission has also published MCAs for ports, state highways, and operation and maintenance of highways that will serve as best practice guidance for the ministries and state governments undertaking ppps. Similarly, MCA for operation of container trains has also been approved and adopted. MCAs for ppps in other sectors such as urban rail systems airports, re-development of railway stations and public accommodation are under preparation. Standardized guidelines that incorporate key principles relating to the bid process for ppp projects have also been developed. Guidelines for the pre-qualification of bidders along with a model request for qualification document have been approved by COI for application to all ppp projects. Guidelines for inviting financial bids on the basis of a model RFP have also been approved and notified.

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PUBLIC-PRIVATE PARTNERSHIPS IN ICT USED FOR TEACHING: AN OVERVIEW

Introduction

A recent World Bank report notes that across the world, per capita economic growth is driven by three information and communication technology (ICT)-related factors: investments in equipment and infrastructure, investments in human capital (i.e. in education and innovation), and efficient use of labour (human resource) and capital that increases productivity. These three factors have a direct impact on the provisioning of education. For one, the demand to adopt ICT supported education services, or e-education, is outweighing the capacity of governments to adequately support education reform and expansion. At the same time, these three factors are key areas of interest to the private sector, which includes local, national, and international private commercial enterprises, non-government organizations (NGOs), not-for-profit, philanthropic organizations, and development agencies. This interest and support from the private sector can be leveraged to enable the sharing of resources to overcome such obstacles as limited funds and lack of technical expertise and project management capacities in ICT integration in education.

Public and private enterprises associated with e-education projects are driven by different agendas, which results in divergent targets and bottom lines. However, they may share common 'development' interests in having educated and healthy citizens, in putting in place the physical and social infrastructure that would improve the quality of learning, and in expanding markets for sustainable growth of e-education. A sharing of resources between public and private enterprises in e-education interventions make possible a shift away from collective, taxbased financing of educational infrastructure and services.

Moreover, it is assumed that when public and private partners join forces to improve the provision of e-education services their complementary strengths can accelerate the pace of progress. Such partnerships draw in new ideas and capacities for problem-solving and leverage investments and professional expertise. Thus, the sum of the partnership wields greater influence, touches more people in need, and reaps benefits for all participants. The experience of Organisation for Economic Co-operation and Development (OECD) countries shows that public-private partnerships (PPP) can play a vital role in mobilizing the scale of resources required for financing and building ICT infrastructure, developing applications and locally relevant content, and developing the human capacity required for harnessing the full capacity of ICT productive tools (Ichiroand McNamara 2003).

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Objectives

- To study the Public and Private Partnership in Indian higher education system.
- To study the use of ICT in teacher education.
- To prov ide the service ICT in Schools education.

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Public and Private Partnership Education

Indian higher education system has undergone massive expansion in post-independent India with a national resolve to establish several Universities, Technical Institutes, Research Institutions and Professional / Non-professional Colleges all over the country to generate and disseminate knowledge coupled with the noble intention of providing easy access to higher education to the common Indian. The Public initiatives played a dominant and controlling role in this phase. Most of the Universities were Public institutions with powers to regulate academic activities on their campuses as well as in their areas of jurisdiction through the affiliating system.

Use of ICT to Teachers

- ICT's enableus to enhance the initial preparation by giving good teaching and training materials, use simulators, recording and feedback in teaching.
- With the help of ICT, Teachers can access with colleagues, schools, institutions and universities, expertise, rich resources at cyber space.
- ICT's enable to interact with students over a physical distance.
- Didactic software and intelligent tutoring systems can dramatically reduce the cost of teacher training.

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Overhaul ICT in Schools education

There has been a significant impact of ICT in the delivery of educational services across the world. ICT infrastructure will be established at government and government-aided secondary and senior secondary schools during the Eleventh Plan period. There areabout 1.4 lakh such schools out of which 1.08 lakh are government and government-aided schools. About 28000 schools are in far flung areas. About 80000 schools are proposed to be connected on Internet through terrestrial/wireless broadband mode and the remaining 28000 schools will be provided Internet connectivity through broadband Very Small Aperture Terminals. The latter mode of connectivity (satellite) has been proposed as the terrestrial infrastructure in the far flung and Schedule V regions is quite weak and service providers have no immediate plans to extend the broadband infrastructure in these regions. UPS with battery backups and solar power panels for uninterrupted power supply will also be provided as perrequirements.

Personality With Importance Of PPP

PPP in the education sector is not a new concept. The private sector has been involved in different ways and at various levels in the provision of education services.

Using Ppp In Ict-supported Education And Training

The 2007 Global Knowledge Conference recognized the need to invest in human capacity development in many Asia Pacific countries to enable them to implement ICT initiatives in general and e-education initiatives in particular. Projections of demand for online learning by investment firms such as IDC, Merrill Lynch, and WR Hambrecht & Co., all indicate exponential growth in the future3 (Varoglu

and Wachholz 2001). This rapidly unfolding demand has emerged alongside an increased responsiveness from the private sector to engage in the development and delivery of education services and products. Traditional models of providing for education and training can no longer meet the demand, opening up opportunities for PPPs both at the national and transnational levels. Partnerships with private providers of education services have had mixed reactions. Issues of national sovereignty and cultural values, equity and access, quality, and relevance of content to local needs, among others, have been raised and they need to be addressed via a good regulatory framework.

Conclusion

In the past few years global initiatives such as the Digital Opportunity Task Force, the Global Knowledge Partnership, the UN ICT Task Force, and the World Summit on the Information Society have significantly increased awareness of the vital role that international cooperation can play in providing access for all to ICT as a tool for economic and social development. They have established multi-stakeholder partnerships, such as the Global Digital Opportunity Initiative (GDOI), as a mechanism for developing creative PPPs and mobilizing private sector interest in supporting ICT for development and education. There are challenges to confront. On one hand, the private sector is less interested in financial assistance to the education sector than in the profitability of the demand for its products and services in the long run. On the other hand, demand for the new access devices to the Web, new broadband networks, and new social networking applications such as blogs, wikis, and music and video sharing, and the increasing availability of educational content for online learning are becoming a part of global education and learning services. This demand and growth has the potential to generate more interest from the private sectors and provide alternative ways to mobilize community interest and action toward furthering PPP in the education sector. From a national perspective, e-education is an important strategy for adapting the workforce to the technological revolution. It is also a tradable service with no boundaries. Education for all is a real possibility for the first time in human history and PPPs have the potential to make a significant contribution to delivering this reality. Perhaps the most challenging task for governments in Asia Pacific countries will be the development of a sound understanding of what is entailed in PPPs and the creation of conducive environments for sustaining the interest of both public and private partners. Knowledge, skills, and expertise in developing, negotiating, implementing, and monitoring projects and programs with partners that may have competing agendas are crucial for the success of PPPs in ICT for education.

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PUBLIC – PRIVATE PARTNERSHIP IN SOCIAL SECTOR

1. Introduction

Mass literacy campaigns are typically implemented as a part of the political agenda of new (and often socialist) movements: "campaign has about it a sense of urgency and combativeness. It is politically 'hot.' It is the most important thing that needs to be done at a particular point in the history of a nation. It is planned expedition or a crusade" (Bhola, 1999, p. 288). As their name suggests, the campaigns are characterized by large-scale interventions, often touching a large part of a country's population. For example, the literacy campaign in Cuba in 1961, over a nine-month period, organized and transported more than 250,000 people all over the island, to teach literacy to the island's large illiterate population.

The campaign was not only used for literacy instruction, but was also used as a political tool to bring the revolution to the most remote areas of the country (Carnoy & Samoff, 1990). Some of the politically "loaded" campaigns took place in USSR (1919-1939), Vietnam (1945-1977), China (1950s-1980s), Cuba (1961), Burma (1960s-1980s), Tanzania (1971-1981), and Zimbabwe (1983-). In the 1990s, the two most significant literacy campaigns may be the Total Literacy-Universal Elementary Education Campaigns of India, and South Africa's Adult Basic Education and training initiative (Bhola, 1999). This latter was largely implemented in cooperation with civil society and largely funded by the European Union. As opposed to earlier mass literacy campaigns, these initiatives were not a part of a revolutionary movement.

The following sections outline the debate on public versus private service delivery and discuss the notion of civil society and its relation to PPP. Furthermore, advantages and drawbacks of PPPs are examined through a country case study.

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2. Public delivery of services versus public-private partnerships: the debate

The neo-liberal school of thought (based on neoclassical economics) argues that public-private partnerships in delivery of literacy (and of other social services) are more effective than state-delivered programs. The alleged cost effectiveness of using public-private partnerships is based on several arguments. It is maintained that because private provision uses competitive selection of providers, it is more effective than state provision. Moreover, the providers can be held accountable for their actions, while it is it is difficult for the government to be held accountable for its own actions.

Many governments also set up public-private partnerships because they want to concentrate on certain key sectors. They use private providers to deliver auxiliary services such as adult literacy, areas where they believe that the private sector has a comparative advantage and where risk can be shared (Harper, 2000). Also, in many countries, the state institutions are corrupt, and it can be argued that partnerships are more effective in the fight against corruption, insomuch as it is easier to fight corruption in private companies and NGOs than to fight corruption inside state firms and agencies. Once an activity is privatized or outsourced, the government's control over it weakens, and so do the possibilities for corruption

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(Shleifer, 1998). There is no certainty, however, that outsourcing service implementation to NGOs will reduce corruption: "It is often stated that privatization or NGOization would reduce corruption but this is seldom rigorously evaluated. Private providers and NGOs can also siphon off or waste funds and perform poorly in terms of service delivery" (Azfar & Zinnes, 2003, p. 16).

One key to success for public-private partnerships, it has been argued by the neoliberal school of thought, is to make providers accountable towards the recipients of services. This is called a "short route of accountability" as opposed to government-implemented services in Critical theorists contend that partnerships may lead to ineffective cost-cutting practices in which the private provider organizations offer low-quality services.[1] Also it is argued that such methods are merely attempting to transfer the responsibility of social services to the poor, and thus also transfer the blame of poverty to the poor. The outcome of PPPs, critical theorist argue, is in many cases to offer poor services to poor people.

Lack of quality can in some cases be addressed through the following measures:

1: Making it possible for the learners to switch suppliers of literacy services.[2] This will prevent the providers from acting in a monopolistic way in the concerned communities.
2: Reputation-building among providers. For example, if the selection is partly based on past achievements, the providers would strive to obtain good results, and to build their reputation as a supplier of high-quality services.
3: Making use of non profit organizations as providers. Commonly, non profit organizations use their surplus to improve lives of the organization's employees, and sometimes when the organization is socially motivated, even to increase quality of the literacy courses (Schleifer, 1998).

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3. Civil society defined

The term "civil society" is often defined as a set of organized activities that are independent of the state and economic interests, as a "sphere of social interaction between economy and state, composed above all of the intimate sphere (especially the family), the sphere of associations (especially voluntary associations), social movements, and forms of public communication" (Cohen & Arato, 1992, p. ix). From the 1990s, many development agencies were influenced by Putnam and began concentrating their efforts in building social capital (Todaro, 1996). This was often done through capacity building within existing civil society associations, and also through various actions intended at increasing the number of civil society associations. It was argued that the strengthening and creation of civil society would increase the stock of social capital, and that the increased stock of social capital would have both economic and political benefits.

4. Civil society as a service delivery agent: the "faire-faire model" in Senegal

One type of public-private partnership which subcontracted services to small local civil society associations has recently been tested out in francophone West Africa. First used in Senegal, the method became known under the name of *faire-faire* or literally, "to make do." In the Senegalese faire-faire case, about 51% of the literacy provider associations were local for-profit associations, 25% were local non-

profit associations of different types (language and cultural associations, religious associations, etc.), and 12% were NGOs (DAEB, 2004). Each year, these associations submitted project proposals to a selection committee which selected the best proposals for financing. The budget of the proposals was based on a fixed unit cost per enrollee. In Senegal, this cost was set at approximately $50 per learner per program.[3] The classes provided 450 hours of instruction over a 12-18-month period. In using a fixed unit cost, the competition was not based on how to create the least costly project, but on how to create the proposal with highest quality. By adapting this approach, the government hoped to boost the quality of literacy projects. The selected subprojects were financed by various international agencies, such as the World Bank and the Canadian International Development Association (CIDA). The role of these agencies is generally both financial and technical (e.g., they provide some assistance to the set-up of the public-private partnerships approach).

5. Exporting the faire-faire model: country cases

The Senegalese model has been exported to several other countries, especially in West Africa. In most cases, these projects are still in the construction or early implementation phase, and there is yet very little information about their performance. The countries having used Senegal's *faire-faire* strategy as a model include Burkina Faso, Chad, Cote d'Ivoire, The Gambia, and Guinea. In most cases, the initiative to use the faire-faire model has been taken by the Government itself, and/or it has been inspired by the World Bank and other international donor agencies. The reflections below concern Burkina Faso's faire-faire project which started in 1999. The Gambia and Guinea's adaptation of the *faire-faire* model is described as it was formulated in their first procedures manuals. The examples do not reflect any evaluation of the actual implementation of literacy classes in these countries.

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Burkina Faso: In 1999 Burkina Faso developed a public-private partnership approach based on the Senegalese faire-faire model. Similarly to Senegal, the approach was built on the action of civil society as implementing agent.

Conclusion

The use of public-private partnerships has both a positive and a negative impact on the content of literacy training. In Senegal for example, one positive result of the public-private partnerships was that they gave small civil society providers access to decent financing to conduct literacy activities. These small associations previously had few means to implement high-quality literacy and development activities and could only set up a few courses which lacked materials. In many cases, the public financing of the literacy classes led to improved service delivery. On the other hand, most providers tried to earn more money for themselves by cutting costs.

PUBLIC PRIVATE HEALTH CARE PARTNERSHIP IN THIRUVANNAMALAI DISTRICT.

Introduction

Recent research has focused on uncovering significant determinants of health care expenditures. Rising health expenditure to Gross Domestic Product (GDP) ratios across many industrialized countries have imposed stress on government coffers. An idea of the relative impact of different factors affecting trends in government health expenditure would help promote fiscal responsibility by giving policymakers some guidance on appropriate cost containment measures, and consequently result in efficient and innovative methods of financing the system. Most cross-country studies find per capita income to be the most important determinant of per capita health expenditure. Further, the coefficient estimate of per capita income is equal to or greater than one, leading to the conclusion that health care is a luxury rather than a necessity.

Objectives

1. To analyse utilization of public private health care facilities in Tamil Nadu
2. To analyse determining factor for health expenditure in Thiruvannamalai District.

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Hypotheses

1. There is significant difference between age and expenditure incurred on health care
2. There is no significant relationship between income level and expenditure on health care by households.
3. There is significant difference, among respondents in approaching public private health care providers and expenditure incurred by the households.

Methodology

The methodology adopted in the study is historical and analytical. The data cover both secondary and primary sources. For the secondary data, the NSSO provides information on utilisation of public and private health facilities in states for treatment of morbidity (including maternal health care) based on nationwide household surveys for three specific cases: hospitalisations for treatment of morbidity, outpatient visits for treatment of morbidity, and maternal health care as reflected in antenatal care.

The primary data is collected through the questionnaires used by random sampling techniques based on health care expenditure data collected in Thiruvannamalai district. Totally two hundred samples have been collected out of eighteen blocks in the districts. The published materials, reports, journals have been used for the review purpose.

Results and Discussion

For hospitalisations related to treatment of morbidity, evidence suggests that the poorer sections of the population in rural areas and the richer sections of the population in the urban areas have shifted away from public health facilities in the state towards private ones. With the average cost of hospitalisation in private hospitals about 8 times higher than that in public hospitals in the rural areas of the state (NSSO

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2004), the shift of the poorer sections of the population away from public hospitals is likely to have increased their burden of health expenditure.

For outpatient visits to health facilities for treatment of morbidity, the trend is similar in terms of the shift of the urban poor towards public facilities and the urban rich towards private facilities. However, the shift towards private facilities by the richer sections in the urban areas appears to be stronger in the case of outpatient visits than that for hospitalisation (top three quartiles in the case of outpatient visits in comparison to top two quartiles in case of hospitalisations).

For rural areas also, the trend is different from that of hospitalisation. While there has been a marginal increase in the utilisation of public sources by the poorer sections (specifically the second quartile) in the rural areas possibly due to access to facilities in the primary sector, the richer sections of the rural people have shifted away from public sources towards private ones for outpatient visits.

On the whole, nearly 60 percent of inpatient and 70 percent of outpatient treatments in the state were still carried out in private facilities is a worrisome feature. More so, the share of private sources in both inpatient and outpatient treatment has barely changed between 1995-96 and 2004. This is an area of concern. Private treatment involves a higher out-of-pocket expenditure and the increasing trend towards utilisation of private hospitals for inpatient treatment by the poorer sections of the population calls for immediate public intervention.

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Factors determining health care expenditure:

A long- liner multiple regression analysis was attempted to establish a causal relationship between health care expenditure and a set of selected independent variables, as the primary data collected was amenable for quantitative analysis.

This analysis however takes health care as a consumption expenditure forming part of the household monthly budget. This expenditure included doctors' fee, and the cost of medicine and tests. One of the major finding of the survey was that expenditure incurred on health care by the sample households was curative in nature.

The independent variables for government, private, and both (government & private) are dummy variables have a highly significant effect on the expenditure incurred by the households the age is not significant. It should be noted that health is an important aspect and expenditure on health is not based on age. This is because, illness/sickness is prone to any age and hence expenditure can occur to any age group.

Illness cannot be confined strictly to a particular age group. Medically speaking, though, it is said that expenditure on illness would be more for children than adults since children are in the developing stage of resistance to sickness, reality shows that "health" and "expenditure will be incurred at all ages. Income had a direct, positive, and significant impact on health expenditure. The positive relationship indicates that families with higher income spent more on health expenditure. Thus it was found that the expenditure incurred by the households is higher when the households reuse more income it was found that households numbers approach different health care providers when the need and time available to save the life of the sick. Saving the life of the sick person takes predominant position even if the income levels are low, and people tend to approach the nearest hospital, even if it is private hospital; they might even borrow funds from friends/ neighbours to provide immediate health attention to the sick person.

Conclusion & Suggestion

People are spending on health expenditure and are treating it as part of their monthly budget. This potential leads to the suggestion that government health care delivery need not be rendered free of cost. Survey result pointed out to the fact that 'free' service is not really free. Given this it is suggested that government can charge on user fee for its health services and provide good care in the rural areas and maintain the health infrastructure.

It is important to strengthen the hospitals in the secondary sector through increased expenditure or reallocation of expenditure from tertiary to the secondary sector. For reallocation of expenditure from tertiary sector, government should explore possibilities of public private partnerships that may result in reduction in government expenditure in the tertiary care sector.

Our results proved that illness is not the only factor involved in demand for health care. Other influences, such as individual and household characteristics, have been brought together to determine the magnitude of expenditure incurred. Compared to children, adult house hold members reported illness more frequently and expenditure was high. Priority might be given to important members of the household who could ensure household production.

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PUBLIC PRIVATE PARTNERSHIP IN HEALTH

Introduction

Health is the topmost priority in every individual's life. Good Health is a pre-requisite to human productivity and development process. It is essential to economic and technological development. A healthy community is the infrastructure upon which to build an economically viable society. Health is man's greatest possession. It is the barometer of growth of the body as well as the economy. In developed countries the health status is far higher than that of developing countries.

India being a developing country health facilities are also different here comparing to foreign country which is developed, Health facilities are quite inadequate both in urban and rural area of India. Health care in India has a long tradition of voluntarism. For centuries, traditional healers have taken care of the health needs of their own community as a part of their social responsibility. They have used knowledge that has passed down the generations, regarding the medicinal value of locally available herbs and plants. This tradition still countries, particularly in the tribal pockets of the country.

Deficiencies in the Public Sector Health

It is widely accepted that the deficiencies in public sector health system can only be overcome by significant reforms. The need for reforms in India's health sector has been emphasized by successive plan documents since Eighth five year plan in 1992, by the 2002 national health policy and by international donor agencies. The World bank (2001:12, 14), which has been catalytic in initialing health sector reforms in many states, categorically emphasized: "now is the time to carry out radical experiment's in India's health sector, particularly since the status quo is leading to a dead end....But it is evident that there is no single strategy that would be best option....The proposed reforms are not cheap, but the cost of not reforming is even greater."

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Private Health Sector in India

Over the years the private health sector in India has grown remarkably (Baru 1999). At independence the private sector in India had only eight percent of health care facilities but recent estimates indicate that 93% of all hospitals, 64% of beds, 85% of doctors, 80% of outpatients and 57% of inpatients are in the private sector. Contrary to commonly held views, private hospitals are relatively less urban-biased than the public hospitals. Given the overwhelming presence of the private sector in health, various state governments in India have been exploring the option of involving the private sector and creating partnerships with it in order to meet the growing health care needs of the population. The private sector is not only India s most unregulated sector but also it's most potent untapped sector.

Although inequitable, expensive, over-indulgent in clinical procedures and without quality standards or public disclosure of practices, the private sector is perceived to be easily accessible, better managed and more efficient than its public counterpart. It is assumed that collaboration with the private sector in the form of Public/Private Partnership would improve equity, efficiency, accountability, quality and accessibility

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of the entire health system. Advocates argue that the public and private sectors can potentially gain from one another in the form of resources, technology, knowledge and skills, management practices, cost efficiency and even a make-over of their respective images (ADBI 2000). Partnerships are expected to ameliorate the resource constraints of the public sector by reducing investments in expensive tertiary care service.

Public Private Partnership in Health Sector

Collaboration with the private sector to provide health services to the poor has generated many challenges. These include the motives of the private sector, scope and objectives of Partnership, policy and legal frameworks, benefits of such partnerships, technical and managerial capacity of governments and private agencies to manage and monitor such partnerships, incentives for the private sector, stakeholder's perspectives towards partnership, and explicit benefits to the poor through such partnerships.

Partnerships with the private sector tend to be more successful if the policy is built around the lessons from prior experiments, although contracting-out non-clinical support services seems to be an exception to this principle. For example, in Karnataka and West Bengal, state-level policy on public-private partnership was framed after launching a few pilot projects. In Tamil Nadu, Rajasthan and Gujarat, state policy toward public/private partnerships seems to have been introduced without any prior experimentation. Tamil Nadu is one state where private sector involvement in health services had long been encouraged, especially by industrial houses. Yet it would be fair to say that, as of now, the policy is ineffective. The state of Andhra Pradesh, which had a positive engagement in health sector reforms, does not currently have any private sector partnership initiatives of significance.

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Gulab Nabi Azad (The Minister of Health & Family Welfare) said "PPP can be a vital instrument for improving the health of the population but partnership is not meant to be substitution for lever provisioning of government resources nor addiction of government responsibility but as a tool for augmenting the public health systems." and further more he added "a fine balance has to be worked out between profitability and corporate responsibility."

Health Sector:

- In states and regions where health staffing is weak, the private sector's presence to deliver the primary health care will also be weak.
- The health sector already has large and vibrant private sector presence both in formal and informal markets. In some states, private sector provision of health care is as high as 70%. The health care service market (to a great extent) and the education market (to some extent) have evolved into two distinct streams: private sector provision for those who can afford to pay for health and education services, and public sector provision that caters to the upper end of the market is already based on a self-sustaining revenue mode and is highly commercialized. The public sector provision that caters to the lower end of the market or to the poor has limited scope for revenue generation. This may limit the scope for model based on cross subsidy.
- Where public sector primary health care center (PHC) provision is perceived as of poor quality, people tend to bypass public PHCs and instead seek care from formal and informal private health providers. Poor supervision, politicization of personnel, unionism, lack of appropriate skills, and

shortage of personnel are some of the reasons for a less-effective public sector. Many of these factors add additional risks to social sector PPPs, which are risks not observed in hard infrastructure.

- The public sector is generally seen to be less effective in demanding situations such as the provision of care in remote and backward areas, reaching the poor, and serving handicapped clients. The PPP models could offer more effective ways to reach these hard-to-reach population subgroups.
- The integration of information and communications technology (ICT) for improving health service provision is of different scale in different states. For example, in Andhra Pradesh, ICT has been effectively used to improve emergency ambulance services, catastrophic health insurance, and help lines. This is possible as there are ICT firms willing to do social work as part of their corporate social responsibility, and a government willing to seek new collaborations and try new innovations. The gap between advanced states and less- advanced states, and between rural and urban areas, in the use of ICT to enhance social service provision can be bridged and accelerated by PPPs.

Conclusion

For more than two decades public–private partnerships have been used to finance health infrastructure. Now governments are increasingly looking to the PPP-model to solve larger problems in healthcare delivery. There is not a country in the world where healthcare is financed entirely by the government. While the provision of health is widely recognized as the responsibility of government, private capital and expertise are increasingly viewed as welcome sources to induce efficiency and innovation. As PPPs move from financing infrastructure to managing care delivery, there is an opportunity to reduce overall cost of healthcare.

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PUBLIC PRIVATE PARTNERSHIP AND SOCIAL INFRASTRUCTURE

Introduction

Public–private partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. Public-private partnership is a funding model for a public infrastructure project such as a new telecommunications system, airport or power plant. The public partner is represented by the government at a local, state and/or national level. The private partner can be a privately-owned business, public corporation or consortium of businesses with a specific area of expertise. PPP is a broad term that can be applied to anything from a simple, short term management contract (with or without investment requirements) to a long-term contract that includes funding, planning, building, operation, maintenance and divestiture. PPP arrangements are useful for large projects that require highly-skilled workers and a significant cash outlay to get started. They are also useful in countries that require the state to legally own any infrastructure that serves the public. Public private partnership (PPP) model is gaining worldwide popularity for building and financing infrastructure projects. In a fast growing but capital scarce economy, PPP is a viable alternative to public funding, by harnessing private sector efficiencies for infrastructure development which traditionally has been the government domain. PPP as it is largely understood is a cooperative venture between the public and private sectors in which several options are possible. It is built on the expertise of each partner that best meets clearly defined public needs through the appropriate location of resources, risks and rewards.

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Objectives of the Study

1.To study the different models are adopted in PPP and Social Infrastructure. .
2.To analyze the most important Social Infrastructure areas of Education and Healthcare
3.To examine the adverse impact the nature of population Growth and its on Social Infrastructure.
4.To study the functions of Panchayats, NGO's and Corporates in Social Infrastructure.

Public Private Partnership models

A number of models have emerged ranging from contracting for limited period to complete privatization. This includes: Build-operate-Transfer (BOT), Build-own-operate-Transfer (BOOT), Build-own-operate (BOO), Build-transfer-operate (BTO), Lease-develop-operate(LDO), Rehabilitate-operate-Transfer (ROT), Design-build-finance-operate, management contract, service contract, asset sale, like product-market economies.

BOT provides consortia with a concession to finance, build, operate and maintain a facility. BOT model is by far the most extensively used technique in roads and highway sectors. It is also finding growing acceptance for financing telecom and power projects. BOT has been successfully used is implementing projects in highways and roads sector. It is being used in executing concession agreements in ports sector as well. BOO is similar to BOT model but without a clause for transfer of ownership. BOO is commonly

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used in developing telecom, power and social infrastructure e.g. wastewater treatment facilities. Design-build-finance-operate is very similar to BOO but with the main difference that the former is more applicable for high tech engineering projects such as a petroleum refinery where considerable design engineering is involved.

LDO model is particularly appropriate when the government agency retains ownership of the existing infrastructure and receives payments under lease agreement with a private lessee, who in turn finances development and oversees operation of the facility/utility. This model is well suited for developing airport, port or rail infrastructure, as due to strategic reasons government would always like to keep their ownership with it. ROT model enables private investors to rehabilitate and operate a facility during the concession period, after which the nursed or rehabilitated facility is restored to the official authority. Such facility could be a non-functional waste treatment plant, a sick pharmaceutical company needing financial, technical and research inputs, or any other non-functional service facility.

PPPs need to have more transparent bidding system. Parties involved in developing the project and bid criteria however themselves cannot participate in the bidding process. There is a growing realization that India should spend minimum 10 per cent of GDP on infrastructure development. This requires investments to the tune of $275-300 billion. It is not possible for central and state governments to mobilize such huge sum and hence tapping private capital becomes inevitable. Nation is on growth of 5 per cent of GCFI (Gross Capital Formation in Infrastructure) as a percentage of GDP. Based on experience of other developing economies which have done well in this regard, 10-20 per cent of the GCFI can be garnered from private capital sources. This is possible by creating relevant SPVs (special purpose vehicles) under viable PPP formats to facilitate such private capital flow. Increasing information and communication technology (ICT) penetration is critical for socio-infrastructural development and removing socio-economic disparities.

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Education and Healthcare: Twin Most Important Social Infrastructure Areas

Education and health provide biggest guarantee for social security. Investments in education and health care not only help the person who benefits from them but also the firm that employs him. A firm that employs educated and healthy employees is likely to be all round gainer. Investments in education and health infrastructure achieve long term benefits both to individuals and society. A society of educated workforce brings further pressure on government for improving standards for education and health infrastructure which in turn improves levels of social security. Due to funds limitations, successive governments did not spend enough on elementary education. Higher levels of elementary education help contain social and gender inequity that facilitates social security. Government, NGOs and corporates need to accord much greater priority to social infrastructure particularly education and healthcare..

Education in India

The Lok Sabha unanimously passed the 93rd (now renumbered 86th) Amendment to the Constitution which mandates the State to provide 'free and compulsory education to all children of the

age six to fourteen years.' BJP-led NDA government in 1999, rolled out the *Sarva Shiksha Abhiyan* (Education for All) to provide free and compulsory education to all children in 6-14 years age group. The fact that programmes like the SSA have to be pushed in the 60th year of independence shows that quality of education infrastructure over the years has generally been poor considering that as on date there are large number of dropouts every year from successive classes.Out of every 100 girls who enroll in class 1, only 59 stay enrolled in class 5, only 41 in class 8, with only 27 left for enrollment in class 10. As for males, out of every 100 boys who enroll in class 1, only 62 boys stay enrolled in class 5, only 50 enrolled in class 8, and only 32 remained in class 10. These figures prove that drop out rate is quite significant both among boys and girls but between the two it is higher for girls.

The proportion of expenditure (revenue and capital outlay) on education (including sports, art and culture) as a per cent of total expenditure in 2000-01 was 17.4 per cent, in 2003-04 it was 12.6 per cent that was estimated to rise to 14.4 per cent in 2006-07. The proportion of expenditure (revenue and capital outlay) on health (medical, public health and family welfare) as per cent of total expenditure in 2000-01 was 4.7 per cent, in 2003-04 it was 3.5 per cent and it was estimated to grow to 4.4 per cent in 2006-07. In fact, combined social sector expenditure to total expenditure ratio (commonly known as fiscal priority to social sectors) for major states has declined to 33 per cent during the period 2000-05 from an average 37 per cent during 1990-95. However, for the 2005-07 period, the combined ratio improved to 35 per cent. The Twelfth Finance Commission has also underscored the need for greater social sector allocations by states and recommended grants-in-aid for several deficient areas which need investments.

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Healthcare in India

As per the WHO definition, health is a state of complete physical, mental, social, spiritual and environmental well-being and not merely the absence of disease. In fact, health is a fundamental human right and attainment of desirable standards of health care is most important social objective. As per WHO figures for BRIC nations (Brazil, Russia, India and China) life expectancy at birth in years is 62 years for India, it is 65 years for Russia, 71 years for China and 70 years for Brazil. Due to resource crunch, successive governments at the centre did not make adequate investment in health care in twentieth century. At present India spends about one per cent of its GDP on health care, which is less than the average of 2.8 per cent of the GDP spent by some less developed countries. Common Minimum Programme (CMP) of the UPA Government plans to hike it to 2-3 per cent of the GDP. For improving health services in rural areas, GOI has already launched 'National Rural Health Mission. Public-private partnership in healthcare has so far not made any significant headway.

India has a serious shortage of doctors and nurses. There are barely 1.15 physicians per 1000 persons while WHO figures for other BRIC nations are, Russia (4.25), China (1.06) and Brazil (0.6). Average amount a person spends on healthcare per year in India in US dollars is 82 as compared to 551 in Russia, 278 in China and 597 in Brazil. Total fertility rate in India is 3 per woman in India as against 1.3 in Russia, 1.7 in China and 2.3 in Brazil.

Panchayats and Public Private Partnership

Panchayats can play important role in village cleanliness and village sanitation. Village Councils (VCs) and Village Development Boards (VDBs) to promote state's education, energy and sanitary infrastructure, and partner microfinance institutions. Village Councils (VCs) and Village Development Boards (VDBs) created under strong and cohesive village administration backed by legislation, have emerged as the main vehicles for rural development.

Conclusion

In view of low economic returns, corporates may not be interested in public private partnership projects in several areas such rural connectivity, rural energy, rural healthcare, rural housing, etc. Education and healthcare and other social infrastructure development should thus be accorded much greater priority by the government than made so far with support of all including PRIs (Panchayati Raj Institutions), NGOs and corporates. Contributions made by NGOs and corporate entities improving elementary education in the country in supplementing government efforts on a large scale are worth emulating by others. For success of PPP models it is necessary that public capital and private capital have to be utilized in most effective manner. PPPs need facilitative environment of independent regulatory authorities that help resolve conflicts among stakeholders.

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THE ROLE OF PUBLIC PRIVATE PARTNERSHIP IN EDUCATION IN INDIA

Introduction

India has followed new economic policy since 1991, based on liberalization, privatization and globalization. In this regard, our country is reforming our education to adjust with global standards. Present education should not only aim at improvement of people in every sphere of life but at the some time, it should address the needs of the market (Arjun Singh, HRD Minister, 2007) India supplies highly skilled scientific and technical manpower to the world market produced at a relatively low cost According to the Kothari commission, education that determines, the level of prosperity, welfare and security of people. The significant growth in education especially higher education in India has also contributed to the building of the third largest reservoir of scientific and technical professional manpower in the world, it must be noted that hardly 8 to 9 percent of the 17 – 23 age group population are presently enrolled is higher education institutions. Only 10 percent of India's youth go to college as against 40 to 50 percent in the developed western countries. (Dr.Manmohan Singh prime minister of India, 2008). The present support for higher education at 0.7 percent of GDP not only in adequate and there has been a significant decline in the resources allocated for higher education. The government run public schools new to be reformed in a way to avoid teacher absenteuism, improve attendance through peer monitoring effects.

Dr.D.Purandeswari, Honorable Minister of State for Human Resources Development, Government of India delivered the inangular address at the conference on "Education for sustainable development" hold in chennai on 13th March 2011, stated that the issue of employability, Government - Industry collaboration would help in addressing the employability issues. Government education bodies should employ professionals as part time teachers and lease their infrastructure to the private sector for a second shift to important specialized training Former Prime Minister Mr.Vajpayee on strengthening public – private partnership in education in India December – 2002.

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Comparing The Roles of the Public and Private Sectors in Rural Education :

Enrolment in private schools in rural India increased from 21.8 percent in 2009 to 24.3 percent in 2010. This number has risen steadily since 2005 when it was 16.3 percent nationally. Between 2009 and 2010 the southern states have shown a substantial increase in private school enrolment.

A large proportion of secondary schools in the country side are financed from the public treasury. Both federal and State it is also evident that a significant proportion of rural students. Particularly, post – elementary learners, are seeking the services of the private sectors. Education is leading policy makers to ask questions about the feasibility of increasing the volume and diversity of public – private partnership as a cost effective way of meeting this demand.

Public private partnership (PPP) are collaborative efforts between private and public sectors, with clearly identified partnership structures, shared objectives, specified performance indicators for delivery

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of a set of education services in a stipulated time period. The private education sectors consists of for profit and not –for - profit education institutions. The private partners involved in a PPP initiative may include these for - profit and Non – for – profit institutions as well as corporate institutions, PRIs, NGOs, community – based organizations and even individuals who are interested in contributing to the creation and operationalization of education services in an area. The public element of the partnership comprises government spending of tax revenues and the individual users spending our of their pokers for education services.

These partnerships are being nurtured through several different activities. The Research Evaluation, Monitoring activities under SSA are being undertaken in partnership with private institutions and NGOs.

Mid day - meals are some examples of this. SSA conceives partnetship with NGOs in three ways through

- Direct funding by central and state government.
- Funding activities by indentified National and State Research institutions.
- Participation in community activities funded by village Education Committees.

PPP working in SSA is provided by Byrraju foundation, a not - for - profit organization, which aims to contribute to sustainable rural transformation. Under its School Education Programme, the Foundation Facilitates the creation of Model School's in adopted villages including 234 government schools, benefiting 80,000 students and 1600 teachers.

1. New models of education provision seems to ragard strenthening of existing pattarns of suppy and demand as a sufficient education.
2. To address social inequities that might skew the costs imposed on poor familes. (Like BPL Section).
3. To bringing together the objectives of access and retention also provides an innovative solution to the intransigence of teacher union lobbies that have been hightighted in public school systems.
4. The 1990's have seen the establishment of a number of important milestones in the policy terrain that have marked impact of the educational system.
5. To examined schooling access and qulity.
6. To maor public education initiatives (Such as mid – meal scheme) centre, State Dr.MGR Rural Schemes.
7. To Major Government incentives (UGC, CSIR, NCERT, AICTE, State Government).
8. Evaluation and Assessment systems.

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Conclusion:

Private sector can be encouraged to invest part of its profit towards philanthropic activities in the education sectors by adopting government schools for improvement of infrastructure and resources. Several functions of the government schools can be outsourced, through private sectors involvement. Private sector should also be involved in designing curriculam.

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PUBLIC PRIVATE PARTNERSHIP IN HEALTH SECTOR

Health is an important component of services like education, banking, insurance, LIC, transport and communication, tourism etc. for human resource development. Good health care facilities and services are more essential for creating health, citizen and society that can effectively contribute to social and economic development, with increased urbanization, industrialization, changing environment and ecosystem, deterioration of health resistance and the changing nature of health problems become a great concern for the world today. Health is an asset, which is commonly used to work actively for a long time to contribute personal and economic growth of a citizen in particular and that of the nation in general as a whole. Health is defined by WHO as a state of complete physical, mental and social well being and not merely absence of disease of infirmity. Health care services are offered to huge numbers of people by government, private and NGOs separately at different times, different places and to different sections of the society. This paper discusses the role of PPP in providing health services to the society as a whole. The central theme of Eleventh Five Year plan is to deepen the participation of private sector in health care services in India. The principal instrument suggested for strengthening the system in the plan is PPP.

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Objectives of the Study

1. To study the importance of health of human being in India.
2. To study the role of public health sector in India.
3. To study the role of private health sector in India.
4. To study the need, principles, features, types and implementations of PPP in India.

Public Sector

The term 'Public Sector' refers to national provincial/state and district governments; municipal administrators, local governments institutions, all other government and inter-governmental agencies with the mandate of delivering public goods. The public sector includes organizations or institutions that are financed by state revenue and that function under government budgets or control Health sector in India is the responsibility of the central state, and also Local governments. But in terms of service delivery it is more concerned with the state.

The centre is responsible for health services in union territories without a legislator and is also responsible for developing and monitoring national standards and regulations, linking the states with finding agencies, and sponsoring numerous schemes for implementations by state governments. Both the centre and state name a joint responsibility for programmes listed under the concurrent list. About three-fourth of the expenditure on public health is incurred by the state or local governments and the remaining one-fourth of the total expenditure is spent by the central government.

The government (central, state, local) provides publicly financed and managed curative and preventive health services from primary to tertiary level, through out the country and free of cost to the consumer. These account for about 18 percent of the over all health spending and 0.9 percent of the GDP.

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The Private Sector role

The word 'Private denotes two sets of structures: the for-profit encompassing commercial enterprises of any size and the non-profit private referring to Non-Governmental Organizations [NGOs] philanthropies and other no-for profits. The private sector comprises those organizations and individuals working outside the direct control of the state. In the health sector for profit providers may include individual physicians, diagnostic centre, ambulance operators, blood banks, commercial contractors, polyclinics, nursing homes and hospitals of various capacities, community service extension of industrial establishments, co-operative societies and professional associations. Over the years the private health sector in India has grown remarkably [Baru 1999]. At independence the private sector in India had only 8% of health care facilities (World Bank 2004) but recent estimated indicate that 93% of all hospitals, 64% of beds, 85% of doctors, 80% of outpatients and 57% of Inpatients are in the private sector (World Bank.2010) The Tenth Five Year plan (2002-07) stressed the need for private participation in health services.

Implementation

Currently several private partnership initiatives are under implementation in the states of India. They are.

- Purchase and distribution of drugs in bulk.
- Contracting specialists for high risk pregnancies.
- National disease control programmes.
- Social Marketing.
- Adoption and management of primary health centre blood banks & pharmacy facilities.
- Joint Ventures.
- Medical education and training.
- Engaging private sector consultants.
- R & D Investments.
- Telemedicine.
- Health Co-Operatives and accreditation.

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Equity and Accessibility

Partnership with the private sector presupposes that equity accessibility and quality of care would be ensured to the targeted beneficiaries, i.e. the poor and deprived sections of the population. Achieving health equity means eliminating avoidable differences in health and providing health services to all people of the country equally at free cost or at low costs based on their requirements. Inequalities are unfair when they stem from factors that society can do something about unequal access to resources' such as education safe housing, pure drinking water, environmental conditions, transport and communications and easily available of healthcare services and facilities equally at minimum rates to all.

Data Analysis and Interpretations

The state wise distribution of in-patients in public and private hospitals in India. In spite of good government sector infra-structure a majority of patients in Punjab, Haryana and Maharashtra went to private hospitals. In Himachal Pradesh Rajasthan, West Bengal and other North Eastern states a majority of the patients seek admission in government hospitals in spite of inadequacies in infra-structure. In Bihar, poor government Infrastructure might be responsible for over 60 percent of patients seeking admission in

private hospitals. Obviously the choice between public and private sector facilities depends on several factors including the functional status of government infrastructure, the price differential between the public and private sector, the person's ability to pay and the preferences of the community.

It can be seen that Central Government contributed Rs 76,185 Million (6.4%) while the contribution the State Governments and Local Governments was Rs.132,708 million (12.6%) and Rs.14,496 Million (1.3%) respectively. But the household sector contributes more than the Government sectors in India.

The total per capita health Expenditure in India for the year 2001-02 was Rs.1021 which accounted for 4.6 percent of its GDP. OF the total expenditure, 20.3 percent was public/government expenditure, 77.4 percent was private expenditure and remaining 2.3 percent from external support.

Main Findings

- ❖ The importance of health care services is felt and realized by all people all over the world.
- ❖ Both public and private sectors playing vital roles in providing health services to their health consumers.
- ❖ Voluntary Organizations and NGOs too actively engage in rural and critical areas in the country wherever the under privileged and socially, economically weaker sections of the people live.
- ❖ Infrastructural facilities are not still fully available in both the sectors.
- ❖ Financial and other resources also are major constraints for the sectors.

Conclusions.

The public sector needs to respect the organizational autonomy and priorities of the non profit sector. It is also essential for the public sector to recognize the basic legitimacy of the private sector and the profit motive that derives it. In this context, partnerships and contractual relationship need to be carefully differentiated. In conceptualizing a framework that assists with setting global norms and guidelines and within-country legislative actions, it needs to be recognized that the dynamics of PPP arrangements are generic across social sector. India is striving to achieve the Millennium Development Goals, and the expectations to attain various targets are variable.

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THE PUBLIC PRIVATE PARTNERSHIPS IN SMALL - SCALE SHRIMPFARMING

Introduction

It is commonly recognized that partnerships and alliances between the public, private and civil sector are critical factors for success in development. These relationships have often been championed by development agencies and donors under the umbrella term 'public private partnerships' (PPPs). With new challenges arising to frustrate our attempts to meet the Millennium Development Goals, from accelerating climate change to the fragility of the global financial system, the nature of these partnerships is evolving. The private sector is becoming more fully engaged, shouldering more responsibility for achieving human development goals. Profitable smallholder businesses, often the backbone of the economy and food supply in developing countries, are now increasingly recognized as important drivers for successful development.

PPPs in Shrimp Farming (Aquaculture) development: Experiences from the last ten years:

The integrated partner to be of a certain economic scale was In 2010, World Fish carried out a review of aquaculture and fisheries PPPs implemented over the previous ten years. The review included an online survey, an extended analysis of publicly available resources and personal interviews with development agencies, civil and private partners previously engaged in PPPs. Of the 53 PPP cases assessed, 70% took place in Asia, 17% in Africa, 8% in South America, and 6% had a global outreach; development agencies had initiated 87%; national public partners in developing countries were involved in 83%; and NGOs were identified as the civil sector partner in 62%. With respect to the private sector, it was found that medium sized companies and multinationals from the North partnered with farmer cooperatives 49% of the time, with smallholders 38% (mostly involved within a wider group of private partners), aquaculture and fisheries associations 26%, and with community groups 19%. (The total exceeds 100% because there is often a mixture of private partners involved).

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This indicates that although there was strong representation from smallholders in the development partnerships, overall there was a preference for social groups such as cooperatives, associations and communities (94%). This reflects the desire for partnerships of economic scale. There is an understandable need to minimize the risk of failure of development projects. The public authorities want to achieve sustainability and multiplication of the benefits beyond the project's duration and the private profit-oriented enterprises from developed countries will only invest when adequate returns on investment may be expected; hence they tend to work with larger producers or aggregated producers (cooperatives and associations). A requirement for supported by 80% of those interviewed. However, small holders still face the problem of being targeted by interventions, but not being large enough to be acknowledged as equal partners. In consequence, resource-poor farmers and small-scale processors in developing countries need to find partners but often find they have nobody suitable to partner with5. A close examination of the PPPs revealed that many promoted the primary interests of private sector enterprises from developed countries.

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Statement of the Problems

Certain types of social, economic and technological innovations can only be achieved when public sector organizations, private firms and civil society cooperate closely. These critical alliances between the public, private and civil sector are referred to as public private partnerships. A review of PPP experiences in the field of Shrimp Farming (aquaculture) leads to the following.

- The PPP objectives tend to reflect the desires of the developed country partners. These usually include enhancements to the value chain through improvements to the quality of the product and the production process, prerequisites for access to international markets.

- Developed country partners prefer to join with cooperatives or associations rather than individual smallholders in order to reduce risk by working with a partner of sufficient economic scale

- The most important difficulties encountered by PPPs were inadequate funding and the scarce supply of human resources with the necessary technical and management skills.

- The most essential prerequisite for a successful PPP is a supportive governmental public private partnership strategy, with a regulatory framework that upholds property rights, accelerates entry to the formal economy, and roots out corruption

- The value-chain oriented 'enterprise centre approach' responds to the higher vulnerability of many low income producers by offering a complementary package that includes training in entrepreneurship, legal advocacy advice, microfinance, and technological support to enable smallholders to develop commercially competitive enterprises.

Foundations underlying successful public private partnerships

- Topping the list, and an essential prerequisite, is a supportive Government public private partnership strategy, with a regulatory framework that upholds property rights, accelerates entry to the formal economy, and roots out corruption.

- The intentions and motivations, interests and obligations of all partners (public, civil and private) must match to allow any partnership to be workable.

- Strong leadership by the private sector partner within the management of the PPP is essential.

- Solid financial foundations and economic planning with feasible and sustainable targets are key factors for enterprise and business development.

- Formal, approved, transparent, fair and balanced management structures and information flow within the PPP are essential to maintain trust and commitment from all partners.

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Conclusion

From my research I conclude that national stakeholders in developing countries, particularly Shrimp farms (Aquaculture) smallholders, are often perceived as lacking financial resources and essential management skills. They were not treated as equal partners but viewed primarily as recipients of project interventions. To resolve this, the specific demands of the disadvantaged groups and their vulnerability has to be taken into account in PPP design, creating opportunities for their participation. Within the broader challenge of climate change, interest in engaging smallholder businesses in actions for adaptation and mitigation is increasing. Public private networks and partnerships are increasingly influential in trans-national Government, not least prompted by the merging of market and regulatory instruments in the framework of the KyotoProtocol8. During COP16, the World Business Council for Sustainable Development (WBCSD) presented a strategy for including the private sector in low-carbon technology research, development and demonstration. It showed how Government can generate leverage by introducing policies that redirect private sector investment. The UN Summit on the Millennium Development Goals in September 2010 specifically recommended partnerships with the private smallholder sector highlighting the "inclusive business strategy.

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PUBLIC-PRIVATE PARTNERSHIP –AN INTERNATIONAL PERSPECTIVE AND GUIDELINES TO INDIA

Introduction:-

Pressure to change the standard model of procurement arose initially from concerns about the level of public debt, which grew rapidly during the macroeconomic dislocation of the 1970's and 1980's. Government sought to encourage private investment in public sectors. As a result Public –Private Partnership arose. This paper aims to explain the PPP experience of various countries, Problems in PPP projects and the factors responsible for the success of PPP projects from that establishing a few guidelines to India.

India:-

PPP projects have been in existence in India for nearly a decade. The PPP India database estimates that a total of 221 projects have been either successfully implemented or completion is imminent. A large proportion nearly 80% have been in the road sector. Ports are second and account nearly 17% of the total number of projects. But for education and health care few NGO's like Azim premji foundations, CRY (Child Rights and You) Pratham., and Pratichi Trust are engaged voluntarily.

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Problems in establishing PPP project:-

A common problem with PPP projects is that private investors obtained a rate of return that was higher than the Government's bond rate, even though most or all of the income risk associated with the project was borne by the public sector.

In 2009 the New Zealand treasury, in response to inquiries by the new national party government, released a report on PPP schemes that concluded that "there is little reliable empirical evidence about the costs and benefits of PPPs" and that there " are other ways of obtaining private sector finance" as well as that" the advantages of PPPs must be weighed against the contractual complexities and rigidities they entail.

Because of the substantial risks involved, private sector may not be too enthusiastic about teaming with the bureaucracy to provide and manage infrastructure facilities. In view of low economic returns corporate may not be interested in PPP projects in several areas such as rural connectivity, rural energy, rural healthcare, rural housing etc.,

Factors responsible for the success of PPP projects:-

Extensive research has been carried out to determine the factors that influence PPP implementation. The most important factors are high aggregate demand, well established institutions and less-corruption.

Garvin has divided the success factors of a project into four main components state, society market and industry.

For success of PPP models it its necessary that public capital and private capital have to be utilized in most effective manner with minimum of red tapism or adhocism.

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Suggestions:-

The eventual success of PPPs in United Kingdom despite the shortcomings like lack of consensus regarding the Model Concession Agreements (MCAs) and absence of standardization of transactional practices and document a paucity of mechanisms for sharing good ideas across the sectors and agencies the Governments unwillingness pay for good quality advice, contractor led bids with little or no innovation and small deal sizes, suggests that the aforementioned challenges, though difficult are not insurmountable. The experience of Chile suggests that it should be possible to increase private investment in infrastructure in India from its current level of 1% of GDP to 2% of GDP. The strategy of Chile's Government that resulted in this substantive expansion in the private sector's role was based on:-

- Active promotion of Private participation.
- Establishment of stable and efficient regulatory frameworks.
- Credible mechanisms of dispute resolution
- Stringent norms of environmental protection.
- Continued Government role and support.

IFAD in Africa is the best example that explains PPP projects also help to eradicate the level of poverty which serves as a best example for a developing country like India.

In Australia PPP Projects succeeded because of centralization in planning and decentralization in promoting the plans.

PPP's in India need facilitative environment of independent regulatory authorities that help resolve conflicts among stakeholder.

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Conclusion:

India's capability wealth has made significant strides that enabled country launch satellite into outer space, make noted contributions in computer science and software development, but it could not achieve matching success in elementary education and primary health care. India can follow the path of other successful countries in PPP projects to transform itself to be a developed country.

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PUBLIC PRIVATE PARTNERSHIP IN SOCIAL SECTOR

Introduction

The term PPP encompasses all nongovernment agencies such as corporate sector, voluntary organization, self-help groups, partnership firms,individuals and community based organization, PPP,moreover subsumes all the objectives service being provided earlier by government,and note intended to compromise on them.

PPP and Privatization

The key difference between public private partnership and privatization may be summarized as follows.

- Responsibility
- Ownership
- Risk and reward
- Nature of service
- Principles of PPP

PPP involves long term relationship between the public and private sector .while collaboration between the two may take various forms like buyer seller relationship,donor recipient relationship,the most stable partnership is in the form of contract binding on both the parties. Developing global partnership for development including partnership private sector and civil society in technological development. All this objective are to be achieved by 2015

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Main Areas of Public Private Partnership In Social Sectors

Main areas of public private partnership in social sectors are following

a. Ministry of Human Resource Development
Department of Elementary Education and Literacy
Some of the programmes under implementation in the department of Elementary Education through PPP are mentioned below.

- ❖ Programme of mobilizing local support to primary school
- ❖ PPP in mid-day meal scheme
- ❖ Computer Aided Learning at Elementary level under sarva shiksha Abhiyan

b.Ministry of Human Resource Development
Department of Secondary and Higher Education
Under national Education policy only VOS and NGOS and Trust can undertake activities in Higher Education to the exclusion of individual and private companies. Higher Education through PPP are mention below.

- ❖ Deemed to be Universities
- ❖ Other Schemes

A number of other schemes administered with involvement of private sector

- Integrated Education for Disabled children.
- Development of Languages.
- Madrasa Modernization Programme.
- Vocationalization of Education.

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c. Ministry of Human Resource Development

Department of Women and Child Development

The Department has schemes such as hostels for girls, short stay home for women, support for training cum employment programme are being implement through NGOS and community participation.

- ❖ Integrated Child Development Scheme

d. Ministry of culture

The ministry has following major schemes being implemented through PPP.

- ❖ National Culture Fund

e. Ministry of Health and Family Welfare / Department of Family welfare

f. Ministry of Agriculture

Department of Agriculture and corporation implemented following programmes through PPP.

- ❖ Agriculture Extension Services.
- ❖ Production of Seeds
- ❖ Construction of Rural Godown Scheme
- ❖ Kizan call centres.

g. Ministry of Environment and Forest

Following programmes implemented through PPP.

- ❖ Afforestation programme or Degraded Forest Lands
- ❖ Management and Operation of protected Areas

h. Ministry of Rural Development

Department of Rural Development

The Department has following schemes being implemented presently through PPP

- ❖ Proposed Schemes ❖ National Fund for Rural Development

i. Ministry of Rural Development

Department of Drinking Water Supply

Swajaldhara in December 2002 is based on active community participation, plan, implementation, operation, maintains and management. Swajadhara scheme is very important.

Conclusion

One of the persuasive arguments in favour of PPP is promise better quality of service through clear customer focus. It is also argued that introduction of PPP would reverse the years of chronic under investment through mobilizing public and private capital. Although experience in this regard show that it did not open flood to private sector participation

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IMPROVING HEALTH AND EDUCATION SERVICE DELIVERY IN INDIA THROUGH PUBLIC–PRIVATE PARTNERSHIPS

Introduction

Public–private partnerships (PPPs)—also known as private finance initiatives (PFIs), PPP/3P, and alternative financing procurements—have been used increasingly to deliver public services across countries. PPPs or PFIs are viewed frequently as alternatives to traditional procurement through engineering, procurement, and construction (EPC) contracting. Design and construction elements of the capital project. The public sector retains ownership of the asset and is responsible for financing the initiative. PPPs or PFIs allow the public sector to harness the management and delivery capabilities of private providers and also raise additional funds to support specified services.

The health care system in India consists of a public sector, a private sector, and an informal network of care providers. The size, scale, and spread of the country hampered complete adherence to the number of well-intended guidelines and regulations. Although there are norms and guidelines, compliance is minimal. In reality, the sector operates in a largely unregulated environment, with minimal controls on what services can be provided, by whom, in what manner, and at what cost. Thus, wide disparities occur in access, cost, levels, and quality of health services provided across the country.

The Government of India has stated its commitment to improve the nation's health system through various policy documents such as the National Health Policy (1983 and 2002). Many policy objectives are consistent with the Millennium Development Goals (MDGs). However, many goals remain unfulfilled for a number of reasons, including planning-related issues and human resource scarcity in health service delivery.

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Key Challenges and Issues in Education sector in India

This focuses on two key parameters: physical infrastructure and teaching quality. Education has made significant progress in providing coverage, increasing physical infrastructure in urban areas, and providing midday meals and other ancillary services that improve the retention ratio. However, several areas still need improvement and the government needs to set and maintain standards for infrastructure and curricula. These challenges require a multifaceted approach to achieve wider economic, sociocultural, policy, and political reforms. However, such issues are outside the scope of this exercise.

The team requested infrastructure information from study participants, and discussed with state governments their views regarding the physical infrastructure requirement. For the most part, the state governments felt that considerable progress had been made in developing physical infrastructure; they preferred to focus on improving teaching quality. However, the team's analysis shows significant deficits in key areas such as blackboards, toilets, and ICT facilities.

Thus, the physical infrastructure at primary and upper primary schools still requires significant improvement. Some requirements—e.g., blackboards, electricity, and playgrounds—are critical support in achieving quality education. The availability of separate toilets represents a critical requirement for retaining girls in school beyond puberty. The school building program requires a proactive building

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maintenance and management program to continuously maintain performance standards. This report recommends that central education authorities develop standard specifications for school infrastructure. It also suggests that the Government of India consider PFI and BSF, which focus on infrastructure programs that renew schools and estate management.

Teaching Quality and Performance

Teaching performance reflects student attitudes and teaching skill. However, teacher performance differs significantly in public schools at both state and national levels. Average class size varies from 22 to 40 students and student–teacher ratio varies between 25 and 36. On average, 49% of schools lack a full-time head teacher. Students that repeated grades were between 43% and 50% in the states that participated in this study. Teacher absenteeism is a recurrent finding in the state studies. Factors contributing to poor teacher performance include apathy, insufficient leadership, school management plans, poor incentives, unions, inadequate training, and salary differentials. In a study entitled "Private Schools Serving the Poor"10 by James Tooley, teachers' salaries in government schools were compared with those in recognized and unrecognized private schools.

Key Challenges and Issues in Health sector in India

The health sector in India significantly increased its ability to provide coverage in primary health care centers and hospital infrastructure. Significant coverage discrepancies exist among the different states. While gaps in physical infrastructure continue throughout India, other health care challenges include: Shortage of skilled health care professionals. This is a national issue and requires more training institutions and medical colleges. Accessibility and coverage in rural areas. India's diverse geographical terrain makes providing health care services difficult. Because inaccessible areas also tend to be the most backward areas, the government needs to provide them with medical services.

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Conclusion

The delivery of education to primary and upper primary schools has substantial gaps, particularly in physical infrastructure and teachers' quality and performance. International experience shows the effectiveness of the different types of PPP models presented here, which will require per project specific requirements through a detailed financial, legal, and technical evaluation. Based on international experience, this study proposes a number of PPP models to address these issues, which need to be detailed out through project-specific structuring - financial, legal, and technical evaluation.

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PUBLIC - PRIVATE PARTNERSHIP IN WATERSHED DEVELOPMENT PROGRAMME : AN ANALYSIS

INTRODUCTION

The majority of the population in India is dependent on agriculture, which is still under subsistence and prove to weather and market uncertainties. In this context, Watershed Development Projects evolved over the last few decades significant investments from the Government of India. Watershed Development Project is implemented in India through a diverse group of institutional players, which include the state, Panchayat Raj Institutions (PRIs) non-governmental organisations (NGOs), NGO - Government collaborations and bilateral agencies with people participation.

The paper attempts to assess the economic and social perspectives of sustainability of Watershed Development Projects with Public Private Partnership.In India in the last three decads, watersheds have become the pivotal unit for rural development programmes. India's total cultivable area for 142 million ha, 89 million ha of unirrigated lands needs similar investments. This land grows 45 percent of India's food grains. This irrigated area has reached agricultural production plateau of about 110 million tones; so efforts to increase food grain production need to focus on improving the productivity of rainfed agriculture. The concept of Watershed management is a old as the concept of crops grown under irrigated conditions and this concept led to development of tanks / reservoirs for increasing the production to meet the demand of ever growing population - since ages. Different rulers in different regions realised and executed works based on the availability of funds needs of the people, available natural resources in the area etc. To meet population demands and requirement of food needs. After India achieved independence, the importance to executive authorities at village level has gradually declined in India due to changes in policies in the democratic setup and liberalization of spirit of freedom. This led to more damage to vegetation in rural areas leading to deterioration in environment through soil degradation. Hence, Government of India and different provincial Governments took up amelioration measures such as afforestation measures, soil conservation measures, run-off water utiltization programmes.

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The role of Public-Private Partnership in Watershed Development Programme

Anna Hazare's programme of Watershed development in Ralegan Siddhi merits attention not only for its environmental impact but also due to its comprehensive and multifaceted nature. It gives us insights into the ways in which in individual and his organisation can play a central role in reshaping rural life. Under the leadership of Anna Hazare, the village evolved a different path of watershed development. Villagers constructed various water and soil construction works and plantation activities. he encouraged the active participation of people in the planning and decision - making process of various programmes so that "the village is built through the creative productive and innovative hard work of people themselves".

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Jointness of Benefits : Private and Social

This brings us to the second set of difficulties for designing the subsidy structure for WDPs. To a large extent, this refers to methodological problems and the absence of carefully conducted studies on the benefits and costs of different treatments undertaken through WDPs. The problems arise mainly due to the fact that: (a) a large part of the benefits generated through watershed programmes are in the form of environmental regeneration and hence difficult to assess as well as value in monetary terms; (b) the impact of watershed development is situation-specific, vulnerable to weather related fluctuations and has a long gestation period; (c) benefits often accrue at the societal level and hence it is difficult to isolate those accruing to individual households/benefiticaries; and (d) the benefits arising from different treatments are likely to have strong synergy effects thus making it difficult to decompose the effects of individual treatments and the beneficiaries covered by them.

Watershed Development Projects with effective people's participation

This is taken as a satisfactory indicator for supporting such investment particularly because of the significant environmental benefits expected. Whiel this is a fairly practical approach for making investment decisions, it does not provide a rationale for identifying the extent, distribution and terms of subsidization across watershed treatments as well as households within a WDP project. Overall therefore, investment in WDPs is justified out he ground of its multi-faceted environmental benefits (De Graff 1996) like reduced soil erosion, recharging of groundwater, increased vegetative cover, bio-diversity, carbon-sink function, etc. An important implication of such an approach is that it does not pay adequate attention to important aspectsl like private benefits and cost sharing.

Private Investments

Notwithstanding the various justifications, experience from a large number of WDPs indicate that the subsidies provide for basic investments in SWC mesures by and large, have failed to promote private investment by the beneficiaries covered by the project. The only major exception is preparation of field bunding and field channels where the irrigation facility has been created through the project. Barring this response, there are only a few instances when farmers have put their own resources after having their land treated under the prject. some of the important activities that ideally could have received private investment include mulching, composting, farm forestry, water saving devices including trenching, and improved agronomic practices through additional investment in labour. What is concerning is the issue of maintenance of the structures created thorugh the project. Poor maintenance of field bunds, terraces, farm ponds, and the low survival of plantations etc, are some of the common sights on the areas already treated by the project. The situation is worse when it comes to common property resources (CPRs) such as villagetanks, drainage lines and check dams, etc (Shah 2000).

Prima facie, the lack of private investment in WDPs (except in the case when additional irrigation is made available through the project) is explained through a complex- mix of factors as discussed by Kerr et al (1996). According to them the crucial factors determining farmers' investment in soil-water conservation or WDPs are (a) greater concern about loss of water and soil nutrients rather than for soil erosion per se: (b) opportunity cost of labour time; (c) accesss to financial resources; (d) tenure agreement; (e) quality of land and topograph; (f) staggering of costs and efforts over a long period of time; and (g) hesitation to invest in community - based resources.

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The scope of change is evidently different among the communities, these impacts are, however, characteristic of all sites:

- Community-based organizations were strengthened and led to greater social capital for the rural population
- Incomes were increased as well as employment opportunities. Outbound labor migration decreased subsequently
- Water availability was significantly increased (2-4m);
- Soil runoff was decreased as well as the use of pesticides;
- Increased greenery and C-sequestration.
- Crop yields increased substantially
- Due to mixed cropping systems, the biodiversity of the agroecosystem was sustained.

ICRISAT has initiated several consortia for watershed projects in countries such as India, China, Thailand, Vietnam and Rwanda. These consortia bring together different institutions — governmental agencies, research institutes, community-based organizations, agricultural universities, NGOs and other private interest groups yet retaining farm households as the key decision-makers of substantive changes. The various consortia serve as a platform for effective planning, the exchange of knowledge and experiences, and mutual learning. The success of watershed management largely depends on the participation of the community. The consortium approach ensures the active participation of the community in planning, implementation and evaluation and brings together local, regional, national and international research and development institutions to provide technical support to the farmers. The farmers refine the technologies and undertake on-farm strategic research together with the consortium partners. This approach facilitates a two-way communication flow: feedback from the field level can be directly addressed to the consortium partners and both sides benefit from the exchange of knowledge and experiences.

Partnerships with the private sector also bear huge potentials that are currently untapped in the dryland areas of most countries. Public-private partnerships (PPP) have proved their productivity in several watersheds sites and created win-win situations for all stakeholders involved. In fact, experiences of ICRISAT and partners suggest a substantially new perspective on watershed development programs: watersheds should be regarded as business models.

As per the Government of India's Eleventh Five year plan (2007-2012) report, the following strengths have made for Watershed Development Programme in India.

- All ministries issued guidelines.
- Community-based Project Management including financial aspects.
- Support for capacity building agenda (Community Organization and Training).
- Provisions for maintenance of assets.
- Formal role for NGO and partnerships between government and NGOs.
- Several models emerged at operational level for project management at State/district level.

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Conclusion

Public Private Partnerships (PPP) have proved their productivity in several watersheds sites and created win-win situations for all stakeholders involved. This is taken as a satisfactory indicator for supporting such investment particularly because of the significant environmental and social benefits are expected from the WDP Projects with PPP.

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PUBLIC –PRIVATE PARTNERSHIP EDUCATION – LIGHTS AND SHADOWS

" A SINGLE SUNBEAN CAN DRIVE AWAY MANY SHADOWS – ST.FRANCIS OF ASSISSI

Focus :-

The individual goals of education are cognitive, effective and skill formation while the collective goals are employability, socio-economic development, better quality of life, peace and social harmony, well-informed citizens' participation in governance, national character and prosperity. For any productive activity, labour and entrepreneurship are as much required as land, capital and organization. Labour is mainly of two types – manual and mental –though both are complementary to each other. However, one can do manual labour without specific skills but mental labour requires specific skills and training. Hence for getting skilled and semi –skilled jobs, one is to be educated and trained in a particular area and direction of knowledge.

India joined the club of developed countries with compulsory education on 1st April, 2010 when Right of Children to Free and Compulsory Education Act became effective though Article 21A was inserted in Indian constitution through 86th Amendment in 2002. Thus all children of 6-14 years are to get free education up to 8th standard and at the same time through Article 51 A(K) it is the fundamental duty of all parents and guardians to send their children to schools. It also provides for better teacher-pupil ratio, opening of more schools, more buildings, more classrooms, toilets, trained teachers, improvement in curriculum and library on the other hand, it prohibit physical punishment and mental harassment, screening procedures for admission, capitation fees, private tuitions by teachers, and running of schools without recognition.

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Higher Education

Tertiary education is the highest level comprising of undergraduate, postgraduate and research. On 31st December, 2010 there were 42 central universities, 130 institutions deemed to be universities, 261 state universities, 73 private universities, 33 institutions of national importance and 5 institutions established under state Acts-thus 544 institutions in total. In addition, there are 31324 degree colleges. The enrolment of women in higher education increased from 10 percent on eve of Independence to 41.6 percent in 2010-1. Women enrolment as percentage of total enrolment is highest in Goa(59 percent) and lowest in Bihar (30 percent). But in absolute number of women enrolment U.P tops the list with 8.4 lakh , followed by Maharashtra with 7.8 lakh and Andhra Pradesh with 6.1 lakh .UGC provides Indira Gandhi scholar ship of Rs. 2000/- P.M. for 20 months to single girl students - the total number of such scholar ship is 1200 in a year. In 2009-10 , 1538 girls were benefited under this.

In Universities and colleges there are equal opportunity cells for ensuring effective implementation of policies for weaker sections. At present 128 such cells are working in different universities. Further orientation programmes and refresher courses for teachers are organized to exchange experiences and ideas and keep updated with the latest trends.

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Technical Education:

In addition to higher education, there are several technical educational institutions playing vital role in human resource development by creating skilled manpower, enhancing industrial productivity and improving the quality of life. These are 15 IITs , 11 IIMS, 5 Indian institutes of science Education and Research , 30 NITs , 1 Indian institute of science. 41 IIITs , 4 National Institutes of Technical teachers training & Research , and 9 and others – in total 79 central technical institutions.

Policy Implications

For better contribution of education to the Indian economy in general , and service sector in particular, following steps need to taken by the Union, State and local governments at the earliest:

- Public expenditure on education should be enhanced to 6 percent of GDP so that both central and state educational institutions are provided adequate fund for various academic and infrastructural facilities. Higher education should get 1.5 percent of GDP
- Access is less than desirable, hence a massive drive is to be launched; drop outs should be removed through mass awareness campaigns, making curricula more student –friendly, providing facilities like labs, libraries, toilets, classrooms etc adequately
- There should be a paradigm shift from literature type education to productive, job-oriented education as per requirement in public and private sectors after secondary education. This will provide assured employment to skilled and semi-skilled manpower.
- Individual rate of return from secondary education is usually less than social rate of return . On the other hand, from higher education individual rate of return is more than social rate of return because a graduate gives top priority to his job and tends to be highly mobile and migrate to urban areas, metros or foreign countries for individual gains.
- The argument that all foreign universities should be freely allowed to open campuses in India does not hold good. In 2010 Tri valley University was detected as a fake university where thousands of students were illegally studying and many Indian students were arrested
- Though the literacy rate in India increased from 65 percent in 2001 to 74 percent in 2011, there still remains a wide gender gap-82.14 percent of males and 65.46 percent of females are literate. That is , Women are lagging behind males by 16.5 percent points. Though women's literacy growth during 2001-11 was higher than men's , yet this gender gap is to be bridged at the earliest.

Finally , the bitter truth is that 90 percent of India's workforce is in unorganized sector where jobs are casual , insecure, with less salary , more work, unhealthy working conditions, drudgery, no leisure, no insurance, no provident fund etc. Further due to liberalization, privatization and globalization, many labour laws , restricting employers from firing , have been relaxed or repealed, therefore there are new trends of actualization and contractualisation of labour and feminization of poverty.

But for this new economic reforms is more responsible than the education because the motto of these economic reforms is that 'Privatisation is the panacea of all ills'. Even the Public-Private Partnership model has been implemented only where it suits the private sector which does not venture in remote North-East region or naxal-affected areas. Still 80 percent of schools are in public sector in India, mostly in rural areas where private schools are rare.

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PUBLIC PRIVATE PARTNERSHIP AND SOCIAL INFRASTRUCTURE

Introduction

Public private partnership (PPP) model is gaining worldwide popularity for building and financing infrastructure projects. In a fast growing but capital scarce economy, PPP is a viable alternative to public funding, by harnessing private sector efficiencies for infrastructure development which traditionally has been the government domain. Objectives of PPPs in very broad terms can be achieved through privatization, a practice more commonly followed in Latin American economies–with the government selling the assets or its controlling stake in its various development programmes. PPP as it is largely understood is a cooperative venture between the public and private sectors in which several options are possible. It is built on the expertise of each partner that best meets clearly defined public needs through the appropriate location of resources, risks and rewards. A number of models have emerged ranging from contracting for limited period to complete privatization.

Education and Healthcare: Twin Most Important Social Infrastructure Areas

Education and health provide biggest guarantee for social security. Investments in education and health care not only help the person who benefits from them but also the firm that employs him. A firm that employs educated and healthy employees is likely to be all round gainer. Investments in education and health infrastructure achieve long term benefits both to individuals and society. A society of educated workforce brings further pressure on government for improving standards for education and health infrastructure which in turn improves levels of social security. Due to funds limitations, successive governments did not spend enough on elementary education. Higher levels of elementary education help contain social and gender elementary education.

inequity that facilitates social security. Government, NGOs and corporates need to accord much greater priority to social infrastructure particularly education and healthcare but without diluting emphasis on child development, women empowerment and care of the elderly either which are also vital components of social infrastructure.

Care of Elderly and Social Security

In India, there are 70 million people above 60 years of age constituting 6.5 per cent of the total population. This is likely to touch 179 million by 2026 forming 13.3 per cent of the population. In India, following continuous improvement in healthcare facilities, there is consequent decrease in mortality rate and increase in the life expectancy at birth. In recent periods, life expectancy at birth has increased from 32.5 to 55.4 years for males and 31.7 to 35 years for females. Aged population which stood at 43.5 million in 1985 grew to 61.4 million in 1991.

In India, basic social infrastructure for growing population of the elderly is old-age homes, which at several places are run by the government. While old-age homes exist in larger number in cities, these are much less in rural areas. Social security needs of the elderly consist of food, clothing, shelter, healthcare and emotional

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support. Government supported social security is a basic human right which seeks to provide livelihood to those who cannot earn their livelihood due to some permanent or temporary reasons. Older persons need social security as they cannot work and earn due to age. Right to work and right to social security are complimentary social rights. Right of livelihood can also be viewed as part of right to life which is a fundamental right under Article 21 of the Constitution of India.

Select Cases on Public Private Partnership and Social Infrastructure Development

Providing every child sound education, say, up to high school level is desirable for social and economic reasons. This would prepare more children to access higher education and courses for specialized qualifications. They would then be able to participate in India's economic progress and its successful engagement with the global markets.

GOI has sought to universalize education traditionally by setting up government schools both in urban and rural areas. Many of these schools however at present lack necessary infrastructure and adequate trained teachers due to continuously rising population. This is often discerned in terms of poor academic results and high drop-out rates (Kamath, 2006). To fill the gap in elementary education, a number of private schools have come as education providers but with them too everything is not ideal in terms of quality of education or infrastructure facilities. There are apprehensions in achieving larger development objectives through private schools. Whereas on one hand private schools should accord development priorities, parallely efforts should be directed in improving government school system.

Panchayats and Public Private Partnership

India's development planning has been at macro level and top down that focused too much on big picture such as a big dam or river linking project. During the period of late Shri Rajiv Gandhi as Prime Minister (1984-89) emphasis was placed on bottom up approach for planning in which local bodies particularly village panchayats would play greater role. This experiment was conceived to meet the menace of drought with people support and part financing belonged to the bottom up approach for planning and poverty alleviation.

Panchayats can play important role in village cleanliness and village sanitation. Maharashtra's experience with panchayats to promote sanitation and hygienic practices is a case-in-point (Iyer, 2006). In Maharashtra, between 1997 and 2000, a record 1.7 million toilets were constructed by the state government but hardly fifty per cent of them were actually utilized by villagers with large number converted into storage space by the unscrupulous farmers.

Conclusion

Given the substantial risks involved, private sector may not be too enthusiastic about teaming with the bureaucracy to provide and manage infrastructure facilities (Kabra, 2006). In view of low economic returns, corporates may not be interested in public private partnership projects in several areas such rural connectivity, rural energy, rural healthcare, rural housing, etc. but may evince more interest in strategic CSR initiatives such as contract farming, contract research or contract manufacturing. Education and healthcare and other social infrastructure development should thus be accorded much greater priority by the government than made so far with support of all including PRIs (Panchayati Raj Institutions), NGOs and corporates.

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PUBLIC PRIVATE PARTNERSHIP IN INDIA: RELEVANCE, PROGRESS AND PROSPECTS

Indian economy is a typical example for countries that follow mixed economic system. The main thrust of mixed economy rests on the principle of public and private participation in economic activities. It assumes that the role of both public and private sector must be complementary, and not competitive in nature. Though India adopted the mixed economy approach of economic development, the said principle of public-private partnership is still vague in its conception, actual adoption and implementation.

During the early period of independence, the investments on large infrastructure and service oriented projects are adopted by the government. However, only after fifty years of independence, Public Private Partnership (PPP) projects came up in an organized manner. The PPP projects are widely implemented in the areas of infrastructure services such as education, health care, transportation, tourism, energy and urban development (GOI:2011).

The objective of this paper is to examine the relevance of the PPP projects implemented in India, their progress and future prospects. The study relies on secondary information published by the Department of Economic Affairs, Ministry of Finance, Government of India. The study highlights the regional disparity in the PPP Projects across Indian states.

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Origin and Relevance of Public-Private Partnership

A public private partnership is a legally-binding contract between government and private for the provision of assets and the delivery of services that allocates responsibilities and risks among the various partners. *Public Private Partnership (PPP) Project* means a project based on a contract or concession agreement between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastruc-ture service on payment of user charges. In other words, it describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. In short, PPP is a mode of implementing government programmes / schemes in partnership with the private sector. These schemes are often referred to as Private Sector Participation (PSP), PPP, P3 or P^3 (Asian Development Bank:2006) Needless to state that PPP projects take a variety of forms, with varying degrees of public and private sector involvement – and varying levels of public and private sector risk. However, the goal is to combine the best capabilities of the public and private sectors for mutual benefit as postulated by the mixed economy system. The relevance of PPP could be understood by examining the need for it and the benefits of the same to the Government and Society. These aspects could be enlisted as follows:

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Investment in Public Infrastructure: In general, huge investments on public infrastructure such as highways, ports, airports, railways, irrigation, education, health, energy tourism and other public assets have been funded by the government and, in many cases, have added to public debt. PPP can reduce government's capital costs and thereby bridging the gap between the need for infrastructure and the Government's financial capacity.

Delivery of Services: The problems of delivery of public services could be improved by allowing both public can private sectors to do what they do best. As each sector takes responsibility on their functions, production and distribution of services could be ensured. In addition, by bringing together the strengths from the public and private sectors, PPPs enjoy the ability to share a wide range of resources, technologies and skills in a cooperative manner that can work to improve services delivered to the people. It also facilitates faster delivery of services and delivery of services on time.

Cost-Effectiveness: The private sector by their motivation towards economic gain on their business initiatives are expected to be economical and more effective based on their managerial, technical, financial and innovation capabilities. In fact, the advantage of private sector innovation, experience and flexibility would facilitate the delivery of services more cost-effectively than traditional approaches.

Performance-Based Contracts

Public-private partnership projects adopt an output focused contract which relates payment to performance. This dimension implies project results or performance than how assets or services are provided. It indicates result orientation, innovation and final outcome or performance.

Risk Sharing: The risks involved in any business initiatives are the major huddles of large investment oriented social projects. Under PPP projects, risks are shared between the public and private sectors, allocating particular project risk to the partner who could better manage that risk cost-effectively.

Optimum Use of Assets: The best or optimum use of resources particularly the assets created out of large investments is very much needed to achieve the performance of projects. As private partners are motivated to use facilities fully and to make the most of commercial opportunities to maximize returns on their investments, the net result of PPP projects would be higher levels of service output, greater accessibility and reduced occupancy costs, all towards optimum use of assets.

Long-term Investment Opportunities: PPPs create long term investment opportunities on service oriented projects for private to get involved which otherwise would not happen. Once a private company established a track record of working successfully with the public sector, their scope and opportunities would be wide in other areas and sectors which in turn facilitate further investment opportunities for the participating private sector.

The above discussion reveals the advantages of PPPs on the one hand and the relevance of PPPs on the other in the context of investment, delivery, performance, effectiveness, risk- sharing, optimum use of resources and opportunities. On realising the relevance and advantages of PPPs, several initiatives have been taken up by the Government of India from the turn of this century. In fact, involving private sector in infrastructure projects was felt in the context of financial constraints that limit the ability of the state to engage in social projects and strategies were evolved to create a facilitating framework for PPPs in the year 2003 (Economic Survey 2003-04, Planning Commission:2004)., More sectors have been opened to PPPs and foreign investment. The levy of user charges is being promoted, regulatory institutions are being set up and fiscal incentives are given to infrastructure projects. Approval mechanism for PPPs in the Central sector has been streamlined through the setting up of Public Private Partnership Appraisal Committee

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(PPPAC). Standardized bidding and contractual documents have been notified. To address the financing needs of these projects, various steps have been taken such as setting up of the India Infrastructure Finance Company Limited (IIFCL) and Viability Gap Funding (VGF). Dedicated infrastructure funds are also being encouraged to increase the flow of equity investments.

In this background, we shall examine the performance of PPPs in India in the next section.

Performance of PPPs in India

As on July 31, 2011, there are 758 PPPs in India with a total project cost of 3,83,322 crores. These projects spread over various sectors like health, education, energy, roadways, Railways, Airports, ports, tourism and urban development. Table 1 indicates the trends in Public Private Partnership projects and their value of contracts during the last five years in India.

Table 1
Trends in Public Private Partnership Projects in India

Year	Number of Projects	Value of Contracts (Rs.in crores)	Cost per Project (Rs. in crores)
2006	15	8,280	460
2007	221	129,575	586
2008	300	135,876	453
2009	450	224,176	498
2010	518	273,847	529
2011	758	383,332	506

Source: Economic Survey, various years and GOI:2011

It could be seen that the number of PPPs increase steadily from 15 to 518 while the cost of the projects rise from Rs.8,280 crores to Rs.273,847 crores during the last five years. The cost per project does not show much variation, but increasing mildly during the period under reference. The distribution of the projects by sectors and value of contracts show the divergence among the projects (see Table 2).

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Table 2
Distribution of PPP Projects in India by Sectors and Cost

Sector	Projects		Value of Contracts		Value per Contract in Crores
	Number	% Share	In Crores	% Share	
Airports	5	0.66	19116.0	4.99	3823
Education	17	2.24	1849.7	0.48	109
Energy	56	7.39	67244.6	17.54	1201
Health Care	8	1.06	1833.0	0.48	229
Ports	61	8.05	81038.2	21.14	1328
Railways	4	0.53	1569.6	0.41	392
Roads	405	53.43	176724.9	46.10	436
Tourism	50	6.60	4486.1	1.17	90
Urban Development	152	20.05	29475.0	7.69	194
Total	**758**	100.00	**383332.1**	100.00	506

Note: The data relates to the period 31, July 2011.
Source: GOI: 2011

The table reveals that out of 758 projects, road projects account for a maximum of 405 projects, accounting for 53.43 percent of the projects. The average contract value of road projects is below the overall project average indicating that the road projects are relatively small in size. Projects on airports and ports are relatively low in number, but average contract values are very high. The average value of contract for airport projects is the highest at 3823 crores followed by 1328 crores for ports. Ports though, account for 8 per cent of the total number of projects, have a large average size and constitute 21 per cent of total value. 7 percent of the total projects are energy based which account for 18 per cent of the total value. Urban development projects account for about 20 per cent of the total projects, but they share only 8 per cent of the project value as these projects are relatively small in size. It is noteworthy that projects on education and health care remain largely unattended and in fact, these projects are too small in size indicated by the low average value per project. The lowest contract value per project was observed for tourism at 90 crores per project.

The distribution of the project values in four ranges reinstates the earlier arguments on the number and size relationships (see table 3). In general, the PPPs are of high budget and 78 percent of the projects are above 500 crores. It is worth noting that the projects on education, health and tourism were almost equally distributed across various category levels by project value.

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Table 3

Distribution of Value of PPP Contracts by Categories and by Sectors in India (2011)

Sector	Distribution of Value of Contracts by Categories				
	< 100 crores	100-250 crores	251 -500 crores	> 500 crores	Total Value
Airports	0.0	0.0	1.6	98.4	100.0
Education	22.9	19.8	24.9	32.4	100.0
Energy	0.5	1.4	4.6	93.5	100.0
Health Care	17.2	18.7	15.0	49.1	100.0
Ports	0.1	2.2	5.3	92.4	100.0
Railways	0.0	6.5	55.6	37.9	100.0
Roads	2.5	6.6	21.8	69.1	100.0
Tourism	25.2	33.5	17.8	23.4	100.0
Urban Development	9.5	10.6	22.7	57.1	100.0
Total	2.5	5.2	14.4	77.9	100.0

Same: The same as for Table 2.

The regional disparity in the initiatives on PPP projects could be understood by classifying states by number of projects (see Table 4). It could be observed that across states and union territories, the leading users of Public Private Partnership Projects have been Karnataka (104), Andhra Pradesh (96), Madhya Pradesh (86), Maharashtra (78), Gujarat (63) and Rajasthan (59). In states such as Tamil Nadu, Kerala, West Bengal, Punjab and Orissa the number of projects were medium (26 to 50).

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Table 4

Distribution of Indian States by Number of PPP Projects as on 31 July 2011

	Number of Projects			
	Low	Medium	High	Very High
	< 25	26-50	51-75	>75
STATE	Chandigarh (2), Goa (2) Puducherry (2) Uttarakhand (2) Meghlaya (2) Jummu & Kashmir (3) Assam (4) Chhattisgarh (4) Bihar (6), Haryana (10), Delhi (13) Uttar Pradesh (14) Sikkim (24) Inter State (14)	Orissa (27) Punjab(29) West Bengal (30) Kerala (32) Tamil Nadu (43)	Rajasthan (59) Gujarat (63)	Maharashtra (78) Madhya Pradesh (86) Andhra Pradesh (96) Karnataka (104)

Source: Compiled from GOI:2011

Summary of Findings and Prospects of PPP in India

In the above discussion it is evident that the PPP has several advantages such as huge investment in public infrastructure, efficient delivery of services, cost-effectiveness, performance-based contracts, risk-sharing, optimum use of assets and long-term investment opportunities. Though India follows the mixed economy approach which relies on public private involvement in economic activities, Public Private Partnerships in delivering infrastructure services is now a decade old, with majority of projects coming in line within the last 5 years.

The PPP projects on the said lines have been initiated in various sectors such as health, education, energy, Roadways, Railways, Airports, ports, tourism and urban development, indicating steady progress on it too. However, there are wide disparities in the sector coverage, project size and initiatives across states. PPPs in the areas of education, health care and tourism is low in project size and relatively unattended. There exists a wide disparity in the spread of projects across states. The leading users of PPP are Karnataka, Andhra Pradesh, Madhya Pradesh, Maharashtra, Gujarat and Rajasthan.

Studies on this subject highlight some of the major problems of PPPs in India. They are; additional costs involved in project and partner identification, difficulties in protecting the public interest, problems associated with private financing element, reduced or loss of control over public assets and issues related to their access and delivery of services, loss of accountability for the tax payer, difficulties in mitigating risks and rigidities in long-term contract.

In the context of new economic reforms and globalization, the scope for PPP is vast and wide, and likely to take lead in future. Union Finance Minister Pranab Mukherjee has rightly said that "with effective use of PPP, we can achieve the desired level of growth". Taking a lead from the above statement, it can be concluded that the need of India is not a PPP but an effective PPP.

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PUBLIC PRIVATE PARTNERSHIP IN SOCIAL SECTOR IN INDIA

Introduction

Public-Private-Partnership Provides an opportunity for private sector participation in financing, designing, construction and operation and maintenance of public sector programmes and projects. The time has come to forge a greater interface between the public and the private sector in a wide range of activities in the country. The committee of secretaries (COS) in its meeting held on 9th September 2003 under the chairmanship of the cabinet secretary, decided to constitute 2 sub – group, namely (a) PPP sub-Group on Social sector, and (b) PPP sub-Group on Infrastructure under the chairmanship of secretary, planning Commission. This report deals with PPP in respect of the social sector. So far, the contribution of the private sector in the social sector under PPP has been synonymous with that of the voluntary sector. A number of welfare programme in the social sector in India are implemented with community participation and through voluntary organizations. This Report documents the programmes and schemes in the social sector that are under implementation through public private partnership, in the different Ministries of the Government of India.

A good many schemes being implemented in the PPP mode in the social sector are in the nature of public funded with private sector delivery and private management.

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Elementary Education In Social Sector

Some of the programmes under implementation in the Department of Elementary Education through PPP are mentioned below.

1. **Programme of mobilizing local support to Primary School (PLUS):** Improvement of primary education with local community support adoption of School.
2. **Client :** State Departments of Elementary Education / local bodies
3. **Service Provides :** Corporate Sector / VOS / Banks / Elected representatives / Retired Teachers / Public Sector / Universities and Colleges.
4. **Contracts Structure :** Flexible: One time / non–recurring / recurring support.
5. **Selection Entries :** Selection is through direct negotiation voluntary offers.

Ministry of Human Resource Development Department of Secondary and Higher Education.

Under the National Education Policy (NEP) only VOS, NGOS and Trusts can under take the activities in higher education (other than the Govt.) to the exclusion of individual and Private Sector, has been coming in a big way in the amend of higher education and technical education in recent years. Private educational institutions have however, to abide by the prescribed guidelines and the Government oversees these institutions as part of its regularly functions.

Central Government Health Scheme (Cghs)

1. Objective & function supplementary the Central Government Health Scheme through outsourcing services from the private sector.

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Department in Economics, Presidency College, Chennai

2. **Client :** Department of Health, ministry of Health, and family welfare.
3. **Service Providers:** Private hospitals diagnostic centers and local authorized chemist.
4. **Benefits :** It is a Welfare measure for the central Governments employees / pensioners and their family members. Requests have been received for extension of this family to more cities. Due to resource constraints the Ministry of Health is not in position to extend this benefit beyond Delhi. Elementary Education, Higher Education, Women and child Development, culture, Health, family welfare, agriculture and co-operation, Environment and Forests, Rural Development, drinking water supply urban development, social justice and empowerment are the major role of PPP in social sector.

   Elementary Education: Some of the programmes under implementation in the Department of Elementary Education through PPP one mentioned below.

   a) Programme of mobilizing local support to primary school (PLUS)
   b) PPP in mid day meal scheme.
   c) Computer Aided learning at Elementary level under Sarva Shiksha Abhiyan (SSA)

Higher Education

Under the National Education Policy only VOS, NGOS and Trusts can undertake activities in higher education other than the Government to the exclusion of individual and private companies. The private sector has been coming in big way in the area of higher education and technical education in recent years. Private educational institutions home to abide by the prescribed guidelines and the Government over these institutions as part of its regulatory functions.

Women and child development :

The Department has schemes such as hostels for girls, short –stay home for women, support for training cum –Employment programme (STEP) and swawlambon that are being implement through NGOS and community participation. Integrated child Development scheme (ICDS) functions are below.

a. Supplementary, Nutrition b.Immunization c.Health checkup
d. Referral service e.Pre-School and non formal education & Health and Nutrition Education are the — functions of ICDS.

Conclusion:

The public private partnership bring s in greater professionalism to bear on this association through introducing meaningful concepts. PPP in social sectors agreements also provide room for expost evaluation. On the expiry of the contract or even during implementation of the scheme. Evaluation helps, improve the both 'efficiency' and 'effectiveness' in programme implementation. It may be reiterated that the objective of the Government in introducing PPP is to choose a private partner with skills, experience and resources. The Government, more over retains the safeguards in the form of step in rights for appointing another operator in case the first operator falls to perform.

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A CRITICAL VIEW ON THE ROLE AND IMPACT OF PUBLIC-PRIVATE PARTNERSHIPS IN EDUCATION SECTOR

Public-private Partnerships In The Education Sector

Public-Private-Partnership or PPP is a mode of implementing government programmes/schemes in partnership with the private sector. The term private in PPP encompasses all non-government agencies such as the corporate sector, voluntary organizations, self-help groups, partnership firms, individuals and community based organizations, PPP, moreover, subsumes all the objectives of the service being provided earlier by the government, and is not intended to compromise on them.

Education is generally perceived as the prerogative of the government. Lack of financial and managerial capacity often impede the governments' ability to meet their obligations in regard to their national education systems. Governments can use partnerships to make up for deficiencies in state education programs. At the same time, improving education around the world is in the long-term interest of every business. There are benefits from engaging in enhancing skills of workers, developing brand reputation and strengthening community relations. Even if their core business does not directly relate to the education sector, many companies find that their core competencies can add significant value.

Chronic financial constraints in developing countries, together with the positive experiences made with public private partnerships, have led to new private and community management, financing, and investment in education. An important element of success is lining up private sector efforts with broader policy frameworks and strategies. At the global level, this can mean broad campaigns or commitments such as the World Declaration on Education for All or the Millennium Development Goals. At the national level, there are many intervention points within the education system where highly valuable private sector competencies could be joined with the competencies of the public sector.

The private sector is becoming an essential partner in promoting education. A large number and variety of public and private partnership iniatives are being carried out in many different countries. Over the past few years, the number of UNESCO's partners from the private sector has increased to several hundreds, ranging from multinational companies to small and medium sized enterprises, philanthropic trusts and foundations, economic and business associations and individuals. The main rationale for developing public-private partnerships (PPPs) in education is to maximize the potential for expanding equitable access to schooling and for improving education outcomes, especially for marginalized group. The different types of contracts can help meet these two objectives in different socioeconomic and political contexts.

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Types Of Education Service That Are Provided By PPP

The following are the major education services that are provided by PPP are as follows:

(i) management services,

(ii) professional services,

(iii) support services,

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(iv) operational services,
(v) education services,
(vi) facility availability, and
(vii) facility availability and education services combined.

The Arguments In Favor Of Public-private Partnerships

The positive outcomes of the private provision of public services:

- PPPs can create competition in the education market.
- PPP contracts can be more flexible than most public sector arrangements.
- Governments can choose private providers in PPP contracts by means of an open bidding process in which the government defines specific requirements for the quality of education that it demands from the contractor.
- PPP contracts can achieve an increased level of risk-sharing between the government and the private sector.

The Arguments Against Public-private Partnerships

The following are the negative outcomes associated with the private provision of public services:

- PPPs will lead to the privatization of education and thus will reduce the government's control over a public service.
- Increasing the educational choices available to students and their families may increase socioeconomic segregation if better prepared students end up self-selecting into high-quality schools, thus further improving their outcomes.
- PPPs will lead to poorer students being left behind in the deteriorating public schools that lose the support of more educated parents.

There can also be some challenges and risks involved in PPPs. Inputs to education, processes, and outputs are very different and require several different forms of contracts (including management, support, professional, operational, educational services, and infrastructure). All of these variations need to be assessed separately as they require different approaches in order to be effective.

Conclusion

Good design cannot ensure the success of a PPP in education as it must also be implemented effectively and efficiently. To ensure this, governments should choose their private partners by means of a transparent, competitive, and multi-stage selection process. Second, they should assign the roles of purchaser and provider of education services to different entities within the education administrative agencies. Third, they must ascertain that the private agency in question has sufficient capacity for the task at hand. Also, government education institutions must develop their own capacity, establish quality assurance mechanisms, develop appropriate performance measures for contractors, and devise incentives to achieve performance targets as well as sanctions for nonperformance.

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PRIVATE PARTICIPATION IN INFRASRUCTURE SECTOR IN INDIA

Introduction

The tremendous growth of Indian Economy in recent years has put a heavy stress on infrastructure development especially on the road transportation sector. India has an extensive road network of 33.4 lakh km length and accounts for second largest network in the world. This carries about 61 percent of the freight and 85 percent of the passenger traffic. In India's total Gross Domestic product (GDP) transport sector accounts for a share of 6.4 percent and road transport alone contributes a share of4.5 percent. During last 15 years, India has witnessed a tremendous growth in the number of registered vehicle amongst different categories with the growth rate in the order of 12 percent per annum and traffic on roads grows in the order of 7 to 10 percent per annum.

The roadways play a very vital road in the Indian Economic System. Modern roads are the connectors of civilization and modernisation. Though the government is providing expenditure towards road construction and maintenance, it is not sufficient to cater the growing needs of human and vehicle population. Here emerges the combined role of Public –Private –Partnership. Achieving high volumes of private investment is not easy. it is necessary to develop an environment which is both attractive to investors and also been fair to consumers.

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Objectives

1. to analyze the role of both the private and public sector towards road infrastructure investment.
2. to analyse the importance of combined investment of both public and private sector towards better durability, maintenance of roads.
3. to analyse the future scope of Public – Private Partnership in developing country like India.

Metodology

The methodology adopted in the study is historical and analytical. The technique structured pre-determined interview schedule has been used. The primary data is collected through the questionnaires used by purposive random sampling techniques based on the passenger's **Willingness to Pay** in ECR Road Udhandi in Tamil Nadu. For the study researcher has taken hundred samples from various vehicle riders. The published materials, reports, journals have been used for the review purpose.

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Results And Discussion

Nearly 81 percent of the variables of expenditure incurred by passengers spent on road traveling expenditure and is explained independent variables in the multiple regression model the high value of the co efficient of determination implies model is strong as is a "good fit" the adjusted R^2 .0.798 s how that the model is strong and is a "good fit".

The attitude of passengers towards Public Private Partnership is depicted in statistical terms. In the sample study major number of respondents are strongly agree the Increased role of PPT.The table further reveals that apart from very few respondents all the passengers have strong and positive attitude towards PPT.The result can be interpreted that, the more the facilities the PPT can provide the passengers are ready to pay the equivalent amount in return. Buts except to this some passengers still believe in the role of Government only.

Analysis summary

1. There is significant relationship between willingness to pay and better infrastructure facilities.
2. There is significant relationship between high quality road and Public Private Partnership.

Findings and Suggestions

The study thrown light towards the future scope of Public –Private- Partnership in India and other countries as well. The passenger are the ultimate sufferers of bad road network .Lack of proper maintenance of roads are the major problem faced by public roads .And in developing countries lack of proper road connectivity creates heavy burden. The private sector can join hands with government in providing heavy investment on road infrastructure

The Passengers are ready to pay in *Quid Proquo* terms (in terms with the benefits in return).The Willingness to pay depends on the following factors.

1. Convenience
2. Less Risk
3. Better Health Conditions
4 Time Saving

The Public –Private –Partnership is acceptable on the following grounds.
If they provide:

1 .Modern Technology
2. Better Monitoring
3. Proper Maintenance

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4. Fuller Utilisation of Funds

Conclusion

In Modern Times the Government alone cannot cater the growing needs of infrastructural investment without the sufficient participation from private sector. The combined activities of Government and Private Sector will enhance more investment in infrastructure which ultimately leads to more convenience, lesser risk, better health conditions and greater time saving to all the users who uses the roads. The Public-Private Partnership finally results in increasing the durability of roads and enhancing the satisfaction of the people as well. From the studies it is evident that The Public- Private- Partnership Model in Road Infrastructure is a really suitable venture for a country like India

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A STUDY ON PUBLIC PRIVATE PARTNERSHIP IN URBAN SERVICES

Introduction

Through the public private partnership for the urban environment (PPPUE), UNDP is tackling some of the most urgent environmental problems in developing countries by creating partnerships between the public and private sector companies. The PPPUE facility supports the development of such innovative partnerships at the local level. Focusing on assisting small and medium-sized cities, PPPUE works with all potential stakeholders, including investors, providers, regulators, users, and experts to meet the challenge of providing basic urban environmental services. PPPUE supports innovative projects that focus on development challenges such as: inadequate water supply and sanitation infrastructure, inadequate waste management systems, water and air pollution and ineffective and wasteful energy sources and technology. Currently, PPPUE has selected 13 projects for implementation in nine different countries ranging from: water treatment and/or supply in Namibia, Poland, and Bulgaria; agricultural, industrial and marine waste in the Phillipines; municipal solid waste in Costa Rica to district heating in Azerbaijan.

Methodology

The study is basically a descriptive one that makes use of secondary data only, published in books, journals and annual reports of the department.

Back Ground

Historically the urban local bodies have existed in India from time immemorial. The present form of urban local bodies is of British legacy. Even through the urban local bodies are created to cater the needs of the city dwellers, the urban services are much neglected. The inherent capacity of the urban local bodies (ULBs) to deliver the services was weak.

People representation in the ULBs was missing as the elections to the local bodies were not regular. Even the presence of elected representatives had meager impact on the development of the city or services, as the financial position of the ULBs were so weak that there would be no funds to carry out any kind of developmental activities. The weak financial base of the ULBS was mainly due to two reasons. By eliminating Octroi, imposing restrictions on taxes, etc., state governments suppressed the ULBs from enhancing their revenue resources and made the ULBs to look towards the state for grants which was irregular increase in the urbanization and additional works of the ULBs lead to a condition where in ULBs were totally dependent on the state even to disburse the salaries of its staff. The capacity of the ULBs is also a major issue from the service delivery view. The staff recruitments were made locally on temporary basis irrespective of the skill sets. As there was no paper carrier opportunities and training programmes, even though such recruitments fulfilled the urgent need, which adversely affected the service delivery aim in a longer run.

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74th Constitutional Amendment Act gave new boost to the position of the ULBs. It has constitutionally ensured to maintain the continuity of elected leadership through regular elections and financial strengthening through the formation of State Finance Commissions for directing on financial devolutions. The ULBs have approached the Banks for financial needs. Even Multilateral agencies i.e., World Bank, Asian Development Bank, have financed the urban infrastructure projects through the state level nodal agencies. The issue of financial requirements is being addressed by these measures to some extent. Even though. State governments support some pilot projects through grant they cannot continue to do so due to budgetary constraints. ULBs have to make payments towards the repayment of loans out of their finances.

PPP in Urban Infrastructure

Urban local bodies are responsible for delivering basic services such as water, sewerage, solid waste management, urban transport, etc. Each of these is a separate sector with its own unique operating requirements, mode of service delivery and payment for services. Therefore, each project should be analysed in detail to determine the most suitable mode of PPP. Access to basic services such as clean water and sanitation are important from the society's point of view and these services may not be commercially viable through user charges alone. However, ULBs have a social responsibility to provide these services. It is possible that certain aspects of the service delivery such as development and maintenance of water treatment plant, transportation of municipal waste, etc. could be done in partnership with private sector. This could improve efficiency of operations and lower the overall cost of serving the public and thereby improve financial sustainability. The poor constitute a substantial part of the population in urban areas and typically reside in under poor living conditions. Quite often, they do not have access to various municipal services such as water and sewerage. They incur an unusually high cost in coping with the absence of such services. Involvement of community organisations, NGOs and private operators can help expand access to service for the poor at affordable costs. In the course of PPP projects, the ULBs will need to partner with private sector organisations. This may result in ULBs being confronted with conflicting objectives at times. For instance, higher user charges are necessary to make a project financially sustainable and reduce the subsidy/ support required from the ULB. However, the ULB will have to balance this objective with the need to provide affordable services to the citizens, especially the poor. ULBs need to address these issues through appropriate mechanism for efficiency improvements, tariffs and regulation. It is also well-recognised that certain infrastructure projects may not be financially viable on the basis of project revenues alone and that the financial viability can be improved through government support. Through various guidelines, including the Viability Gap Funding, the Government of India has promoted the PPP route for developing infrastructure projects. To be eligible for VGF, the project should be awarded by competitive bidding to a private party which should have a minimum of 51% stake in the project entity. In evaluating the cost-benefit of such support, it is important to set-up a base case in which the same service is provided through some other delivery option other than PPP.

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Recommendations

Key recommendations to bridge the gap are, to improve

Reliability refers to the ability to meet norms. Glooms for quantity and for quality of services are infrequently monitored and are often unmet when monitored.

Financial Sustainability Best practices world wide suggests that financial sustainable WSS service provide recover O & M costs, and ideally capital coats, from user charges, rather than from taxes. Financial dependence of WSS operations has lead o well below standard O & M, deterioration of WSS assets, poor level of services and as a consequence, low willingness to charge by decision makers despite evidence of willingness to pay for a good quality service by users.

Environmental sustainability relates to the proper recharge of aquifers and reservoirs, the robustness of the water rights and the capacity to protect water quality against domestic, agricultural and industrial pollution.

Affordability can be defined as the ratio of the total cost of the WSS services a household relies on to the cost of a WSS service meeting standards that would be charged at its full (O & M plus capital)

Conclusion

The PPP projects are not possible if ULB just decided to go for it. Similarly ULBs cannot shred its responsibility as the task is assigned to a private player. The enabling environment is to be created for the purpose. Legislative framework & political will is most important. In the absence of regulatory or policy enabling framework, it would be difficult to manage such projects. Standardized documents and procedures have to be prepared to make the PPP work. There is need to rationalize tariffs and user charges to attract the private player and make project bankable. Complexity in unbundling urban service delivery is a challenge and has to be carefully dealt. Capacity to structure projects and execute contracts is critical from the point of success of the process. The project preparation and partner selection is a crucial task. Proper focus on the project preparation and bid process management certainly leads to win-win situation for both the Public and Private Partner, which is the essence of PPP projects.

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IMPACT OF PUBLIC-PRIVATE PARTNERSHIPS IN EDUCATION

Introduction

The need to ensure Education For All (EFA) and the challenge of the Millennium Development Goals has resulted in growing support for partnerships as a vehicle that will increase the current provision of education during the first decade of the twenty first century. There is no consensus on the particular form of partnership that is best suited to the provision of education.

The growing number of cross-sector collaborations to provide education has led to a new category of Multi-Stakeholder Partnerships (MSP) to explicitly bring in collaborations between civil society organisations and other sectors, whether state or non-state actors. The increasing number of schools provided by such partnerships in the last decade with a growing enrolment of children has been identified as measure of success that these partnerships in education have achieved by increasing the choice available to households. This benefit, however, is more readily available to the more economically well-to-do households in a community. The second measure of success identified is the increased supply of schooling brought about of by these partnerships, whether MSP or PPP. A greater availability of schools for the poor is positive, yet there is also evidence that very low quality of educational provision and substitution for a non-functional state school (La Rocque 2008).

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I. The positive impact of public-private partnerships

1. ***PPPs can create competition in the education market***

The private sector can compete for students with the public sector. In turn, the public sector has an incentive to react to this competition by increasing the quality of the education that it provides.

2. PPP contracts can be more flexible than most public sector arrangements

Generally, the public sector has less autonomy in hiring teachers and organizing schools than the private sector does. Public-private contracts can be a better fit between the supply of and demand for education. Flexibility in teacher contracting is one of the primary motivations for PPPs.

3. Governments can choose private providers in PPP contracts

The contracts often include measurable outcomes and clauses that specify the condition to deliver a certain quality of education, and the contractor with the best or lowest cost proposal is then chosen. This one characteristic of the contract alone can raise the quality of education.

4. PPP contracts can achieve an increased level of risk-sharing between the government and the private sector

This risk sharing is likely to increase efficiency in the delivery of services and, consequently, to induce the channeling of additional resources to the provision for education. So increasing the private sector's role in education can have several potential advantages over the traditional public delivery of education. Whether these benefits are actually realized depends greatly on how well designed the partnership between the public and private sector is, on the regulatory framework of the country, and on the capacity

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of the government to oversee and enforce its contracts and partnerships with the private sector. When a PPP is implemented correctly, it can increase efficiency and choice and expand access to education services, particularly for households that tend to be poorly served by traditional delivery methods. PPPs also allow governments to take advantage of the specialized skills offered by certain private organizations and to overcome operating restrictions such as inflexible salary scales and work rules that may prevail in the public sector.

Another advantage is that governments can contract out to the private sector in a range of initiatives that can include everything from nonacademic activities such as food services and management contracts involving a few schools, to subsidizing the tuition at private schools for hundreds of thousands of students, to long-term, multimillion dollar infrastructure partnerships.

II. The negative impact of public-private partnerships

- PPPs will lead to the privatization of education and thus will reduce the government's control over a public service.
- Increasing the educational choices available to students and their families may increase socioeconomic segregation if better prepared students end up self selecting into high-quality schools, thus further improving their outcomes.
- PPPs will lead to poorer students being left behind in the deteriorating public schools that lose the support of more educated parents.

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Conclusion

One form of public-private partnership (PPP) that has been tried in education and other sectors involves the government contracting with private organizations to provide a specified service of a defined quantity and quality at an agreed price for a specific period of time. When central and local governments provide the finance for education services but contract out the actual provision of those services to the private sector, this can help to improve the quality of education and rapidly expand access to schooling, especially for under-served parts of the population.

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PUBLIC PRIVATE PARTNERSHIP IN HEALTH CARE SECTOR WITH PUBLIC GOAL IN MIND

Introduction

Health as one of the Fundamental Human Right has been accepted in the Indian Constitution. Healthy population is an essential requirement for promoting socio economic development in the society. The public sector is the most dominant contributor to the health services in India. No country in the world is committed to universal health care at affordable cost without the active participation of the government. Even the World Bank and other supporter of the free market economy recognizes that health is one of those areas, where public sector must continue to have a very important role because the market forces may prevail in other sector, health is an area of market failure. Therefore public sector continues to have a very important role but unfortunately, as we know, has not delivered with the level of efficiency it should have. It has serious bureaucratic hurdles and managerial inefficiencies. It also had resource constraints and therefore we have had major issues of inadequate performance by public sector.

The outreach of the services has been very poor. With the primary health care services not being as efficient as they were designed to be and many of the public primary health centers are not adequately staffed resourced in terms of equipments and drugs and even emergency treatment is often not available, even in the best of the cities. The private sector is certainly far more efficient in its delivery mechanism and has been increasing its role and its outreach. In recent years 80 per cent of health care expenditure in India, is out pocket expenditure and much it goes to private health care providers. Even the poor often tend to access the private health care providers, because they may not want to lose a working day's wage by queuing up in the government hospitals. The private sector however has limitations because it is driven by profit maximization and unless there are regulatory mechanisms, which direct and discipline the private sectors. This sector can often become abusive in the absence of active government regulatory mechanism.

Status of health at national as well as across the state has improved during the course of time but still it is far from satisfactory if we compare it from other countries. Across the state we find that states which have higher level of per capita income are spending more on health expenditure and they have better health indicators and HDI ranks (Table1.1). Kerala tops the HDI rank as their health indicators i.e. birth rate (15per thousand), death rate (7 per thousand), infant mortality rates (15 per thousand) are low and life expectancy 74 years are very much improved. As far as backward states are concerned specially UP and Bihar their health indicators are very poor and thus their HDI ranks are very low. Over all the analysis reflects that high income states are enjoying better health outcomes and low income states are deprived of good health. This in turn reflects the state government's policy, efforts and concern in this direction.

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Contribution of Public and Private sector in Indian healthcare sector

In India, the public sector accounts for only around 20 percent of the total healthcare expenditure, representing around 1 percent of the GDP – among the lowest in the world. India's public healthcare is under-funded and small in size to meet the current health needs of the country. Items like public health, hospitals, sanitation, etc. fall under the state government, while items having wider ramification at the national level (food and drugs, family planning, medical education, and vital statistics) come under the central government. It is mostly through national health programmes that the central government pumps in around 15 percent of the total funds in the healthcare sector.

The Government Health Projects are implemented through the states, with the Department of Health facilitating access to external aid. The contribution of private sector in healthcare expenditure in India is around 80 percent the world. Almost 94 percent of this amount (which covers both financing and provision aspects) comprises of out-of-pocket expenditure on health. The remaining 6 percent is the expenditure on provision, which accounts for the private sector contribution to 60 percent of all in-patient care and 78 percent of total number of visits in outpatient care in India. In addition the private sector today provides 58 percent of the hospitals and 81 percent of the doctors in India. Adding to the challenge is also the changing demographics and lifestyles of the people. Dealing with these challenges requires the resources and expertise of public and private sector combined.

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Benefits of Public Private Partnerships (PPP)

The benefits of PPP are as follows :

i) **Inflow of Private Investment**

Budgetary support for such huge requirement is limited. There is acute need of private investment to undertake such essential projects.

ii) **Increase in Efficiency**

Involvement of Private Sector will bring efficiency in implementation of projects and cut down time and cost.

iii) **Use of Innovative Design & Construction Practices**

The objective of cutting down cost and time will bring in innovative design and construction practices from the Concessionaire.

iv) **Assured Maintenance**

During the Concession Period, the PPP Concessionaire will be required to maintain the Projects in a proper predetermined manner.

v) **Freeing up Government Resources**

Private investment provides new sources of capital and reduces direct public money spending. These State resources could be used in other priority areas and projects.

vi) Sharing of Project Risks

Any infrastructure project could have inherent risks. The structuring of a PPP Project allocates the risks to the agency best-suited to handle the same.

vii) Better Viability

Involvement of experienced and creditworthy sponsors and commercial lenders could enhance viability of the project.

Public Private Partnership in Health Care Delivery System : Government's role

After reviewing the health sector of India, the World Bank (2001) and National commission on macroeconomics and health (2003, 2005) strongly advocated the harshening of private sector. The private sector is not only India's unregulated sector but also untapped sector.

Although inequitable, expensive, the private sector is easily accessible, better managed and more efficient than its public counter parts. It is assumed that collaboration with the private sector in the form of public private partnership will improve equity and efficiency, accountability quality and accessibility of the entire health system. Our private sector is now capable and confident. The time has come now, when at this uncture we can facilitate the development of the country by giving a new dimension and a new confidence to public private partnership. We can invite private sector to invest and modernize these public hospitals and use government hospital buildings for delivering health services and allow charging some nominal fees.The involvement of private sector in health sector is a viable option, which is being explored by a number of states such as Tamil Nadu, Gujarat, Maharashtra, west Bengal, Rajasthan, Punjab and Delhi to mitigate the problem of adequate resources in curative and tertiary care services.

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Conclusion

Apart from the above examples of successful Public Private Partnerships instrumental by health care sector in India, there are numerous examples where in innovative models are being envisaged to provide a robust health care framework in the country. Public Private Partnership has emerged as one of the options to influence the growth of private sector with public goals in mind. Used judiciously and fitted to local circumstances, they hereby have the potential to drastically change the health care landscape in India. There is an air of optimism surrounding Public Private Partnerships in India. Used judiciously and fitted to local circumstances, they clearly have the potential to drastically change the healthcare landscape in India. Public Private Partnerships will survive only if the interests of all stakeholders are taken into account. This means detailing specific roles, rights and responsibilities, establishing clear standards, providing training for public sector managers, active dissemination of information, and constantly refining the process to make the system more efficient. The public sector has to lead by example, and be willing to redefine itself and work with the private sector. The latter must in turn be willing to work with the public sector to improve mutual co-operation and understanding.

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PUBLIC-PRIVATE PARTNERSHIP IN INDIAN SOCIAL SECTORS

Introduction

India is a welfare state since Independence and the primary objective of all government policies and programs in our country has been the maximum welfare of millions of its citizens. Elimination of poverty, ignorance, diseases and inequality of opportunities and providing a better quality of life have been the basic premises upon which all the plans and blueprints of development were made. In the beginning of the 21st century, Public Private Partnership (PPP) has become a refined strategy for societal governance. It is a creative enterprise where the best of two sectors is brought together to achieve fruitful results. Today, there has been a rapid rise of Public Private Partnership (PPP) across the world. Governments in developing as well as developed countries are using PPP arrangements for improved delivery of infrastructure services. Governments are improving infrastructure, education, health care, waste management and water supply, etc. through Public Private Partnerships.

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Issues And Constraints In Public Private Partnership In India

Wherever PPPs are implemented in the social sectors like health, education and water resources, old issues remain and newer concerns emerge. There is a huge policy gap in this area. The reasons are diverse.

First, partnership between the public and the private sector is of recent origin. As a result, a large section of public sector is still doubtful about the gains from such a partnership.

Secondly, infrastructure projects involve crossover issues. Projects spill over several sectors and implementation agencies.

Thirdly, PPP spans the entire gamut of infrastructure in all sectors. In sectors like power and roads, comprehensive policy framework has been developed. In certain other sectors like railways, irrigation, water and sewerage, industrial estates etc. very little work has been done.

Finally, Infrastructure financing is a challenge to both the private and public sectors. Given the externalities, high risks and low rates of return, such financing cannot be left solely to the private sector. At the same time, given the budget constraints and inherent inefficiencies, the public sector too, cannot be fully relied upon.

The solution, therefore, lies in public private partnership where the two complement each other's efforts in providing infrastructure services. The fundamental principle of PPP is that while the private sector is responsible for the design, financing, building and operation of the services, the government puts in place the legislative framework and provides institutional and political support. All successful PPPs suggest the need for effective communication with the stakeholders – the community, the political establishment and

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specific user group both before and after commissioning of the project on all sensitive issues, including rehabilitation and resettlement. It is becoming increasingly important that government policies are continuously reviewed and modified to fill up this policy gap and create an environment which is conducive to PPP.

Conclusion

PPP possesses great potentials of application in social development. There are huge benefits from a PPP scenario wherein the social development programs and their administration could be from the government side; but the technological input, marketing and financial support could be from the private industry side. Similarly, the developmental needs of local communities can be taken care of both by the private and the public sectors. Public Private Partnership for harmonized social development provides both challenges as well as opportunities. On the whole, the state with its resource crunch cannot neglect the affluent private sector looking for avenues to invest and hence, enlarge its area of activities. Developing India, with scarcity of basic infrastructure and essential services is a new horizon for private sector.

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EQUITY AND EFFICIENCY IN HEALTH CARE THROUGH PPPs IN RURAL AREAS

Introduction:

Health is human effectiveness according to the World Health Organization and which is defined as a state of complete physical, mental and social wellbeing and not merely the absence of disease. Health in its widest sense refers to both physical and mental wellbeing because good health increases the productivity of individuals and the economic growth of a county. Investing in health is the means of accelerating economic development. The government and private investment in health has positive externalities in the form of reduced social costs of morbidity and mortality and removal of inequality in health care system.

Health Care Spending:

Health care spending of the private sector during 2001-2002 households out – of – pocket health expenditure was Rs. 76094 crore , which account for 72% of the total health expenditure incurred in India.

Efforts has been taken to develop private- public partnership (PPP's) at primary ,secondary and tertiary levels of health care to improve cost effectiveness, enhance equality and expand excess through extensive stake holder consultations.

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Conclusion:

Towards establishing health equity and efficiency in rural areas radical reforms in health care services in India gives an opportunity to rethink health system through:

i). New Medical Council of India.

ii). The proposed human resources in health bill and

iii). The National Rural Health Mission.

Preparations for the 12Th Five Year Plan and the promise of a significant increase in the heath budget mandate such reappraisal in Tamil Nadu to provide free top class health care to all the people the government has launched Chief Ministers Insurance scheme and the hospital on wheels facility with 385 Mobile Medical Vans, with adequate man power equipment and lab facilities travelling to treat patient in remote village.

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A COMPARATIVE ANALYSIS OF PUBLIC-PRIVATE PARTNERSHIP (PPP) IN SPECIAL ECONOMIC ZONE IN INDIA

Introduction

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. In order to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. The objectives of SEZs can be clearly explained as the following: (a) generation of additional economic activity (b) promotion of exports of goods and services; (c) promotion of investment from domestic and foreign sources; (d) creation of employment opportunities; (e) development of infrastructure facilities.

SEZ Act 2005

Government of India enacted the SEZ Act, which received the assent of the President of India on June 23, 2005. The SEZ Act and the SEZ Rules, 2006 ("SEZ Rules") were notified on February 10, 2006. The SEZ Act is expected to give a big thrust to exports and consequently to the foreign direct investment ("FDI") inflows into India, and is considered to be one of the finest pieces of legislation that may well represent the future of the industrial development strategy in India. The new law is aimed at encouraging public-private partnership to develop world-class infrastructure and attract private investment (domestic and foreign), boosting economic growth, exports and employment.

With a view to augmenting infrastructure facilities for export production it has been decided to permit the setting up of Special Economic Zones (SEZs) in the public, private, joint sector or by the State Governments. The minimum size of the Special Economic Zone shall not be less than 1000 hectares. Minimum area requirement shall, however, not be applicable to product specific and port/airport based SEZ. This measure is expected to promote self-contained areas supported by world-class infrastructure oriented towards export production. Any private/public/joint sector or State Government or its agencies can set up Special Economic Zone (SEZ).

Role of PPP in SEZs

The SEZ Act is an expression of the growing trend towards Public-Private-Partnership (PPP) which can take many forms .The responsibility for providing the infrastructure that the Government used to shoulder has now been transferred, has lapped up by the business magnates.

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In most cases, an SEZ is structured as a combination of public-private partnerships in which the public sector provides incentives such as infrastructure, equity investments, soft loans, and bond issues that enable a private sector developer to obtain a reasonable rate of return on the project. The act is an expression of the growing trend towards public-private partnership (PPP) which can take many forms. The responsibility for providing the infrastructure that the government used to shoulder has now been transferred has lapped up by the business magnates.

Benefits of PPP in SEZs

Private sector participation in service delivery could help to bring technical and managerial expertise, improving operating efficiency, large scale injection of capital, greater efficiency in using the capital, rationalization/ cost based tariffs for services, better responsiveness to consumer needs and satisfaction. It is through this partnership that the advantages of private sector – innovation, access to finance, knowledge of technologies, managerial efficiency and entrepreneurial spirit are combined with the strengths of public sector like social responsibility, environmental awareness and local knowledge. In most cases, an SEZ is structured as a combination of public-private partnerships in which the public sector provides incentives such as infrastructure, equity investments, soft loans, and bond issues that enable a private sector developer to obtain a reasonable rate of return on the project.

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Advantages of Private Sector Involvement in SEZs

1. Let the private sector do what it does best –manage, do master planning strategic and phased growth
2. Private zone developers are usually from a particular business and have the contacts to attract others to the zone
3. Private sector will charge market rates and operate SEZs profitably

Changing Role of the Private Sector in SEZ Development

1. 1970's at the beginning of the modern SEZs, governments were typically the drivers of the zones regimes as SEZs were new, expensive, and considered to be high-risk
2. Government developed zones and provided all of the infrastructure and services in the SEZs
   3.30-40 years later, developing zones and zone infrastructure and services have become an attractive business
4. The private sector has become the main developer of zones, and by some estimates 80% of all SEZs worldwide are developed by the private sector
5. This can be either as wholly private SEZs or under a public-private partnership
   Formal public-private partnerships have also become increasingly popular around the world, with a number of different models evolving, including:

1. Public provision of off-site infrastructure and facilities (utilities connections, roads) as an incentive for private funding of on-site infrastructure and facilities.
2. Assembly of land parcels with secure title and development rights by the government for lease to private zone development groups, development of better land use/ownership laws and regulations and adoption of enforceable zoning and land use plans.

3. Build-operate-transfer and build-own-operate approaches to on-site and off-site zone infra-structure and facilities, with government guarantees and/or financial support.
4. Contracting private management for government owned zones or lease of government zone assets by a private operator (beneficial ownership).

With a view to augmenting infrastructure facilities for export production it has been decided to permit the setting up of Special Economic Zones (SEZs) in the public, private, joint sector or by the State Governments. The minimum size of the Special Economic Zone shall not be less than 1000 hectares. Minimum area requirement shall, however, not be applicable to product specific and port/airport based SEZ. This measure is expected to promote self-contained areas supported by world-class infrastructure oriented towards export production. Any private/public/joint sector or State Government or its agencies can set up Special Economic Zone (SEZ).

Conclusion:

The relevance and importance of Public-Private Partnerships (PPP) in infrastructure is well documented .The SEZ's could drastically improve the economic activity in the country, make the country's export competitive and globally noticeable, be net foreign exchange earner and provide immense employment opportunity. As compared to china where majority of the SEZ's were setup by the government, similar should be adopted in India, if not fully it should be a public-private partnership and regulatory bodies should be properly managed to weed out fallacies. To be economically viable SEZ's should be approved over a particular land area (greater than 1000 acres) for rapid economic growth in the area and for it to be profitable and self sustainable. Relaxed Tax norms, Labor laws and DTA regulations will surely attract foreign investment and major industries to setup industries in the SEZ's making it profitable and meeting its desired results.

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PUBLIC PRIVATE PARTNERSHIP IN EMPLOYMENT – TAMILNADU

Introduction

Tamil Nadu is one of the most industrialised states in the country. In terms of contribution of the manufacturing sector to the net state domestic product, the state ranks next to Maharashtra. The state has progressed like anything in such a short span of time and this can be assessed from the fact that from the period between 1999-00 and 2006-07, the state's GDP has grown at an impressive rate of 10.69 per cent and reached US$ 58.63 billion.

Primary sector consisting of agriculture and other allied activities has witnessed maximum growth. Even the IT and ITES sectors have largely contributed to the state's economy. During the fiscal year 2004-05, the per capita income of Tamil Nadu stood at US$ 664.9 which was much higher in comparison to the national average of US$ 514.2. The state has been drawing huge investments both from domestic as well as overseas market. It has a strong manufacturing infrastructure that has helped to attract investors. The infrastructure is especially strong in the textile and automobile sector. The state has been making steady progress and performing extremely well on the industrial front. Its literacy rate is one of the highest in the country.

The town of Tiruppur in the Coimbatore district is the largest garment exporting cluster in India. Several international players from the automobile industry have made Tamil Nadu as their base for manufacturing. Hyundai and Ford already have their manufacturing units in Tamil Nadu while others such as BMW and Nissan are in the process of establishing units. A sizable number of companies engaged in the manufacture of electronic goods such as Nokia, Flextronics, Motorola, Foxconn and Dell have chosen Chennai as their South Asian manufacturing hub.

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Infrastructure

Tamil Nadu has gone many steps ahead and for this major credit goes to its strong infrastructure. Its industrial, social as well as physical infrastructure is all fantastic and well developed. In terms of education and health care area, the state pays lot of attention. The government of Tamil Nadu has been making systematic efforts to encourage private sector participation in the infrastructural development. In a short span of time, there has been a rapid expansion of the physical infrastructure and the state has a wide network of roadways and railways and also there has been a tremendous rise in the passenger carrying capacity of the ports.

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Social Infrastructure

Educational Infrastructure

The state boasts of a good educational infrastructure. In the year 2005-06, almost 3.72 million students were enrolled at the primary school level. There is a vast network of institutions for imparting higher education, especially technical education. The state has a developed infrastructure for higher education and that is its plus point. The state has around 252 engineering colleges, 236 polytechnic, 661 industrial training institutes and 1150 arts colleges. As of now, there are near about 1,506 schools that impart vocational education. Participation by the private firms in technical & vocational education is encouraged by the state.

Vocational education was introduced in higher secondary schools during the 10th Five Year Plan period. The state government has set itself the objective of raising the gross enrollment ratio in higher education to 25 per cent by 2020 from the present level of 11.73 per cent. The state has successfully straddled investment in primary and higher education. Its focus on primary education has ensured that as high as 99 per cent of the state population has access to primary education.

Health Care Infrastructure

The state is well equipped with all the health care facilities. It has 315 hospitals, 8683 health sub centres, 1417 primary health centres and 213 dispensaries. Chennai is popularly known as health care capital of India. Life expectancy at birth for male is 67 years and that for females is 69.8 years for the period between 2000-06 which is higher than the national average for men and women is 64.1 years and 65.4 years respectively. Tamil Nadu is increasingly been recognised as the medical hub in South Asia. Some of the well known hospitals in Tamil Nadu are Apollo Hospitals, Vijaya Hospitals, the Sankara Nethralaya Eye Hospital, the Christian Medical College Hospital at Vellore and the affiliated hospitals of Ramchandra Medical College. The state government is concentrating on bringing about improvements in the general health, access to health care services and effective control and prevention of communicable diseases.

Ports

The state has several ports out of which 3 are major and are located at Chennai, Tuticorin and Ennore. The ports have all the container handling facilities and are directly linked with East Asia and Europe. Besides this, there are 14 minor ports which are managed by the Tamil Nadu Maritime Board. There has been a rise of almost 13 percent in the volume of cargo for the year ending 2005-06 over its previous year. It is believed that the Sethusamudram Shipping Canal Project will convert the Tuticorin port into a transhipment hub like the ones in Singapore and Colombo. Cuddalore, Colachel, Karaikal, Pamban and Valinokkan are currently capable of handling over 73 million metric tonnes of cargo annually which accounts for almost 24 percent of total cargo handled by the country.

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Financial infrastructure

Industrial infrastructure

The government of Tamil Nadu established the Madras Special Economic Zone (MEPZ) way back in the year 1984 to promote Foreign Direct Investment (FDI). It is one of the seven EPZs set up by the Government of India. It is one among the Multi-product zones housing 101 functional units. Ennore SEZ Co. Ltd (ESCO) has been formed to implement a SEZ Project near Ennore About 2500 acres have been earmarked at US$ 90 million. A SEZ has also been set up in the Krishnagiri District which has achieved in-principle approval from Government of India for establishing a multi product Special Economic Zone in an area of about 1055 Hectares in the Hosur and Denkanikotta taluks of Krishnagiri District.

Business Opportunities

- **Competent Policy:** The policy that a state government adopts for any given sector has a direct impact on its prospects of growth and s its attractiveness for further investment. For example, the Government of Tamil Nadu has given several concessions in the IT sector. This has prompted a number of IT majors, both domestic such as Infosys and Wipro as well as multinationals such as Cognizant, to set up software development operations in the state.

- **Availability of natural resources:** Certain industries such as agro-based have a high dependence on availability of natural resources. The western part of the state say for example serves as the hub of agriculture as the climate over there is quite favorable for the growth of crops.

Conclusion

Poor must be kept at the centre of the PPP initiatives. Develop win-win deal for all partners. Develop clarity on the purpose of developing partnership; develop shared vision.Government should serve as a facilitator. Need to showcase more successful models; document learning and success stories. The challenges the sector faces are substantial, from the need to improve physical infrastructure to the necessity of providing Public But the opportunities are equally compelling, from developing new infrastructure.

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HEALTH CARE SYSTEM IN INDIA- PUBLIC PRIVATE PARTNERSHIP FOR THE EFFECTIVENESS OF HEALTH CARE REQUIREMENTS

Introduction:

PPP in health sector is an instrument for improving the health of the population. The main reason is to improve the delivery of service that is to create better value for money in comparison with a government delivering the service, which means delivering the service effectively with high quality. Therefore private sector contribution in PPP is having higher efficiency. It does not mean that the participation of private sector will give the guarantee to improvement in service delivery and efficiency. But the quality will depends on the risk that the private sector takes and the transfer of risk to the private from the public sector. PPP is different from the privatization. The privatization involves that no involvement of the government in the objectives designing and also in the final output specification. Whereas PPP involves that it's a partnership, i.e., the government and private partner will achieve their objectives by that the private partner will maximize it's provide by providing the quality & service efficiency. PPP is placed in between the traditional public procurement and privatization. Generally the governments will sets the quality and quantity requirements, the private partner will design and built the asset and services (Corner, 2006).

Objective of PPP in Health sector:

- To improve the quality, availability, accessibility and efficiency
- Better utilization of resources
- Exchange of skills between the public and private sector
- Improving quality of health system by providing effective management of health sector with the government infrastructure
- To increase the number of service providers with the widening of the services
- Sharing of risk between the public and private sector
- Better profit with better service from private partner

During the last few years, the Centre as well as the State Governments have initiated a wide variety of public-private partnership arrangements to meet the growing health care needs of the population under five basic mechanisms in the health sector:

- **Contracting in** - government hires individual on a temporary basis to provide services
- **Contracting out** - government pays outside individual to mange a specific function
- **Subsidies** - government gives funds to private groups to provide specific services
- **Leasing or rentals** - government offers the use of its facilities to a private organization
- **Privatization** - government gives or sells a public health facility to a private group

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Conclusion:

PPP increases competition for the government through enabling of other actors to participate in the financing, provision and determining/management of health services. This has a positive effect on efficiency, equity and quality of health care provision. The poor population especially depends on the support of the public sector. There is much room for new innovations in which otherwise excluded people become members of private for-profit and not for-profit schemes. In India there are nearly 1.23 million private medical practitioners are there, who are not qualified, this type of problems can be resolved with the PPP in health sector. Policy innovations such as public/private partnerships are, of course, highly contextual. Partnership with the private sector is not a substitute for the provision of health services by the public sector. Also, public-private partnership initiatives cannot be uniform across all the regions or suitable under all kinds of political and administrative dispensations. While private partnership is an administrative decision, an obvious but important point is that it must enjoy political and community support, there has to be a clear rationale for partnering with the private sector. It is important to understand not only what services are to be provided under private partnership but also to understand the basis on which such decisions are made.

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PUBLIC PRIVATE PARTNERSHIP IN HEALTH SECTOR

Introduction

It is widely accepted that the deficiencies in public sector health system could be overcome only by significant reforms. The need for reforms in health sector in India has been emphasized by successive plan documents.

The World Bank, which has been catalytic in initiating health sector reforms in many states, was categorical in emphasizing, "…now is the time to carry out radical experiments in India's health sector, particularly since the status quo is leading to a dead end. ….But it is evident that there is no single strategy that would be best option… The proposed reforms are not cheap, but the cost of not reforming is even greater".

Health sector reforms essentially mean redefining the government's responsibility in ensuring access to quality health services for the poor and other deprived sections of the population. Some of the health sector reforms strategies are; a) alternative financing (user-fees, health insurance, community financing); b) decentralized institutional management (autonomous hospitals, local government supervision and management); c) public sector reforms (civil service reforms, capacity building); and d) collaboration with the private sector (public-private partnerships, contracting, joint ventures)

Partnership with private sector has emerged as a new avenue of reforms, in part resulting from resource constraints for the public sector by various governments across the World. However there is a growing realization that, given their respective strengths and weaknesses, neither the public sector alone nor the private sector alone would be at the best interest of the health system (WHO 2001). Involvement of the private sector is, in part, linked to wider belief that public sector bureaucracies are inefficient and unresponsive and that market mechanisms will promote efficiency and ensure cost effective, good quality services.

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Challenges in Public Private Partnership

While the health system as a whole has common objectives of equity, efficiency, quality, and accessibility, the definition and meaning of these objectives could be interpreted differently by public and the private providers. Generally, the motive of the government is to provide health services to all at a minimum cost or free, and develops policies and programmes so as to provide equity of access to such services. From the public sector point of view, there are merits and demerits in collaborating with the private sector.

Though non-profit organizations have special concern for reaching the poor and the disadvantaged, in many states they account for less than one per cent of the health sphere (World Bank, 2004). Their sustenance depends on philanthropic donations or external funding. As a result their interventions remain ad hoc, and their up scalability remains doubtful. But they provide good quality care, need little regulation or oversight from government, are able to attract dedicated staff, and cater to the needs of those

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otherwise excluded from mainstream health care. Moreover, they are also willing to take on health care challenges that the for-profit sector is not willing or unable to take on. Given their non-profit motives, and grass root level presence, NGOs can also play useful oversight roles in the system. Their size and flexibility allows them to achieve notable successes where governments have failed.

Private sector can play an important role in transferring some of the management skills and best practices to the public sector. In India, it is the formal for-profit sector which is the most diverse group of practitioners and facilities. Since it accounts for the largest proportion of services and resources in the health sector, it is recommended that, any future strategy to improve public health should take into account of its strengths (World Bank, 2004).

Partnership to Meet the Future Challenges

Analysis of available qualitative and quantitative data clearly shows extremely uneven health and development progress in various parts of the country. Often this difference is so dramatic that one can hardly believe that they are part of the same nation and have followed the same development path for the last five decades. Even within the states that are doing reasonably well, there remain regions of darkness where little has changed since Independence. Obviously, these parts of the country should be of major concern in the coming decades. We are also living under two shadows in India: the familiar one of infectious diseases like malaria, tuberculosis, etc., and the new and growing cases of non-infectious chronic diseases like cancer and coronary diseases. The large widespread health infrastructure that has been set up throughout the country seems to be non-functional and unresponsive in many parts. Instead of moving forward to meet newer health challenges, it is sliding backward.

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Conclusion

We have come across countless instances of communities putting up a brave struggle against all odds. We were confronted with an equality large number of incidents of their social, political and economic exploitation. We also encountered new groups of power brokers and self-interest groups who siphon on social, political and economic exploitation. The time has come for us to stand up and recognize this growing menace and change the direction of our poverty eradication programs to a decentralized, imaginative and participatory model, as has been exemplified by many voluntary organizations.

A healthy nation is, therefore; only feasible if there is total participation of its citizens towards this goal. In India, in the last five decades, we have followed a path of social transformation that mainly relies on five major institutions, namely, the parliament, assembly, cabinet, bureaucracy and party functionaries. In the absence of mediating and reconciling agencies between the state and society, the state lacks a base, and remains remote and insensitive to people's needs. Unfortunately, development efforts have not been rooted in our traditional institutions nor community initiatives that exist in some form or other throughout the country. Progress is easiest made if we are tuned in with the national genius that has developed over the centuries, with certain special traits. If this domestic capacity is ignored or discarded, development efforts will lose their bearing and roots, and, gradually, vitality.

PPP AND INFRASTRUCTURE DEVELOPMENT IN INDIA

Introduction

India's rise in recent years is a most prominent development in the world economy. India has re-emerged as one of the fastest growing economies in the world. India's growth, particularly in manufacturing and services, has boosted the sentiments, both within country and abroad. With an upsurge in investment and robust macroeconomic fundamentals, the future outlook for India is distinctly upbeat. Therefore, Indian government's first priority is rising to the challenge of maintaining and managing high growth through investment in infrastructure sector, among others. The provision of quality and efficient infrastructure services is essential to realize the full potential of the growth impulses surging through the economy. India, while stepping up public investment in infrastructure, has been actively engaged in involving private sector to meet the growing demand. The demand for infrastructure investment during the 11th Five Year Plan (2007-2011) has been estimated to be US$ 492.5 billion(Planning Commission, 2007). To meet this growing demand, Government of India has planned to raise the investment in infrastructure from the present 4.7 percent of GDP to around 7.5 to 8 percent of GDP in the 11th Five Year Plan. In general, efforts towards infrastructure development is continued to focus on the key areas of physical and social infrastructure. This paper presents a quick profile and prospects of India's physical infrastructure and the socio- economic overheads needs in India,and the requirements of infrastructure investments in India.

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Objectives of the study

1. To study the overview of physical infrastructure facility in India.
2. To analyze the economic and social infrastructure facility implementation.
3. To know the financial allotment to the specific infrastructure facilities.
4. To examine the requirements of infrastructure investments in India.

Profile Of India's Physical Infrastructure

Performance of physical infrastructure in Indian economy in last one and half decades has been mixed and uneven. Table 1 provides the latest achievement of India's physical infrastructure sector. Over years, India's soft infrastructure grew much faster than the hard infrastructure. For example, India's rising trade has been reflected in growing container port traffic, which increased from less than a million in 1991 to about 5 million in 2005 with an annual growth rate of about 266 percent since 1991. In contrast, hardware components, like railways, roadways and airways, witnessed little expansion in last one and half decades. In general, performances of these sectors (hardware) are nevertheless poor, when counted their densities in terms of country's surface area or population. Densities in terms of access or spread of rail and road length clearly indicate that road sector has been successful, compared to railways, in spreading the network as well as providing an access in the economy.

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Roads

The most distinct part of India's physical infrastructure development in recent years is the development of road network across the country; per sq. km. of surface area in India is now endowed with one km of roadways. India has one of the largest road networks in the world, aggregating to 3.34 million km. The country's road network consists of Expressways, National Highways, State Highways, Major District Roads, Other District Roads and Village Roads. The road network, as on December 2007, comprises 66,590 km of National Highways, 128,000 km of State Highways, 470,000 km of Major District Roads and about 2.65 million km of other District and Rural Roads. National Highways comprise only about 2 percent of the total length of roads and carry about 40 percent of the total traffic across the length and breadth of the country. Out of the total length of National Highways, 32 percent is single lane/intermediate lane, 56 percent is 2-lane standard and the balance of 12 percent is 4-lane standard or more.

The National Highways Development Project (NHDP), the largest highway project ever undertaken by the country, is being implemented by the National Highway Authority of India (NHAI). NHDP Phase I & II envisage 4/6 laning of about 14,279 km of National Highways, at a total estimated cost of Rs.650 million (at 2004 prices). These two phases comprise of Golden Quadrilateral (GQ), North-South and East-West Corridors, Port Connectivity and other projects. The Golden Quadrilateral (GQ-5,846 km) connects the four major cities of Delhi, Mumbai, Chennai and Kolkata. By November 30, 2006, 6,776 km of national highways pertaining to NHDP had been completed, the bulk of which (5,475 km) lie on the GQ. Constraints faced in the timely completion of NHDP include delays in land acquisition, removal of structures and shifting of utilities, law and order problem in some States, and poor performance of some contractors. Nearly 93 percent works on GQ have been completed by November 2006, and the NS and EW corridors are expected to be completed by December 2009. With the completion of about 93 percent of the GQ, a substantial impact upon the economy is already visible. At this stage there is a need to focus attention on corridor management and road safety, and NHAI has already put in place a corridor management policy.

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Financing of NHDP

For implementation of NHDP Phases I and II, the main source of finance of NHAI is the fuel cess. The present rate of cess is Rs. 2 per litre on both petrol and diesel. A part of this cess is allocated to NHAI to fund the NHDP. This cess is leveraged to borrow additional funds from the domestic market. Besides, the Government of India has also negotiated various loans from World Bank (US$ 1,965 million), Asian Development Bank (US$ 1,605 million) and Japan Bank for International Cooperation (Jap. Yen 32,060 million) for financing various projects under NHDP. These loans from the multilateral institutions are passed on to NHAI by the Government partly in the form of grant and partly as loan. NHAI also negotiated a direct loan of US$ 165 million from ADB for one of its projects. The funds provided to NHAI, including its borrowings from the market, are utilized for meeting project expenditure as well as debt servicing .

Future plans

Government has set ambitious plans for upgradation of National Highways in a phased manner in the years to come.

Airports

The operations, management and development of the airports at Delhi and Mumbai were handed over to the joint venture companies namely Delhi International Airport (P) Ltd. (DIAL) and Mumbai International Airport (P) Ltd. (MIAL). The strategic joint venture partners in DIAL are a consortium led by GMR Group along with Fraport as the Airport Operator, and Malaysian Airports and India Development Fund as the oth othermembers. The joint venture partners together hold 74 per cent equity with the balance 26 per cent being held by Airports Authority of India (AAI). Similarly, in case of MIAL, the strategic joint venture partners are a consortium comprising of GVK Group along with Airport Company South Africa as the Airport Operator, and Bidest, South Africa as the other member. North Eastern Region (NER) will be taken up by AAI on a priority basis.

Airport Economic Regulatory Authority (AERA)

Through an Act of Parliament, Airport Economic Regulatory Authority (AERA) is proposed to be set up to fix, review and approve tariff structure for the aeronautical services and monitor pre-set performance standards at Indian airports. The Authority will ensure a level playing field for all categories of airport operators and also oversee and deal with natural monopoly and common user/ carrier segments of airports. Government has adopted an overall liberal approach in the matter of grant of traffic rights under bilateral agreements with various foreign countries.

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Airlines

A major fleet acquisition is underway by the national carriers, namely Indian Airlines, Air India and Air India Charters' Limited. The project of Indian Airlines for acquisition of 43 Airbus aircraft has been approved by the Government. The first A-319 from this batch of new aircraft joined the fleet of Indian Airlines Limited in October, 2006 and the remaining 42 aircraft will arrive in batches by March, 2010. Up to December, 2006, Ministry of Civil Aviation has issued no objection certificate for import/acquisition of 42 aircraft for scheduled operators, 62 aircraft for non-scheduled operators and 31 aircraft for private operators. Besides this, in principle approval for 135 aircraft was also granted to scheduled operators.

Railways

Indian Railways, world's second largest rail network under a single management, has been contributing to the development of the country's industrial and economic landscape for over 150 years. Of the two main segments of the Indian Railways, freight and passenger, the freight segment accounts for roughly two-thirds of revenues. Within the freight segment, bulk traffic accounts for nearly 95 percent, of which more than 44 percent is coal. This process necessarily requires increase in freight rates for commodities being transported below cost and lowering the freight moved at abnormally high rates. In the freight segment, the number of commodities in goods tariff has been reduced from 4,000 commodities to 80 main commodity

groups in 2005-06, and further to 27 groups in 2006-07. The total number of classes for charging freight has been reduced from 59 to 17. The high-density network connecting the four metropolitan cities of Chennai, Delhi, Kolkata and Mumbai, including its diagonals, popularly called the Golden Quadrilateral has got saturated at most of the locations.

Conclusion

Provision of quality and efficient infrastructure services is essential to realize the full potential of the emerging Indian economy. Indian government's first priority is therefore rising to the challenge of maintaining and managing high growth through investment in infrastructure sector, among others. Public-Private–Partnership (PPP) is emerging as the preferred instrument, where the private sector gets its normal financial rates of return while the public sector partner provides concessional funding based on the long-term direct and indirect benefits to the economy. New instruments such as Viability Gap Funding (VGF) through a special purpose vehicle (SPV) set up recently by the Government of India to fund mega infrastructure projects may be relevant for other Asian countries as well. The cross-border infrastructure component is an important determinant of regional integration. Nevertheless, there are many challenges. It is important for India to enhance its overland connectivity with East Asia in order to effectively facilitate the Asian regional integration.

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THE ROLE OF PUBLIC AND PRIVATE PARTNERSHIP IN EDUCATION

Education sector at present has witnessed low public spending, highly regulated with multitude of agencies. The budgetary allocation for education is currently @ 3.8 % of GDP as against the target of 6 %. The Gross Enrolment Ratio (GER) for upper primary level is at 70%, while it is 12% for higher education. 400 universities exist at present as against a need for 1500 universities as recommended by the experts. There are significant regional disparities and the Rural India does not have professional colleges commensurate with total rural population.

The planning commission recognizes the criticality of private Investments in education to meet plan targets. Though the concept of PPP in education is not new, the requirement is to accelerate the pace and develop new models of participation.

Objectives of PPPs in Education:

1. To improve the availability of infrastructure for education.
2. To promote access to education to rural and marginalized citizens of the society.
3. To improve transparency by making cost of service more visible.
4. To improve funding for education through easing of budgetary constraints.
5. To improve the relevance of education by imparting right skills in line with changing demands.

PPP models in Education Sector:

- Input model – where in the Government buys the management or professional service or buying facilities such as sports, IT, labs etc.,
- Process model – where in the Government enters into operational contract through Grant in aid.
- Output model: The Government enters into contract for education of specific students by buying seats in private schools.
- Bundle model : The Government buys both facility and services through infrastructure and services contract.

PPP has become a fashionable slogan in new development strategies particularly in education over the last couple of decades.

The Eleventh Five year plan envisaged the setting up of 2500 new model school in secondary education affiliated to CBSE under PPP model so as to make quality education accessible in backward regions too.

Why PPP in education?

- PPPs can create competition in the education market
- PPP contracts can be more flexible than most public sector arrangements.
- Governments can choose private providers in PPP contracts who satisfy specific requirements for delivery of quality education.
- PPP can ensure increased levels of risk sharing between Government and Private sector, which is likely to increase efficiency in delivery of services.
- Evidence exists from around the world for a positive correlation between private provision of education and its quality.

This has an indirect impact of increasing the enrolment while keeping the education budget in check.

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Can PPP in education an ultimate solution?

Though private sector's role has several potential advantages, the realization of such benefits greatly depends upon how well the partnership is designed, on the efficiency of the regulatory framework of the country and the capacity of the Government to oversee and enforce its contract and partnership's with the private sector.

The private partnership arrangement in education is not a cure for all the ailments of the education sector in view of the negative outcomes associated with it that are stated below:

1. PPPs will reduce Government's control over public service.
2. Increasing the educational choices available to students and their family may increase still further the socio economic segregation if the better prepared students enter into high quality schools.
3. PPPs will lead to poorer students being left behind in the tutorial rating public schools which loose the support of educated parents.
4. Teacher and the employer may see PPP as a threat to job stability.
5. Inputs to education, processes and output are very different and require different forms of contracts. These variations need to be assessed and a different approach is required in order to be effective.
6. Contracting for facility availability may be more expensive than traditional Government aided education.
7. In can create opportunity for corruption in awarding of the contracts in such cases whereinev the partnership provide financing to private school but do not demand accountability.

How to create an enabling framework for PPP?

- Defining the place of private provider in the national education strategies.
- Setting clear objective and streamline the criteria that the private sector must need in order to establish and operates schools.
- Introducing school funding system that integrate public and private school and that are neutral, responsive and targeted.
- Designing an effective quality assurance system.
- Ensure that the private agency in question has sufficient capacity for the task at hand.
- Develop appropriate performance measures for contractor and device incentives to achieve performance targets as well as sanctioned non-performance.

The selecting of the private partners should be by means of at transparent competition and multistage selection process.

Conclusion:

To conclude PPP programs are complex intervention that create incentives that modify several aspects of students behavior and of school operation. Identifying these outcomes of PPP is difficult since it requires analysts to disentangle each of these incentives. Hence this an area in which much more study is needed.

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PUBLIC PRIVATE PARTNERSHIP IN MANAGEMENT OF SCHOOL EDUCATION: A STUDY IN INDIAN CONTEXT

Introduction and Background

Public-private partnership (PPP) has become a fashionable slogan in new development strategies, particularly over the last couple of decades. It is projected as an innovative idea to tap private resources and to encourage the active participation of the private sector in national development. It is more forcefully advocated when public resources are projected to be inadequate to meet needs. PPP is already being adopted in several infrastructure development sectors, such as the development of airports, railways, roads, and so on. But, going by media reports, these have mixed outcomes. The policy initiatives are no longer confined to these and they are being extended to human development sectors such as education and health. In the case of education, PPP has been proposed as an important strategy in the Eleventh Five Year Plan. Among many things, the Eleventh Plan has proposed the setting up of 6,000 new model schools in secondary education, affiliated to the Central Board of Secondary Education. Of these, 2,500 are to be under the PPP model. The intention is to set up these schools in the backward regions and remote areas where good schooling facilities do not exist, so that quality education is accessible in the backward regions as well.

It is well recognised that education is a pre-requisite for the growth and development of a modern and equitable socio-economic order. It is essential for empowering and enabling the poor to participate more fully in a democratic polity that identifies equality of opportunity as one of its cherished goals. For these reasons, education, especially school education, is regarded as the responsibility of the government and the recent enactment of the Right to Education Act is a step in that direction.

Planning commission Model

According to the model finalised by the Planning Commission in consultation with the private sector, these schools will be set up by 2014 and will have the capacity to educate 65 lakh students, of whom 25 lakh will be from the deprived sections. Each school will have about 2,500 students, 1,000 of whom will be from deprived sections and charged a token fee. Fifty per cent of the 1,000 students will be from the Scheduled Castes, the Scheduled Tribes and the Other Backward Classes. They will be required to pay a monthly fee of Rs.25 each. The rest of the children, who will be from other deprived sections — non-income tax paying families — will be required to pay a fee of Rs.50 a month. The remaining costs of these students, estimated to be Rs.1,000 to Rs.1,200 a head per month, will be reimbursed by the Union government to the schools. It is estimated that the government will have to pay Rs.10,500 crore until 2017. The amount is likely to go up with escalating prices, in general, and increasing costs of education, in particular. In this context, the present study is an attempt to bring out the problems and prospects of public private partnership in school education management.

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Objectives

i. To bring out the role of public partnership with private in school education

ii. To enlighten the factors inhibiting public private partnership in school education management.

Discussion on School Education Management under Public Private Partnership

PPP in school education is essentially an arrangement where the private sector partner participates in the provision of services traditionally provided by the government. It is usually characterized by an agreement between the government and the private sector, with the latter undertaking to deliver an agreed service on the payment of a unitary charge by the government. The need for PPP in school education primarily arises out of the government's commitment to provide world-class education to under-privileged children who cannot afford the tuition fee that a private school would normally charge. While access to quality education for the underprivileged is traditionally expected from government schools, they alone may not be able to fulfil this enormous task. The justification for PPP schools arises primarily from the need to accelerate the expansion of education, supplement investment and enable different models for improving the quality of education.

PPP is essentially an arrangement where the private sector participates in the provision of assets and services traditionally provided by the government. It is usually characterised by an agreement between the government and a private partner who undertakes to deliver an agreed service on the payment of a unitary charge by the government or a user charge by the beneficiaries of the service rendered. The arrangement normally involves a whole-life approach where the private partner is responsible for both construction and operation. There is also some degree of risk-sharing based on allocation of risks to the party best suited to manage it.

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Discussion on the Factors Inhibiting Public Private Partnership in School Education

It is important to note that good design, is not sufficient to ensure the success of a PPP in education. It must also be effectively and efficiently implemented. Weak implementation of PPPs can expose governments to substantial financial and policy risks, but governments can take several actions to improve the way in which PPPs are implemented.

Employ a transparent, competitive, and multi-stage process for selecting private partners in PPPs. A key element of effective contracting is a transparent and competitive bidding process. Bidding for service delivery contracts such as school management initiatives or private finance initiative contracts should be open to all private organizations, including for-profit and not-for-profit providers. Contracts should be open to any local, national, and international organizations that may wish to bid for the opportunity to operate a public school.

Nodal Agency

For initiating and implementing this scheme for 2,500 PPP schools, the government will set up a nodal agency broadly on the lines of Kendriya Vidyalaya and Navodaya Vidyalaya schemes, but with special emphasis on creating inter-disciplinary capacity to roll-out and monitor this scheme. The Nodal Agency may have regional offices, as necessary. Expert staff would be hired on contract basis, as necessary. The institutional approach and mindset required for rolling out and managing PPPs in school education is significantly different as compared to the direct control and administration of schools. Hence, a separate agency would be essential for ensuring the expected outcomes of this scheme.

Conclusion

As far as public private partnership in Indian Context is concerned, it is not new. In this context it may be brought out that inputs to education, processes and outputs are very different and require several different forms of contracts (including management, support, professional, operational, educational services and infrastructure). All of these variations need to be assessed separately as they are likely to have different requirements for being effective. Going forward though in these turbulent financial times, it is likely that many more countries, both developed and developing, will be looking for ways to leverage the capacity and expertise of the private sector to provide education. PPPs should be accompanied by a well-designed, rigorous evaluation. Although a wide range of PPPs exists around the world, there is a lack of rigorous evidence on the impact of these partnerships on academic outcomes and other education indicators.

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PUBLIC PRIVATE PARTNERSHIP IN AGRICULTURE: A STUDY IN INDIAN CONTEXT

Introduction and Background

In recent years, public–private partnerships have been heavily promoted in the education, health, infrastructure, and community-development sectors in order to improve efficiency in the generation and performance of public services. This has also been true in the field of agricultural development, where public and private actors hope to use
Partnerships to generate and spread innovations that would otherwise be complicated to develop separately.

Public–private partnerships are agreements by which public and private entities share resources, risks, and benefits in order to generate and provide products and services more efficiently. Partnerships are not simply tools for finding complementary funds but they require a commitment from all the partners.

Objectives

i. To probe into the need for public private partnership in agriculture sector of India.
ii. To examine the factors influencing the private partnership in agriculture.

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(a). Discussion on need for public private partnership in agriculture

Public and private actors in the agricultural sector have different interests. The private sector is generally motivated by goals such as the maximization of earnings, economic profitability, increased productivity, competitiveness, or market position, cost reduction, increased product quality and diversity, and leadership on markets. In particular, small-scale farmers, tend to focus on reducing vulnerability and maximizing yields given the scarce resources available to them. The public sector, for its part, directs its efforts toward goals such as development, economic growth, and social equity, and environmental sustainability, thus trying to foster social benefits and meet the needs of society.

Low population densities, remote locations and weather-dependent production systems make participation by the private sector in agri-cultural infrastructure highly risky. An analysis of the World Bank's comprehensive database on Private Participation in Infrastructure in devel-oping countries attributed just 1% of total infra-structure investment value directly to the devel-opment of agriculture between 2003 and 2005. The persistent challenge seems to be to know when and where public–private partnerships are a value-adding proposition for infrastructure in market-orientated agricultural development, and how best to formulate the financial and insti-tutional arrangements for such collaboration.

(b). Discussion on Attracting the private sector partnership in agriculture

Public subsidies are increasingly relevant to achieving commercial viability and attracting the private sector into high-risk infrastructure. Infrastructure in remote rural regions that is dependent on agricultural production to recover capital and operational costs (irrigation, wholesale markets) is rarely 'bankable' without financial support.

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In this context, it may be brought out that attracting the private sector into a PPP deal requires public authorities to answer three essential questions:

- What the source of revenue will be (user fees, subsidies, purchase agreement etc.) and whether this will be sufficient to cover investment costs and return a profit;
- Whether the commercial scale of the opportunity will warrant the high costs involved in project development including competitive bidding by private parties; and
- Whether the proposed infrastructure offers growth potential for the private party – for example, is located in a rapidly developing agricultural area, or offers potential for design innovations, operational changes or expansion to raise revenues over time.

However, the role of public subsides is essential for private partnership in agriculture of a developing nation like India. Otherwise, it is very difficult to blend private and public in agricultural development.

Conclusion

The study puts forth the following conclusion from the foregoing discussion. It is a known fact that inviting private partnership for agriculture is a very difficult task. But in view of technological development in agriculture and the conserve the soil, increase the agriculture productivity the public private partnership is a pre requisite for agriculture infrastructural development. Further, in the context of widening of global market for agricultural products, allocation of subsidy and public investment in agriculture development along with private sector investment will directly turn to be success in public private partnership in agriculture in Indian Context.

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PUBLIC PRIVATE PARTNERSHIP IN TRANSPORT SECTOR AND GDP GROWTH IN INDIAN ECONOMY

Introduction

Today, both Public and Private Sector have become an integral part of the economy. There may not be much difference in working of these sectors in advanced countries, but in developing countries, the performance of Public Sector has considerable scope for improvement. It is also observed that Pay packages are almost similar in both sectors in developed countries, but large differences exist in remuneration in the two sectors in developing countries.

The provision of transport infrastructure and services helps in reducing poverty. It needs no emphasis that various public actions aimed at reducing poverty cannot be successful without adequate transport infrastructure and services. It is difficult to visualize meeting the targets of universal education and healthcare for all without first providing adequate transport facilities.

The transport sector comprises the following sectors

- Roads
- Ports
- Airports
- Railways

While India has been clocking an average GDP growth rate of 7.6 percent driven by expansion of the domestic economy and growth in international trade, the performance of the transport sector has large the economic and trade growth resulting in a significant transport infrastructure gap.

Transport demand, both freight and passenger, is linked to the level of economic activity and development needs. It runs parallel to the growth of GDP. A higher rate of growth will therefore mean higher transport demand. However, as growth of GDP results in dispersal of economic activity, the demand for transport will go up further.

However, as the experience in India demonstrates, it is not easy to associate the private sector in the development of transport infrastructure and services. As a matter of fact, the degree of success in this regard varies from one subsector to another. In what follows, the policy initiatives taken by the Government to involve the private sector in the development of various transport subsectors are highlighted and the current situation with regard to private sector participation is reviewed.

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Objective

- The study highlights the transport sector and GDP growth rate in Indian economy

Methodology

A study fully depends on secondary data. The Secondary data are based on Publications like Books, Journals, Magazines, Websites and so on.

The contribution of the transport sector to Gross Domestic Product (GDP) and the proportion of public expenditures on this sector. The contribution of the transport sector to the economy is higher than the proportion of expenditures used to improve and maintain the sector.

The private sector can now invest in national highway projects, levy, collect and retain fees from user charges and is also empowered to regulate traffic on such highways in line with the provisions of the Motor Vehicle Act. A number of incentives are given to the private sector for the development of road projects.

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The Government bears

- Project feasibility studies;
- Shifting of utilities/services;
- Environmental clearance, cutting of trees, etc.;
- Land for the right of way and way side amenities;
- The land required for wayside amenities is treated as land required for the project.

The National Highway Authority of India has so far awarded 21 projects to the private sector. These projects aggregate to a total length of 1,109 km of highways and are being undertaken following Three models of private participation namely, (a) build-operate-transfer, (b) annuity and (c) special purpose vehicle. The total cost of these projects is 68,670 million rupees as per the details.

The contribution of the private sector has been about 20 per cent of the costs of National Highway Development Projects. However, the share of the private sector is likely to go up in the future as it gains more confidence in undertaking road projects through partnership arrangements with the public sector and the overall environment becomes more conducive to private participation.

Projection of Freight Movement during Eleventh Plan

The elasticity of tonne kilometres by road transport with respect to GDP is found to be a little above unity. Using an elasticity of 1.1 of BTKM (Billion Tonne Kilometres) with respect to GDP, four alternative scenarios for BTKM over the Eleventh Five Year Plan have been projected, for alternative GDP growth rates of 7, 8, 8.5 and 9 per cent as given in the Approach Paper to Eleventh Plan. The projected BTKM made by the Sub Group for alternative growth scenario.

This scenario arising out of efficiency gains for the trucking industry for the terminal year of the 11th Five Year Plan shows that requirement of LCVs would be lower in the range 1.2 to 1.4 million; that of M&HCVs would be lower in the range 1.3 to 1.5 million and that of Multi-Axled trucks 25,000 to 29,000 depending on the GDP growth projector 2.9 From the data available and assuming a useful life of 20 years for a truck, it is projected that during the Eleventh Five Year Plan on an average 47,000 LCVs, 51,000 M&HCVs and another 400 MAVs will require replacement every year.

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Conclusion

The development of the transport sector is prerequisite for sustained growth of the economy. Availability of adequate transport services is also a key to encouraging foreign direct investment. In this context, it may be pointed out that an improved transport network has played a crucial role in china becoming the largest recipient of foreign direct investment.

India has long suffered from transport battlement, mainly because of budgetary constraints and managerial inefficiencies. To overcome this handicap, conscious efforts are being made to improve transport infrastructure in the economy. The importance of private sector participation in bringing the resource gap and improving the operational and marginal efficiency has also been recognized.

In assessing the role of the private sectors, a distinction is made between infrastructure and services. The basic infrastructure, with a few exceptions, lies in the hands of the public sector. The long term goal is to provide open access to fixed infrastructure for all modes of transport and to involve the private sector in the provision of infrastructure facilities.

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INFRASTRUCTURE DEVELOPMENT: SPECIAL REFERENCE ON ROAD AND HIGHWAY

Introduction

India has one of the largest road networks in the world. India could unleash its full potentials, provided it improves the infrastructure facilities, which are at present not sufficient to meet the growing demand of the economy. Failing to improve the country's infrastructure will slow down India's growth process. Therefore, Indian government's first priority is rising to the challenge of maintaining and managing high growth through investment in infrastructure sector, among others. (see. Govt. of India2007).

Objective

To study explained the Role of Public Private Partnership in Infrastructure Development on Road and Highway Sector.

Methodology

The study based on Secondary sources only. Data collected from Various Articles, Reports, Website from 1991-2011.

Government role in PPP

India has one of the most rapidly expanding transport PPP programs among the developing countries. Impetus for private sector participation in the roads sector in India came in the late nineties, stemming from the government's concern to address the challenges of rapid deterioration of the national highway network and the lack of resources to support its development and maintenance. The Government of India has initiated an ambitious National Highways Development Programme (NHDP) that relies substantially on Public Private Partnerships (PPPs) as a means of attracting private capital, improving efficiencies and reducing costs. Several states are pursuing similar programmes based on PPPs in state highways, while a few others are in different stages of the process. Between 1990 and 2005 alone, US$71 billion were invested by the private sector in 392 projects in 26 developing countries. A notable trend in this development is that PFIs are more prevalent in developing countries than in developed countries.

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BOT- Tolling and BOT Annuity

National Highway Development Program (NHDP) aimed at four/six-landing of 14,000 kilometers of national highway corridors. Even as many of the roads were developed through traditional "cash contracts," the program ushered in PPP through two predominant modes, Build, Operate and Transfer (BOT) -Tolling and BOT Annuity. In BOT-Tolling method, the traffic as well as toll collection risks are borne by the private operator. In BOT-Annuity, the operator is paid a fixed semi-annual payment after completion and through the remaining contract period. During the first and second phases of NHDP, 48 projects worth about $4 billion were awarded through PPPs for the construction of about 2,500 km of roads. Of these, 24 projects with a total length of 1200km were awarded as BOT-Toll concessions and the rest were awarded on BOT-Annuity basis.

PPP In National Highways Network

The Indian government foresees Rs. 50,000 crore (US$10.54 billion) in private investments in the highways sector this fiscal as it awards contracts for building 7,300 kilometers (4,536 miles) of

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roads. National highways are the arterial roads that run through the width and breadth of the country connecting state capitals, ports, industrial and tourist centers, and adjacent countries. The National Highways, with a total length of 65,659 km, account for just 2% of the 3.3 million km road network, but carry 40% of the total traffic (DoRTH 2007a). In spite of the fact that National Highways have played a key role in the economic growth of the country, the Central Government has not been able to allocate sufficient budgetary resources to meet roadway needs due to competing demands from other sectors, especially the social sector.

The Central Government of India has undertaken the ambitious National Highways Development Program (NHDP) to upgrade the National Highways in seven phases. The Government of India in January 1999 formally launched NHDP to develop the Golden Quadrilateral network (the National Highways network connecting the four metro cities of Mumbai, Chennai, Kolkata, and Delhi) under NHDP Phase I and north–south and east–west (NSEW) corridors under NHDP Phase II. The National Highways Authority of India (NHAI) was mandated to implement this program, which was estimated to cost 540 billion1 Indian Rupee (INR) (in 1999 prices). NHAI planned private sector participation in certain stretches of the National Highways network under the NHDP project and anticipated private investments to the tune of INR 40 billion (in 1999 prices). The Committee on Infrastructure, Government of India, estimated that investment to the tune of INR 2,272.58 billion, including INR 524.34 billion for completion of NHDP phases I and II, will be required to complete the program (DoRTH 2007a).

Performance between Public and Private Sector

Infrastructure has traditionally been developed and operated by the public sector. For those governments considering a shift from the conventional public sector financing scheme to a BOT-PPP scheme. Then BOT-PPP scheme has several major advantages over a public sector financing scheme. Other benefits would include the efficiency of intervention of the financiers once a problem happens.

Infrastructure Roads and Highways

India, having one of the largest road networks of 42.4 lakh km, consists of National Highways, Road Highways, Expressways, State Highways, Major District Roads, Other District Roads and Village Roads with the following length distribution:

National Highways / Express ways	70,934 km
State Highways	1,54,522 km
Major and Other District Road	25,77,396 km
Rural Roads	14,33,577 km

Source: Annual Report 2010-11, Ministry of Road Transport and Highways, Government of India

Road Transport

About 60% of freight and 87.4% passenger traffic is carried by road. Although National Highways constitute only about 1.7% of the road network, it carries 40% of the total road traffic. Easy availability, adaptability to individual needs and the cost savings are some of the factors which go in favour of road transport. The rapid expansion and strengthening of the road networks is imperative to provide for both present and future traffic and for improved accessibility to the hinterland. In addition, road transport needs to be regulated for better energy efficiency, less pollution and enhanced road safety.

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National Highway Development Project (NHDP)

The National Highways Development Project (NHDP), the largest highway project ever undertaken by the country is being implemented by the National Highway Authority of India (NHAI).

Conclusion

Provision of quality and efficient infrastructure services is essential to realize the full potential of the emerging Indian economy. Indian government's first priority is therefore rising to the challenge of maintaining and managing high growth through investment in infrastructure sector, among others. To sustain 9 percent growth, the Government of India has estimated that an investment of over US$ 492.5 billion during the 11th Five Year Plan (2007-2012) is required. Therefore, there is substantial infrastructure needs in infrastructure sector in India, which, in other words, also offers large investment opportunities. Public-Private–Partnership (PPP) is emerging as the preferred instrument, where the private sector gets its normal financial rates of return while the public sector partner provides concessional funding based on the long-term direct and indirect benefits to the economy.

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