सत्यमेव जयते

Annual Report 2009-10

Ministry of Finance
Government of India

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For Public Contact Purpose:

Ministry of Finance

Department of Economic Affairs

North Block, New Delhi – 110001
Phones : 23095120, 23092453
Website: http://www.finamin.nic.in/the_ministry/dept_eco_affairs/index.html

Department of Expenditure

North Block, New Delhi – 110001
Phones: 23095661, 23095613
Website: http://www.finmin.nic.in/the _ministry/dept_expenditure/index.html

Department of Revenue

North Block, New Delhi – 110001
Phones: 23095384, 23095385
Website: http://www.finamin.nic.in/the_ministry/dept_revenue/index/html

Department of Disinvestment

Block 11 & 14, CGO Complex Lodhi Road, New Delhi – 110003
Phones: 24368528, 24368523, 24368044
Website: http://www.divest.nic.in

Department of Financial Services

Jeevan Deep Building, Parliament Street, New Delhi – 110001
Phones: 23748721, 23748734
Website: http://www.finmin.nic.in / theministry/dept-fin-services/fin-services.html

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Introduction

The report reviews the activities of the Ministry of Finance for the year 2009-10. The Ministry is responsible for the administration of the finances of the Central Government. It is concerned with economic and financial matters affecting the country as a whole, including mobilization of resources for development. It regulates the expenditure of the Central Government, including the transfer of resources to States. This chapter gives a synoptic view of the important activities of the Ministry during the year 2009-10.

The Ministry comprises of the five Departments namely:

- Department of Economic Affairs
- Department of Expenditure
- Department of Revenue
- Department of Disinvestment; and
- Department of Financial Services

I. DEPARTMENT OF ECONOMIC AFFAIRS

Economic Growth

The economy is on the path of recovery in 2009-10. As per the latest information (Advance Estimates) of National Income for 2009-10 (at constant 2004-2005 prices), released by the Central Statistical Organization the growth of Gross Domestic Product (GDP) at factor cost is estimated at 7.2 percent in 2009-10, with agriculture & allied activities growing at (-) 0.2 per cent, industry at 8.2 per cent and services sector at 8.7 per cent. The corresponding growth in GDP in 2008-09 was 6.7 per cent, with agriculture and allied sector, industry and services growing at 1.6, 3.9 and 9.8 per cent, respectively.

As per the Quarterly Estimates of GDP for 2009-10, there has been broad based recovery in economic growth during 2009-10 as compared to 2008-09. The GDP growth in the first second and third quarters of 2009-10 is estimated at 6.1 per cent, 7.9 per cent and 6.0 per cent respectively, as compared to 7.6 per cent, 7.5 per cent and 6.2 per cent during the corresponding period of 2008-09.

Data on the savings and investment is available only up to 2008-09. The saving rate as percentage of GDP at current market prices was estimated to be 32.5 percent in 2008-09 as compared to 36.4 percent in 2007-08 while the gross domestic capital formation was 34.9 percent in 2008-09 as compared to 37.7 percent in 2007-08.

Agriculture

The year 2008-09 witnessed an all time high production of foodgrains at 234.47 million tonnes against the target of 233.00 million tonnes, out of which Kharif production was 118.14 million tonnes and Rabi production was 116.33 million tonnes respectively (Final Estimates, 2008-09)

During South-West monsoon of 2009 (1st June to 30th September), the country as whole received 23 per cent less rainfall of long period average (LPA). Twenty three out of thirty six meteorological sub- divisions recorded deficient rainfall during this period. However, the cumulative post monsoon seasonal rainfall (1st October-31st December 2009) for the country as a whole was 8 per cent above the normal. Twenty three out of thirty six meteorological sub-divisions recorded normal/excess rainfall during this period.

The deficiency in South West monsoon in 2009 has resulted in short fall in the area sown during 2009-10 under kharif crops. Sowing data reveals that area under paddy, groundnut, sunflower, nigerseeds, sugarcane and jute were lower as compared to last year. However, there was an increase in the area sown in the case of jowar, seasmum, pulses and cotton.

As per the Second Advance Estimates of production for 2009-10 released by Ministry of Agriculture on February 12, 2010, production of food grains is estimated at 216.85 million tonnes and that of oilseeds at 26.32 million tonnes which indicates a shortfall of around 17.62 million tonnes in food grains and 1.40 million tonnes in oilseeds as compared to final estimates 2008-09.

As per the latest data available during the rabi season 2009-10, wheat, pulses and groundnut have been sown in more area than last year. The cropped area under wheat, pulses and groundnut, as on 26.2.2010 was 278.17, 143.29 and 9.68 lakh hectares as compared to 275.89, 136.48 and 8.21 lakh hectares respectively during the same period last year. However, the cropped area under coarse cereals, rice and oilseeds, as on 26.2.2010 was 64.92, 36.58 and 92.27 lakh hectares as compared to 68.48, 40.77 and 95.73 lakh hectares respectively during the same period last year.

Industry

During 2009-10(April-December), as per the data on Index of Industrial Production(IIP) , the industrial sector grew at 8.6 per cent compared to 3.6 per cent during the previous year. The increase in growth occurred in all the three broad sectors –manufacturing, mining and electricity. During 2009-10 (April-December), the manufacturing sector, mining and electricity sectors grew at a rates of 9.0, 8.5 and 5.8 per cent respectively against the corresponding figures of 3.6, 3.2 and 2.7 per cent in the previous year.

Among the use-based industry groups, basic goods, capital goods, intermediate goods, consumer durables recorded increase in growth during 2009-10 (April-December) while consumer non-durables showed decline in growth, compared to the previous year. The consumer durables showed a growth of 24.4 per cent followed by the intermediate goods 12.5 per cent, capital goods 11.1 per cent and basic goods by 6.0 per cent during 2009-10 (April-December), compared to the corresponding figures of 4.1 ,(-) 1.7, 8.2 and 3.4 per cent during 2008-09 (April-December). The growth of consumer non-durables slowed down to 1.5 per cent during 2009-10 (April-December) compared to a growth of 6.7 per cent during the April-December 2008-09. At the disaggregated level, three out of the 17 two-digit industrial groups – food products, beverages & tobacco, jute and other vegetable fibre textiles recorded a negative growth during 2009-10 (April-December). Out of the remaining 14 industry groups, four groups recorded growth rate less than 5 per cent, five groups registered growth rates between 5 to 10 per cent and the remaining five industry groups namely wool , silk and man-made fibre textiles, basic chemicals and chemical products, rubber, plastic, petroleum and coal products, machinery & equipment, transport equipment and parts recorded growth rate of 10 per cent or in excess.

Infrastructure

Infrastructure generates considerable backward and forward linkages, and hence its development is central to the growth of the other sectors of the economy. The overall index of six core industries having a direct bearing on infrastructure registered a growth of 4.8 per cent during 2009-10 (April-December)which is higher than 3.2 per cent growth registered during the previous year. Three out of the six core sectors –crude oil, petroleum refinery products and coal recorded lower rates of growth of (-)1.1, (-) 1.0 and 8.3 per cent respectively during April-December, 2009-10 as compared to (-) 0.5 , 3.7 and 9.9 per cent during April-December 2008-09. The growth in electricity, cement and finished steel was 6.0, 11.0 and 3.6 per cent respectively during 2009-10 (April-December).

Prices and Inflation

Inflation, measured by variations in the wholesale price index (WPI) on a year-on-year basis was 8.6 per cent in January, 2010 as against 5.0 per cent in January, 2009. Average inflation (Apr-Jan) is assessed at 2.4 per cent (provisional) in 2009-10 compare to 9.7 per cent for the same period in 2008-09. On financial year basis, inflation since March recorded 8.9 per cent in January 2010 compared to 1.5 per cent in January 2009.

At a disaggregated level, prices of primary articles (with a weight of 22.02 per cent in the WPI basket) and manufactured products (with a weight of 63.75 per cent) increased by 14.5 per cent and 6.6 per cent, respectively, in January, 2010 as compared with an increase of 10.7 per cent and 5.3 per cent a year ago. Inflation in the composite food index (with a weight of 25.43 per cent) was 19.1 per cent in January, 2010 compared to 9.5 per cent in January, 2009.The composite non-food inflation within manufactured group of WPI (with a weight of 53.72 per cent) was 3.7 per cent in January, 2010, which is lower than 5.0 per cent recorded last year.

Annual inflation of the 'fuel, power, light and lubricants' group (with a weight of 14.23 per cent) was 6.9 per cent in January, 2010 as against (-) 1.7 per cent a year ago. Administered mineral oils (with a weight of 5.44 per cent) recorded (-) 1.4 per cent in January, 2010, as against 6.7 per cent inflation in January, 2009. Mineral oils other than administered items (with a weight of 1.55 per cent) registered inflation of 51.3 per cent in January, 2010, which is significantly higher than (-) 27.8 per cent in the same month last year. This is a result of increase in the international crude oil prices, from an average of US$ 43.9/bbl in January, 2009, to US$ 77.1/bbl in January, 2010.

Inflation, based on the consumer price index (CPI) for industrial workers increased to 16.2 per cent on a year-on-year basis in January, 2010 compared to 10.4 per cent a year ago. In respect of CPI-UNME, CPI-AL and CPI-RL, inflation ranged 8.8 to 17.6 per cent during financial year 2009-10 which is higher than range of 6.8 to 11.6 per cent during 2008-09. An analysis of the last four years suggests that WPI inflation and CPI inflation has generally moved in tandem and it was so until April 2007. Thereafter, inflation measured in WPI and CPI showed some divergence. Moreover, the divergence in the recent period has been unusually high, reflecting the volatility in commodity prices that have a higher weight in WPI.

A major portion of the differences between inflation rates based on the Wholesale Price Index (WPI) and Consumer Price Index for industrial workers is explained by prices of food items, which have a higher weight in the CPI in comparison to WPI. Food inflation based on CPI-IW with a weight of 46.20 per cent was 21.3 per cent in December, 2009 compare to 13.9 per cent a year ago.

Monetary Trends and Developments

Conditioned by the developments during 2008-09, the Reserve Bank of India (RBI) had maintained an accommodative monetary policy stance since September 2008 which has been continued during 2009-10. The thrust of the policy initiatives taken by the Reserve Bank was aimed at providing ample rupee liquidity for the smooth functioning of the financial market, ensuring comfortable dollar liquidity and maintaining a market environment which would be conducive for the continued flow of credit to productive sectors for sustaining and reviving economic growth in the midst of the global recession.

Taking into account the slackening economic growth, the monetary policy authority viz the RBI, aimed to provide a policy regime during 2009-10 that would enable credit expansion at viable rates while preserving credit quality so as to support the return of the economy to a steady growth path. The Annual Policy Statement for 2009-10 of RBI (April 21, 2009) expressed its resolve to minimize the impact of the global financial crisis on the domestic economy and restore the economy to a high growth path consistent with price and financial stability. It announced a further reduction in the repo rate from 5.00 percent to 4.75 per cent with effect from April 21, 2009, while the reverse repo rate was reduced from 3.5 per cent to 3.25 per cent. RBI's First Quarter (Q1) Review of the Monetary Policy 2009-10 (July 28, 2009) did not announce any revisions in the policy rates; it continued the accommodative monetary stance.

RBI's Second Quarter (Q2) Review of Monetary Policy 2009-10 (October 27, 2009) noted the economic recovery in the growth profile, made an overall assessment of the economy, and indicated that the stance of monetary policy for the remaining period of 2009-10 would be to: (i) maintain a monetary and interest rate regime consistent with price stability and financial stability, and supportive of the growth process. (ii) keep a vigil on the trends in inflation and be prepared to respond swiftly and effectively through policy adjustments to stabilise inflation expectations; and to (iii) monitor the liquidity situation closely and manage it actively to ensure that credit demands of productive sectors are adequately met while also securing price stability and financial stability. Though the policy rates were left unchanged, the RBI announced that the Statutory Liquidity Ratio (SLR) which had earlier been reduced from 25 percent of Net Demand and Time Liabilities (NDTL) to 24 per cent in November 2008, was being restored to 25 per cent with effect from the fortnight beginning November 7, 2009. It was also announced that liabilities of scheduled commercial banks arising from transactions in collateralized borrowing and lending operation (CBLO) {which were earlier exempted from the cash reserve ratio (CRR) prescription}, would be brought into the fold for maintenance of CRR with effect from the fortnight beginning November 21, 2009. Keeping in view the large increase in credit to commercial real estate sector, provisioning requirements to the sector classified as "standard assets" was increased from 0.40 to 1 per cent. The limit for export credit refinance facility [(under section 17(3A) of the RBI Act], which was raised to 50 per cent of eligible outstanding export credit, was returned to the pre-crisis level of 15 per cent. The two non-standard refinance facilities: (i) special refinance facility for scheduled commercial banks under section 17(3B) of the RBI Act (available up to March 31, 2010), and (ii) special term repo facility for scheduled commercial banks (for funding to MFs, NBFCs, and HFCs) (available up to March 31, 2010) were also discontinued. The response of the monetary authority to the changing economic environment was also reflected in the indicative projections for macro level parameters made by RBI for 2009-10 in the Annual Policy Statement 2009-10 and subsequent quarterly reviews. In RBI's Third Quarter Review of Monetary Policy (January 29, 2010), the Cash Reserve Ratio (CRR) of scheduled banks was raised by 75 basis points from 5.0 per cent to 5.75 per cent of their net demand and time liabilities (NDTL) in two stages; the first stage of increase of 50 basis points will be effective the fortnight beginning February 13, 2010, followed by the next stage of increase of 25 basis points effective the fortnight beginning February 27, 2010. As a result of the increase in the CRR, about Rs. 36,000 crore of excess liquidity will be absorbed from the system. The monetary policy stance is shaped by the need to shift the policy stance from 'managing the crices' to 'managing the recovery' which implies a reversal from crisis-driven expansionary stance. It is also recognized that though the inflationary pressures in the domestic economy stem predominantly from the supply side, the consolidating recovery increases the risks of these pressures spilling over into a wider inflationary process.

Year-on-year growth in M_0 was 17.5 per cent as of February 12, 2010 as against 7.9 per cent in the corresponding date of the preceding year. On a financial year basis, growth in M_0 was placed at 6.5 per cent (April- February 12, 2010) as compared to a decline of 3.5 per cent for the corresponding period of the preceding year. During 2009-10, broad money growth remained below the levels of the preceding year. The year-on-year M_3 growth as on February 12, 2010 was 16.4 per cent as against 20.3 per cent on the corresponding date of the previous year. As of February 12, 2010, the M_3 growth on financial year basis was 12.5 per cent as against 14.6 per cent in the corresponding period of the preceding year.

During 2009-10 so far, liquidity conditions remained easy and the money market continued to evince comfortable liquidity. Reflecting the surplus liquidity conditions, the call rate hovered around the lower bound of the informal LAF corridor.

There was a substantial decline in the implicit yields at cut off price in case of 91-Day, 182-Day and 364-Day Treasury Bills in 2009-10 as compared to 2008-09, due to improvement in liquidity conditions since November 2008. The yields for all the three categories more or less stabilized close to 4 per cent level during the current financial year while the average yields for 2008-09 were over 7 per cent. The spread between the different tenors was also not very substantial.

A new short-term instrument, known as Cash Management Bill was introduced as per the announcement on August 10, 2009, with a view to meet the temporary cash flow mismatches of the Government. The Cash Management Bills are non-standard, discounted instruments issued for maturities of less than 91 days. The new bills are not aimed at funding the Government's fiscal deficit and would also not increase the size of the borrowings. Cash management bills provide an additional instrument to the Government for its cash management operations in a cost-effective manner.

The fiscal stimulus packages announced since 2008-09 and in the Budget 2009-10 had implications for increased government borrowing. Gross market borrowings were budgeted at Rs. 4,51,093 crore in 2009-10 (BE) against Rs 3,06,000 crore in 2008-09. With a view to conduct this in a non-disruptive manner, the Goverment borrowing was front-loaded with nearly 60 percent of borrowings being concluded in first six months of the fiscal. This effectively avoided the crowding out of the funds for the private sector, as credit demand generally picks up in the period of second half of the year and beyond. To ensure orderly liquidity conditions, Open Market Operations (OMO) programme for the first half of 2009-10 was also announced on March 26 2009, in terms of which, the RBI expressed its intention to purchase government securities amounting to Rs.80,000 crore. OMOs for Rs.57,487 crore were conducted till September 2009. After September 2009, no auctions- based OMOs have been conducted.

Due to the extant liquidity conditions, and the varying of the maturity profile of the debt issuance tailored to market appetite, the weighted average yield of dated securities issued under the Central Government borrowing programme in 2009-10 were lower than the previous year even though the Government's borrowing programme was large. The weighted average maturity of securities issued during 2009-10 was around 11 years as compared with the average maturity of about 14-15 years in 2008-09.

Bank Credit

During the current financial year, growth in bank credit remained low for much of the year. The year-on-year growth in 2009-10 was 15.1 per cent as of February 12, 2010 as against 19.8 per cent on the corresponding date of 2008. Year on year growth in non food credit during 2009-10 (up to February 12, 2010) was 15.4 per cent as compared with 20.0 per cent during the corresponding date of the preceding year. The lower expansion in credit relative to the significant expansion in deposits during 2009-10 resulted in a decline in the credit-deposit ratio to 70.97 on February 12, 2010 from a level of 72.4 at end-March 2009. The slowdown in non-food bank credit from the banking sector could be attributed to the economic conditions, banks being cautious in extending credit to the retail sector (due to the perceptions of increased risk and to guard against bad loans). Bank credit is showing signs of pickup since November, 2009.

Liquidity conditions remained easy during 2009-10. However the emergence of inflationary trends has posed a challenge in the conduct of monetary policy. Since RBI has indicated that while growth drivers warrant a delayed exit, inflation concerns would call for an early exit from the accommodative policy stance.

External Sector

As per the latest data for fiscal 2009-10, exports and imports showed substantial decline during April-September (H1) of 2009-10 vis-à-vis the corresponding period in 2008-09. There has however been improvement in the balance of payment (BoP) scenario during H1 of 2009-10 over H1 of 2008-09, reflected in higher net capital inflows and lower trade deficit. The trade deficit was lower at US$ 58.2 billion during H1 (April-September) of 2009 as compared with US$ 64.4 billion in April-September 2008 mainly on account of decline in oil import.

The merchandise exports on a BoP basis posted a decline of 27.0 per cent in H1 (April-September 2009) of 2009-10 as against a growth of 48.1 per cent in the corresponding period of the previous year. Import payments declined by 20.6 per cent during April-September 2009 as against a sharp increase of 51.0 per cent in the corresponding period of the previous year. The decline in imports is mainly attributed to the base effect and decline in oil prices.

The net invisibles surplus (invisibles receipts minus invisibles payments) stood lower at US$ 39.6 billion during April-September of 2009 as compared to US$ 48.5 billion during April-September 2008. The current account deficit, however, increased to US $ 18.6 billion in April-September 2009, despite lower trade deficit, as compared to US $ 15.8 billion in April-September 2008 mainly due to lower net invisible surplus.

The gross capital inflows to India during April-September 2009 was US $ 175.3 billion (US $ 184.4 billion in April-September 2008) as against an outflow of US $ 145.8 billion (US $ 172.5 billion in April-September 2008). Net capital flows at US $ 29.6 billion in April-September 2009 remained higher as compared with US $ 12.0 billion in April-September 2008. Under net capital flows, all the components except loans and banking capital, showed improvement during April-September 2009 from their level in the corresponding period of the previous year. In banking capital, net inflows under non-residents' deposit remained higher during April-September 2009 as compared to their level last year.

Net inward FDI into India remained buoyant at US$ 21.0 billion during April-September 2009 (US $ 20.7 billion in April-September 2008) reflecting the continuing liberalisation and better growth performance of the Indian economy. Due to large inward FDI, the net FDI (inward FDI minus outward FDI) was marginally higher at US$ 14.1 billion in April-September 2009. Portfolio investment mainly comprising foreign institutional investors (FIIs) investments and American depository receipts (ADRs)/global depository receipts (GDRs) witnessed large net inflows (US $ 17.9 billion) in April-

September 2009 (net outflows of US $ 5.5 billion in April-September 2008) due to large purchases by FIIs in the Indian capital market reflecting revival in growth prospects of the economy and improvement in global investors' sentiment. The inflows under ADRs/ GDRs increased to US $ 2.7 billion in April-September 2009 (US $ 1.1 billion in April-September 2008).

Merchandise Trade

India's merchandise exports reached a level of US $ 185.3 billion during 2008-09 registering a growth of 13.6 percent as compared to a growth of 29 percent during the previous year. India's export sector has exhibited remarkable resilience and dynamism in the recent years. Despite the recent setback faced by India's export sector due to global slowdown, our merchandise exports recorded a Average Annual Growth Rate (AAGR) of 23.9 percent during the five year period from 2004-05 to 2008-09 as compared to the preceding five years when the exports increased by a lower AAGR of 14.3 per cent. According to latest WTO data (2009), India's share in the world merchandise exports increased from 0.8% in 2004 to 1.1% in 2008. India also improved its ranking in the leading exporters in world merchandise trade from 30th in 2004 to 27th in 2008

The main drivers of exports growth during 2008-09 are engineering goods and gems and jewellery. Chemicals and related products, agricultural and allied products and textiles exports witnessed a positive but low growth while petroleum, handicrafts and ores and minerals exports registered negative growth.

During 2008-09 import growth was subdued at 20.7 per cent with growth in both POL and non-POL imports moderating to 14.7 percent and 23.5 percent respectively. Gold and silver imports registered a growth of 22.3 percent. During 2008-09 high import growth was registered by fertilizers (156.8 percent) and pearls precious semi precious stones (107.7 percent) due to revival of gems and jewellery exports and POL imports (14.7 percent) . Cereals and capital goods import growth was negative.

Trade deficit, as per customs data, increased by 33.8 percent to US$ 118.4 billion in 2008-09.

- During the year 2009-10 (April-January), the cumulative value of exports was US $ 132 billion as against US $ 160 billion registering a negative growth of 17.8 per cent in Dollar term over the corresponding period of the previous year.
- Cumulative value of imports for the same period was US $ 218.5 billion as against US $ 272 billion during the corresponding period of the previous year registering a negative growth of 19.7 per cent in Dollar terms.
- Oil imports were valued at US $ 63971 million during 2009-10 (April-January) which was 25.3 per cent lower than oil imports valued US $ 85623 million in the corresponding period of last year.
- Non-oil imports valued US $ 154563 million which was 17.1 per cent lower than non-oil imports of US $ 186414 million in 2008-09 (April-January).
- The Trade deficit in April-January 2009-10 was estimated at US $ 86604 million which was lower than the deficit of US $ 111599 million during April-January 2008-09.

Foreign Exchange Reserves

India's foreign exchange reserves comprise Foreign Currency Assets (FCA), Gold, SDRs and Reserve Tranche Position (RTP) in the IMF. Beginning from a low level of US$ 5.8 billion at end-March 1991, India's foreign exchange reserves increased to peak of US$ 314.6 billion at end-May 2008. The reserves declined thereafter to US$ 252.0 billion at the end of March 2009. The level of foreign exchange reserves stood at US$ 283.5 billion at the end December, 2009.

In 2009-10, the Reserve Bank of India has concluded the purchase of 200 metric tonnes of gold from the International Monetary Fund (IMF), under the IMF's limited gold sales programme at the cost of US$ 6.7 billion in the month of November 2009. Further, a general allocation of SDR 3,082 million (equivalent to US$ 4,821 million) and a special allocation of SDR 214.6 million (equivalent to US$ 340 million) were allocated to India by the IMF on August 28, 2009 and September 9, 2009, respectively, which has resulted in an increase in the India's foreign exchange reserves by US$ 5.2 billion.

Exchange Rate

In the fiscal 2008-09, the rupee depreciated against major international currencies, except pound sterling, due to deceleration in capital flows and widening trade deficit. The annual average exchange rate was Rs 45.99 per US dollar indicating depreciation by 12.5 per cent in 2008-09 over the annual average exchange rate in 2007-08. The rupee depreciation during 2008-09 reflected mainly the supply-demand imbalance in the foreign exchange market, which widened significantly during September-October 2008, as fallout of the global crisis. The decline in rupee became more pronounced after the fall of the Lehman Brothers in September 2008. This led RBI to augment supply of US dollars to stabilize the rupee in the foreign exchange market.

In the fiscal 2009-10, with the signs of recovery and return of foreign institutional investments (FIIs) flows after March 2009, rupee has again been strengthening against US dollar. The month-to-month movement of exchange rate in the year 2009-10 indicated that the rupee appreciated against the US dollar within the range of 0.3 per cent to 3.7 per cent during April 2009 to December 2009, except July, September and December 2009, when rupee depreciated by 1.5 per cent, 0.3 per cent and 0.13 per cent respectively.

On month-on-month basis, the average monthly exchange rate of rupee strengthened to Rs 50.03 per US dollar in April 2009 vis-a-vis the average rate of Rs 51.23 per US dollar during March 2009, indicating 2.4 percent appreciation. However, during the month of December 2009, the average monthly exchange rate weakened to Rs 46.63 per US dollar, reflecting marginal depreciation of 0.13 per cent over average exchange rate of Rs 46.57 per US dollar during November 2009, mainly on account of strengthening of US dollar in the international market.

External Debt

India's total external debt stock at US$ 242.8 billion as at end-September 2009 recorded an increase of US$ 18.2 billion or 8.1 per cent over end-March 2009 estimates. The long-term debt increased by US$ 19.2 billion (10.6 per cent) to US$ 200.4 billion, while short-term debt was lower by US$ 985 million (-2.3 per cent) to US$ 42.4 billion. The increase in total external debt also reflected the impact of inclusion of cumulative SDR allocations to India by International Monetary Fund as a long-term debt liability in external debt statistics. Short-term external debt by original maturity stood at US$ 42.4 billion at end-September 2009, while total short-term debt by residual maturity was US$ 93.2 billion, accounting for 38.4 per cent of total external debt outstanding and 33.1 per cent of foreign exchange reserves at end-September 2009.

Government (Sovereign) external debt was US$ 65.7 billion as at end-September 2009 as against US$ 55.9 billion as at end-March 2009. At this level, its share in total external debt was also higher at 27.1 per cent at end-September 2009 (24.9 per cent at end-March 2009). The ratio of Government external debt to GDP has remained around 5.0 per cent in the last three years.

The debt-service ratio i.e., the ratio of total debt service payments to current receipts worked out to 4.9 per cent during April-September 2009 as against 3.7 per cent for April-September 2008. The ratio of short-term external debt to foreign exchange reserves, which had increased from 14.8 per cent at end-March 2008 to 17.2 per cent at end-March 2009, was also lower at 15.1 per cent at end-September 2009.

Social Sector Development

Expenditure of the Central Government on social services including rural development increased from Rs.46,409 crore in 2002-03 to Rs.1,98,677 crore in 2009-10 (BE). The total expenditure on social services of the general government (combined Centre and State Governments) as a percentage of GDP also increased from 5.33 per cent in 2004-05 to 7.23 per cent in 2009-10 (BE).

II. DEPARTMENT OF EXPENDITURE

The Department of Expenditure is the nodal Department for overseeing the public financial management system in the Central Government and matters connected with State finances. The Principal activities of the Department include pre-sanction appraisal of major schemes/projects (both Plan and Non-plan expenditure), handling the bulk of the Central budgetary resources transferred to States, implementation of the recommendations of the Finance and Central Pay Commissions, overseeing the expenditure management in the Central Ministries/ Departments through the interface with the Financial Advisors and the administration of the Financial Rules/ Regulations/Orders and through monitoring of Audit comments/observations, preparation of Central Government Accounts, managing the financial aspects of personnel management in the Central Government, assisting Central Ministries/Departments in controlling the costs and prices of public services, assisting organizational re-engineering through review of staffing patterns and O&M studies and reviewing systems and procedures to optimize outputs and outcomes of public expenditure. The Department is also managing coordination of matters concerning the Ministry of Finance including Parliament-related work of the Ministry. The Department has under its administrative control the National Institute of Financial Management (NIFM), Faridabad.

The business allocated to the Department of Expenditure is carried out through its Establishment Division, Plan Finance-I and II Divisions, Finance Commission Division, Staff Inspection Unit, Cost Account Branch, Controller General of Accounts and the Central Pension Accounting Office.

III. DEPARTMENT OF REVENUE

The Department of Revenue exercises control in respect of revenue matters relating to Direct and Indirect Union taxes. The Department is also entrusted with the administration and enforcement of regulatory measures provided in the enactments concerning Central Sales tax, Stamp duties and other relevant fiscal statutes. Control over production and disposal of opium and its products, is also vested in this Department.

The Department is also facilitating taxation reforms in the indirect taxes sector for goods and services in coordination with the States. These cover an extended ambit, encompassing the switch-over from erstwhile State Sales tax to Value Added tax, phasing-out of Central Sales tax and rationalization of Additional Excise duties on goods of special importance, and eventual evolution of a road-map for an integrated national level Goods and Service tax.

Tax policies are formulated in order to mobilize financial resources for the nation, achieve sustained growth of the economy, macro-economic stability and promote social welfare by providing fiscal incentives for investments in the social sector. Suitable changes were made in the Budget 2009-10 to achieve these objectives. The details of these changes are given in paragraphs 3.3 and 4.8.

In the financial year 2009-10, the drive against smuggling, tax evasion, etc., continued throughout the country in view of Government's firm resolve to take strict action against socio-economic offenders. The year also witnessed continued efforts at better coordination with the intelligence/enforcement agencies of other countries.

The Central Economic Intelligence Bureau acts as a nodal agency for economic intelligence for interaction & coordination among the concerned regulatory agencies in the area of economic offences. The

Bureau has also been charged with the responsibility of overall administration of COFEPOSA Act, 1974 (Conservation of Foreign Exchange and Prevention of Smuggling Activities Act) and monitoring of actions taken by the State Governments. It functions as the Secretariat for the Economic Intelligence Council set up to improve coordination among the enforcement agencies dealing with the economic offences and the Departments under Ministry of Finance.

The Income Tax offices throughout the country continued their drive against tax evaders. During the financial year 2009-2010 (upto December, 2009) a total number of 2282 search warrants were executed leading to the seizure of assets worth Rs.602.34 crore. During the financial year (upto November, 2009), a total number of 2391 surveys (prov.) were conducted which yielded a disclosure of additional income of Rs.1832 crore (prov.). As regards assesses, a total number of 1.8 lakh new assessees were added during the same period.

The Customs and Central Excise offices also continued their drive vigorously against duty evasion. During the financial year 2009-2010 (upto December, 2009), a total number of 4779 cases of evasion of Central Excise involving duty effect of Rs. 9715.19 crore were detected in which duty amount of Rs.1043.66 crore was recovered. Regarding evasion of Customs duty, 1198 cases involving duty effect of Rs.686.20 crore were detected in the same period. The drive against smuggling continued unabated. All Commissionerates along the coast, land borders and in charge of international airports, remained fully alert to prevent smuggling of contraband, both into and out of the country. As a result, during the same period, in 10607 outright smuggling seizure cases, contraband worth the value of Rs.985.35 crore were seized.

IV. DEPARTMENT OF DISINVESTMENT

The Ministry of Disinvestment was converted into a Department under the Ministry of Finance with effect from 27th May 2004 and assigned all the work relating to disinvestment, which was earlier being handled by the Ministry of Disinvestment. In January 2006, the Department of Disinvestment was also assigned the work relating to financial policy in regard to utilization of the proceeds of disinvestment channelised into the National Investment Fund.

V. DEPARTMENT OF FINANCIAL SERVICES

The erstwhile Banking and Insurance Division of the Department of Economic Affairs, Ministry of Finance has become a separate Department namely Department of Financial Services(DFS) with effect from 28.6.2007. The mandate of the Department is to look after issues relating to Public Sector Banks, Financial Institutions, Public Sector Insurance Companies and Pension Reforms.

Financial sector reforms initiated by the Reserve Bank of India (RBI) and Government have been directed towards enhancing efficiency and productivity of banks, providing additional options for augmentation of capital of banks for smooth transition to Basel II norms, ensuring smooth and risk free functioning of payment and settlement system, encouraging use of advance technology in banking operations with minimum risks and according priority to financial inclusion. The operational rigidities in credit delivery system were addressed to ensure allocational efficiency and achievement of social objectives.

The focus on ensuring adequate flow of credit to agriculture, small, medium and micro industries, minorities and weaker sections continued with greater focus on financial inclusion. A number of policy initiatives on strengthening the cooperative credit structure and ensuring credit to agriculture and rural infrastructure and housing sector were initiated/ continued in 2009-10 also.

Department of Economic Affairs

Chapter - I

Department of Economic Affairs

1. Economic Division

1.1 The Economic Division tenders expert advice to the Government on important issues of economic policy. The Division monitors economic developments, domestic and external, and advises on policy measures relating to macro management of the economy.

1.2 As part of its regular activities, the Economic Division brings out the Economic Survey annually, which is placed in the Parliament prior to the presentation of the Central Government Budget. The Economic Survey provides a comprehensive overview of important developments in the economy. It also analyses recent economic trends and provides an in-depth appraisal of policies. Over the years, the Economic Survey has acquired the status of an authoritative source and a useful compendium of the annual performance of the Indian economy. Further the Fiscal Responsibility and Budget Management(FRBM) Act, 2003 requires the Ministry of Finance to review every quarter the trends in Receipts and Expenditure in relation to the Budget and place it before both Houses of Parliament. As part of this exercise, the Economic Division prepares the Mid-Year Review in the second quarter of each year for placing it before Parliament. In addition, at the end of first quarter and third quarter a Macro-Economic backdrop statement is prepared and provided to the Budget Division for incorporating in the review of quarterly receipts and expenditure.

1.3 The Division also brings out the Economic and the Functional Classification of the Central Government's Budget, which is placed the Parliament.The publication presents an estimate of the savings of the Central Government and its departmental undertakings, gross capital formation and the magnitude of the development and consumption expenditure broken up under broad functional heads.

1.4 The Division's report on state of economy provides a synoptic view of the current economic situation and helps in monitoring the performance of the economy. This is circulated to the Cabinet and senior officers of the Government and Indian Missions abroad. The Division also brings out every month an abstract entitled "Monthly Economic Report", which gives the latest available data on the key sectors of the economy. The Division prepares, from time to time briefs on the performance of the infrastructure sector, agriculture and industrial production, trends in tax collection, the balance of payments and the monetary situation. It also monitors the price situation on a weekly basis. In addition, the Division undertakes short-term forecasting of key economic variables.

As part of its advisory functions, the Economic Division prepares analytical notes and background papers on important policy issues and provides briefs for meetings of the Consultative Committees and Working Groups set up by the Government. The officers of the Economic Division participate in consultations with various missions from international institutions, such as International Monetary Fund (IMF), the World Bank and WTO etc. The Division works in close cooperation with the Reserve Bank of India, the Planning Commission, the Central Statistical Organisation, the Ministry of Commerce and Industry and the Economic and Statistical Wings of their Ministries.

1. 6 The work of the Economic Division is organised under the following units:

- BOP, Global Financial Markets, Institutions and Architecture
- Industry and Infrastructure
- Macro Indicators
- Agriculture
- Money and Financial Intermediation
- Public Finance
- Prices
- Social Sector
- Trade(Goods and Services), WTO and Bilateral Relations
- IES Division

1.7 The Unit responsible for BOP, global financial markets, institutions and architecture principally monitors and reviews the emerging trends in India's balance of payments position. It tracks exchange rate policy and movements in exchange rate of rupee against major world currencies, monitors India's foreign exchange reserves and NRI deposits. The Unit is responsible for matters relating to short term BOP Monitoring Group, monitoring of international economic developments, multilateral Institutions (World Bank/IMF) and related issues. It also has responsibilities for external debt management issues related to collection, compilation, monitoring and quarterly publication of external debt data in compliance with Special Data Dissemination Standard (SDDS) of IMF and Quarterly External Debt Statistics (QEDS) of World Bank. The Management Information System on External Debt Management and coordination of CS-DRMS with Office of Controller of Aids, Audit and Accounts and Reserve Bank of India is handled in the Unit.

1.8 Industry and Infrastructure Unit advises the Government on policy issues relating to Industry at both macro and sectoral levels. The unit monitors and reviews on a continuous basis industrial growth and investment, developments in the industrial sector, investment /financing of public sector, industrial relations and sickness. The Unit is also responsible for monitoring trends in production of core infrastructure industries and services. It undertakes analysis of developments in infrastructure policy, investment and financing and renders advice on infrastructure sector policy issues.

1.9 The Macro Indicators Unit is responsible for monitoring macroeconomic parameters, such as, output, savings and investment and analysis of macroeconomic trends; country coordination for SDDS; preparation of Monthly Economic Report and report on State of the Economy.

1.10 Agriculture Unit monitors data on agriculture production of Rabi and Kharif crops, progress of monsoon and reservoir storage, capital formation in agriculture, commodity budgets-rice, wheat, pulses, oil seeds and sugar, The Unit monitors and reviews issues related to National Commission on Farmers, National Horticulture Mission, Minimum Support Price for Rabi and Kharif crops, Public Distribution System and Central Issue Price".

1.11 The Money Unit is responsible for monitoring of money market trends, developments in monetary policy of the Reserve Bank of India, and aggregate trends in credit flows. It analyses of the movements in monetary parameters and also of yields on G-Sec/ Treasury bills, call money rates and Liquidity Adjustment Facility (LAF) operations.

1.12 The Public Finance Unit deals with matters relating to public finance and budgetary operations of the Central Government. It is responsible for Economic and Functional Classification of Central Government Budget, Statistical Album on Public Finance (Indian Public Finance Statistics), including budgetary transactions of Centre, State and Union Territories. It monitors Central fiscal parameters, such as, fiscal deficit, revenue deficit, aggregate expenditure, policies relating to central plan outlays, resources and expenditures. It undertakes review of fiscal position and analysis of fiscal issues. It also undertakes analysis relating to tax measures, direct and indirect tax proposals/reforms and monitoring and analysis of major central taxes.

1.13 The Prices Unit monitors and reports on price situation and advises on general price policy matters relating to supply management especially in respect of essential commodities, tracking and analysis of Wholesale Price Index and other indices of inflation. The unit assists Committee of Secretaries on Monitoring of Prices.

1.14 The Social Sector Unit prepares analytical notes on poverty, employment, rural development and other topics concerning social sectors like health, education labour matters etc. The unit also advises the Government on specific policy issues in social sectors.

1.15 Trade (Goods and Services), WTO and Bilateral Relations Unit is responsible for monitoring India's Foreign Trade, analysis of commodity compositions and direction of trade, monitoring of foreign trade policy, WTO, UNCTAD and ESCAP related issues.

IES Division

1.16 The IES Division is concerned with all aspects of Cadre management of the Indian Economic Service (IES) viz. Recruitment, Training, Promotion, Postings and Transfers, Seniority, Deputation and Foreign Service, Study leave, Performance Assessment, and Vigilance and Disciplinary cases of officers of the service, besides provision of information under the RTI Act and Court cases. The IES Cadre is advised on important policy matters by the high-level IES Board, headed by the Cabinet Secretary. The service cadre is managed in accordance with the service rules and extant GOI instructions in force.

1.16.1 The successful candidates from the IES Examination 2007, on being appointed to the service on 2.3.2009, underwent the induction-level Probationary training. As part of the training programme, courses were conducted at the Institute of Economic Growth, Delhi; Dr. MCR HRD Institute of Andhra Pradesh, Hyderabad (Foundation course); Indian Institute of Capital Markets, Vashi; Indian Institute of Foreign Trade, Delhi; Indian Institute of Management, Lucknow; Bankers Institute of Rural Development, Lucknow; National Institute of Financial Management, Faridabad; besides a host of other Institutes. The successful candidates from the IES Examination 2008 have been appointed to the service on 4.1.2010.

1.16.2 A Comprehensive Training Policy to augment the In-service training of the IES has been formulated. As part of the policy, compulsory mid-career training has been introduced for IES officers. Each mid-career training course is of six weeks' duration, comprising four weeks of domestic learning component and two weeks of overseas learning component. Two mid-career training courses are being conducted in 2009-10 through the Indian Institute of Management, Lucknow. In addition, regular training courses have been conducted for serving IES officers in several Institutes such as Indian Institute of Public Administration, Delhi (Three Video workshops on Presentation Skills); Administrative Staff College of India, Hyderabad (one-week course on macro-economic policy); Indian Institute of Capital Markets, Vashi (two courses on capital markets each of one-week duration); Indian Maritime University, Chennai (one week course on infrastructure regulation); and

The Indian Econometric Society (four-week course on Econometric Theory and Applications). Officers are also being nominated for the courses conducted by the Joint India-IMF Training Program held at Pune.

1.16.3 During 2009-10, promotions have taken place in respect of the different grades of the service. 2 officers have been promoted to the Higher Administrative Grade, 29 officers to the Senior Administrative Grade (SAG), 33 officers to the Junior Administrative Grade (JAG) and 32 officers to the Senior Time Scale. 45 JAG level officers were also granted Non-Functional Selection Grade during the year.

1.16.4 In line with the recommendations of the Sixth Central Pay Commission and instructions issued by the Department of Personnel and Training (DOPT) thereof, up-gradation to SAG, on non-functional basis, have been granted to 13 officers of the 1981 batch, 14 officers of the 1982 batch, 16 officers of the 1983 batch, 14 officers of the 1984 batch, 20 officers of the 1985 batch, 20 officers of the 1986 batch and 3 officers of the 1987 batch.

1.16.5 Pursuant to the instructions issued by the DOPT regarding the need to have transparency and fairness in the performance appraisal system of officers, the Cadre Authority of the IES has taken effective steps to ensure that the performance appraisal in the Annual Performance Assessment Report (APAR) of IES officers is disclosed to the officers by the concerned Ministry/ Department. The APAR format for reporting of assessment in respect of IES officers has also been revised, which is being implemented from the reporting year 2009-10 onwards.

2. Budget Division

2.1 Budget Division is responsible for the preparation of and submission to Parliament the Annual Budget (Excluding Railways) as well as Supplementary and Excess Demands for Grants of the Central Government and of States under President's Rule. The Division is also responsible for dealing with issues relating to Public Debt, market loans of the Central Government and State Government's borrowing and lending, guarantees given by the Government of India and the Contingency Fund of India. The responsibility of the Division also extends to regulate the flow of expenditure by processing proposals from other Ministries/Departments for re-appropriation of savings in a Grant where prior approval of the Ministry of Finance is required. The Division also deals with National Savings Institute (NSI), Small Savings Schemes and National Defence Fund. The work relating to Treasurer Charitable Endowment is also handled in the Budget Division.

2.2 The Division also deals with matters relating to Duties, Powers and Conditions of Service of the Comptroller and Auditor General of India, submission of the reports of the Comptroller and Auditor General of India relating to the accounts of the Union to the President for being laid before Parliament. Forty-two entrustment/re-entrustments of audit of various bodies to the C&AG of India were handled by this Division. During the calendar year 2009, 19 reports of the C&AG of India were laid before the Parliament.

2.3 The Budget Division is also responsible for administration of 'Fiscal Responsibility and Budget Management Act, 2003' which was brought into force w.e.f. 5th July, 2004. The Rules made under the Act were also made effective from that date. Quarterly Review including Mid-term Review were presented in Parliament in accordance with the requirements of the FRBM Act.

2.4 Budget Division is also overseeing/facilitating the implementation of 'Gender Budgeting' in various Ministries/Departments.

2.5 National Small Savings

2.5.1 Small Savings Scheme

The Small Savings Schemes currently in force are: Post Office Savings Account, Post Office Time Deposits (1, 2, 3 & 5 years), Post Office Recurring Deposits, Post Office Monthly Income Account, Senior Citizens Savings Scheme, National Savings Certificate (VIII-Issue), Kisan Vikas Patra and Public Provident Fund.

2.5.2 In order to make the small savings schemes more attractive, the Government has made the following amendment.

2.5.3 Opening of "Zero Deposit/Zero Balance" accounts for Old Age Pensioner Account under Indira Gandhi National Old Age Pension Scheme, Windows Pensioner Account under Indira Gadhi National Window Pension Scheme and Disabled Pension Account under Indira Gandhi National Disabled Pension Scheme, under Post office Saving Account Rules, with effect from 13th October,2009.

2.5.4 Small Savings Collections

The gross deposits under various small savings schemes during 2009-10 (upto December, 2009)were Rs.1,68,132 crore as against the deposit of Rs.1,07,334 crore during the same period last year. An amount of Rs.36,000 crore(Approx.) is proposed to be transferred as share of net small savings collections to the States and Union Territories (with legislature) during the current fiscal, as against the sum of Rs.8409.65 crore transferred last year.

2.6 National Small Savings Fund

In order to account for all the monetary transactions under small savings schemes of the Central Government under one umbrella, "National Small Savings Fund" (NSSF) was set up in the Public Account of India w.e.f. April,1999. The net accretions under the small savings schemes are invested in the special securities of various States/Union Territories (with legislature)/ Central Governments. The minimum obligation of States to borrow from the National Small Savings Fund (NSSF) has been brought down from 100 per cent to 80 per cent of net collections w.e.f. April,2007.

2.7 Measures for Improved Interface with the Public

2.7.1 Various measures are taken by Central and State Governments from time to time to promote and popularize small savings schemes through print and electronic media as well as holding seminars, meetings, and providing training to various agencies involved in mobilizing deposits under small savings schemes.

2.7.2 National Savings Institute, a subordinate organization under the Department of Economics Affairs (Budget Division) also maintains it website, i.e., nsiindia.gov.in, in collaboration with National Informatics Centre to facilitate interface with the public through wider dissemination of information on small savings. The service also offers on-line registration and settlement of investors' grievances.

2.8 Fiscal Responsibility and Budget Management (FRBM) Act, 2003

2.8.1 Administration of Fiscal Responsibility and Budget Management Act (FRBM), 2003 and the Rules framed there under came into effect in July, 2004. The Act provides for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limit on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework. The Act further seeks to provide for the responsibility of the Central Government to prepare certain Statements and present them in the Parliament. Accordingly, during the period from January, 2009 to December, 2009, the following documents were presented in the Parliament.

<table>
<tr><td>i)</td><td>Medium-Term Fiscal Policy
Statement 2009-10</td><td rowspan="3">Presented along with the Interim Budget 2009-10</td></tr>
<tr><td>ii)</td><td>Fiscal Policy Strategy Statement 2009-10</td></tr>
<tr><td>iii)</td><td>Macro-Economic Framework
Statement 2009-10</td></tr>
<tr><td>iv)</td><td colspan="2">Quarterly Statements on Review of the trends in receipts and expenditure in relation to the budget.
(a) Third Quarter report for the year 2008-09
(b) Fourth Quarter report for the year 2008-09
(c) First Quarter report for the year 2009-10
(d) Mid-Year Review for the year 2009-10</td></tr>
<tr><td>v)</td><td>Medium-Term Fiscal Policy
Statement 2009-10</td><td rowspan="3">Presented along with the General Budget 2009-10</td></tr>
<tr><td>vi)</td><td>Fiscal Policy Strategy Statement 2009-10
General Budget 2009-10</td></tr>
<tr><td>vii)</td><td>Macro-Economic Framework
Statement 2009-10</td></tr>
</table>

2.8.2 The details of fiscal performance during 2008-09 and April-December, 2009-10 are shown below:

(As percentage of GDP)

Item	Revenue Deficit	Fiscal Deficit	Gross Tax Revenue
2008-09	4.5	6.0	10.9
2009-10 (April-December)	4.1	5.0	6.8

2.8.3 The Thirteenth Finance Commission has submitted its report to the President on 30.12.2009. Subsequently, Explanatory Memorandum as to the Action Taken on the recommendations made by the Commission along with the Report has been laid in the Parliament on 25.2.2010. The 13th Finance Commission has worked out a revised roadmap for fiscal consolidation for the period from 2010-2015. The Government has accepted the recommendation regarding Fiscal Roadmap in principle. Detailed proposals for amendment of the FRBM Act, as may be necessary, will be taken up in due course.

2.9 Public Debt & Liabilities and Cash Management

2.9.1 Public debt of the Central Government has witnessed continuous growth due to persistent recourse to deficit financing, albeit at a moderated pace during last few years. Over time, the pattern of financing fiscal deficit has undergone a significant change. More than 90 per cent of deficit is being financed through domestic resources and within domestic resources, greater reliance is being placed on market loans with market determined rates of interest rather than on instruments with administered rates of interest.

2.9.2 The Central Government's normal borrowing through issue of dated securities for financing the fiscal deficit was budgeted in BE 2009-10 at Rs.4,51,093.25 crore (Gross) and Rs.3,97,957.46 crore (net). The Revised Estimates (RE) of gross and net market borrowing through dated securities for 2009-10 were placed at Rs.4,51,000 crore and Rs. 3,98,411.02 crore respectively.

2.9.3 During the year, Government continued with the policy of announcement of half yearly indicative market borrowing calendar based on its core borrowing requirements.

2.9.4 A Memorandum of Understanding (MOU) to amend the MOU dated March 25, 2004 on the Market Stabilization Scheme (MSS) was signed on February

26, 2009. The amendment enables, on mutual agreement between the Government of India and the Reserve Bank of India, the transfer of a part of the amount in the MSS cash account to the normal cash account as part of the Governments market borrowing programmes for meeting Governments approved expenditure. Following this amendment, Rs. 33,000 crore are expected to be transferred from MSS cash account to the normal cash account of the Government by March 31, 2010.

2.9.5 The weighted average yield and maturity of dated securities issued during 2009-10 as a whole were 7.20% and 11.16 years, as compared to 7.69% and 13.80 years in 2008-09 respectively.

2.9.6 The Ways & Means Advance (WMA) ceiling for the Central Government was fixed at Rs. 20,000 crore for the first half of the year (April to September) and Rs. 10,000 crore for the second half of the year (October to March). The Government of India, in consultation with the Reserve Bank of India, has finalized a new short-term instrument, known as Cash Management Bills, to meet the temporary cash flow mismatches of the Government. The Cash Management Bills will be non-standard, discounted instruments issued for maturities less than 91 days, and will be issued when necessary.

2.9.7 During 2009-10, Central Government has, in addition to the normal market borrowing programme, issued special securities amounting to Rs. 10,306.33 crore to Oil Marketing Companies (OMCs) as compensation towards estimated under-recoveries on account of sale of sensitive petroleum products.

2.9.8 Public Debt

With the objective to improve the Cash Management System in the Central Government, a modified cash management system, including exchequer control based expenditure management system was introduced in fifteen demands for grants with effect from April 1, 2006, which was further extended to nine more Demands from April 1, 2007, taking the total number of demand for grants covered under the system to twenty three after merger of demand for grants pertaining to Department of Health and Department of Family Welfare. The revised guidelines provide that the Monthly Expenditure Plans may be drawn up to ensure greater evenness in expenditure and further reduce the problem of rush of expenditure at the end of the year or parking of funds.

The guidelines also provide that the expenditure in the last quarter of the financial year may not exceed 33 per cent of the budget estimate. It has also been provided that the expenditure in the month of March may not exceed 15 per cent of budget estimate within the overall quarterly ceiling.

2.10 Debt Management Office

2.10.1 In the Union Budget 2007-08, the Hon'ble Finance Minister had proposed the establishment of an autonomous Debt Management Office (DMO) in the Government. In the first phase, a Middle Office was proposed to be set up to facilitate the transition to full-fledged Debt Management Office (DMO). Following the announcement, the Middle Office was subsequently established in the Ministry of Finance. The major functions of the Middle Office, inter alia, include developing debt management strategy, planning of periodic calendars, forecasting cash and borrowing requirements, developing and maintaining a centralised database on Government liabilities and disseminating debt related information.

2.10.2 In due course the Middle Office which will transit into the proposed Debt Management Office. The Middle Office is now being strengthened appropriately.

2.11 Hindi Branch

2.11.1 All Budget documents are presented to Parliament in Hindi and English. Besides Budget documents Hindi Branch has also prepared Hindi versions of Economic Classificatory and Status Report on External Debt, which were laid before the Parliament.

2.11.2 The translation of other documents as envisaged in the Official Language Act, 1963 and Rules made there under was also undertaken by the Hindi Branch during the year under report. These include agreements with Foreign Government and International Agencies, Cabinet Notes, Parliament question/ assurances, notifications, Standing Committee papers, monthly summary for the Cabinet, External Assistance Report, and Thirteenth Finance Commission Report.

3 Capital Markets Division

3.1 Functions/working of Organization and set up including its various Advisory Boards and Councils

3.1.1 Primary Markets & Mutual Funds

a. Primary Market
b. Related Intermediaries & Participants
c. Board Meeting (primary responsibility)
d. SEBI Act
e. Related Rules and Regulations
f. Debt Market Development
g. Budget related matters
h. NISM
i. Private equity and venture capital
j. Financial Literacy
k. Credit Rating Agencies
l. Financial Regulatory Architecture
m. Sectoral (Corporate Affairs) Charge

3.1.2 Secondary Markets

a. Secondary Market
b. Related Intermediaries & Participants
c. Board Meeting (Secondary responsibility.
d. SCRA
e. Depositories Act

f. Related Rules and Regulations
g. Taxes and Stamp Duties in Securities Markets
h. Database relating to Securities Markets

3.1.3 External Markets

a. International Financial Markets
b. Mumbai IFC
c. FEMA and Rules & Regulations
d. CFT/ FATF Cell
e. HLC on Financial Markets/Financial Stability
f. Liaison / Branch Offices
g. Foreign travel of State Govt/UT functionaries
h. Sectoral (Legal Affairs, Legislative Department and Parliamentary Affairs) Charge

3.1.4 External Commercial Borrowings

a. ECB/FCCB
b. ADR/GDR
c. FII
d. Sovereign Wealth Fund

3.1.5 International Cooperation.

a. Sovereign Credit Rating; Facilitating the sovereign ratings
b. Financial Markets
c. International cooperation MOUs etc relating to securities markets
d. Interactions with financial institutions and economists
e. NIPFP-DEA Research Programme

3.1.6 Unit Trust of India (uti) & Investor Grievance

a. UTI Repeal Act ,2002
b. SUUTI
c. Indian Trusts Act(section 20(f))

3.1.7 Regulatory Establishment & Coordiantion

a. Internal coordination within CM Div.
b. PFRDA Establishment
c. SEBI Establishment
d. SAT Establishment
e. Related Rules and Regulations
f. RTI matters pertaining to CM Div
g. Reports and Returns
h. Internship programme
i. Sectoral (Departments of Disinvestment, Expenditure, Revenue & Financial Services) Charge

3.1.8 Vigilance

I. Vigilance

a. CCS (CCA) Rules & CCS (Conduct) Rules
b. Annual Confidential Reports/Personal Appraisal Report
c. Departmental Security
d. Property Returns
e. Blacklisting of firms/suppliers
f. Punctuality in attendance
g. Vigilance Verification Unit
h. Sectoral (CVC, CBI, All Departments of Ministry of Personnel Public Grievances & Pensions including Admn Reforms and SSC) Charge
i. Legislation on Serious Economic offences

3.1.9 Joint Parliamentary Committee

a. Recommendations of JPC on Stock Market Scam and matters related thereto.
b. Investor Grievances
c. Nizam's Trust
d. Territorial (Bihar, Jharkhand, HP, UP and Uttarakhand) Charge

3.2 Performance/achievements

3.2.1 Primary Markets & Mutual Funds

i. Applications supported by Blocked Amount (ASBA)

SEBI introduced a new mode of payment in public issues through book building wherein the application money remains blocked in the bank account of the applicant till allotment is finalized. The said process named ASBA is supplementary to the existing process of applying in public issues through cheque/draft.

ii. Reduction in Timelines for Rights Issues.

In order to mitigate market risks faced by issuers and investors and to enable listed companies to raise funds from its shareholders in a more time effective manner, SEBI reduced the timelines in rights issues, starting from the notice period for calling a board meeting to the period stipulated for completion of allotment and listing. With these amendments in place time taken for completion of rights issues would reduce from 16 weeks to just about 6 weeks.

iii. Extension of Validity Period of SEBI Observations.

The validity period of the observations letter issued by SEBI on draft offer documents filed for public/rights issues was increased from three months to a period of twelve months. These measures would give sufficient flexibility to issuer to plan for launching an issue.

iv. Announcement of Price Band before Initial Public Offer opens.

The provisions in SEBI (DIP) Guidelines mandated disclosure of the floor price or price band in an initial public offer through the book building process in the Red Herring Prospectus (RHP) filed with the Registrar of companies (RoC). Given that there is a time lag of about two weeks between the filing of the RHP with the RoC and issue opening date, this exposed the price band disclosed in the RHP to market conditions. In order to mitigate this, issuers making an initial public offer were permitted to announce the floor price or price band at least two working days before the issue opening date subject to fulfillment of certain disclosure requirements.

v. Pricing of Shares for Preferential Allotment to Qualified Institutional Buyers (QIBs).

In order to facilitate eligible listed companies to raise funds from Qualified Institutional Buyers (QIBs) without going through the elaborate documentation process, it was prescribed that preferential allotment of shares to QIBs shall be priced at the last two weeks' average price. This is subject to the condition that the number of QIB allottees in such preferential allotment does not exceed five. For all other preferential allotments including those to QIBs exceeding five in number, the existing formula of the higher of six months' average price or two weeks' average price would continue to apply.

vi. Lock-in of shares issued against Exercise of Warrants Issued on Preferential Basis.

As per the guidelines on preferential issues, warrants issued on preferential basis were subjected to lock-in for a period of one year or three years, as the case may be, and lock-in period of shares allotted on exercise of such warrants +was adjusted to the extent of such period for which these warrants had already been locked-in. It was clarified that the shares so allotted pursuant to exercise of warrants would be subject to lock-in period of one year or three years, as the case may be, from the 'date of allotment' of such shares.

vii. Enhancement of Upfront Margin Payment on Allotment of Warrants Issued on Preferential Basis.

In terms of the guidelines on preferential issues, warrants could be allotted on preferential basis, subject to the allottees paying upfront amount equivalent to at least 10 per cent of the price fixed. It was decided to enhance the upfront amount so payable from 10 per cent to 25 per cent of the price fixed.

viii. Reduction in timelines for Completion of Bonus Issues.

In continuation of its policy for rationalizing the time required for completion of issues, SEBI reduced the timeline for completion of bonus issues. Accordingly, where no shareholders' approval is required as per the Articles of Association of the issuer, the bonus issue shall be completed within 15 days from the date of approval by the board of directors. Where shareholders' approval is required for capitalization of profits or reserves as per the Articles of Association of the issuer, the bonus issue shall be completed within 60 days from the date of meeting of board of directors wherein bonus was announced subject to shareholders' approval.

ix. Provisions Pertaining to Corporate governance.

To enhance the standards of corporate governance for listed entities, amendments were carried out in Clause 49 of the listing agreement by introducing new provisions such as (i) requirement to have at least one-half of the board as independent directors, if the non-executive Chairman of the Company is a promoter or is related to promoters or persons occupying management positions at the board level or at one level below the board, (ii) specifying the minimum age limit of 21 years for independent directors, (iii) specifying the maximum time gap (i.e. 180 days) between the retirement and resignation of an independent director and appointment of another independent director in his place, and (iv) requiring the listed companies to disclose the inter-se relationship between the directors in the filing made with stock exchanges.

x. Mutual Funds.

In order to empower the investors in deciding the commission paid to distributors in accordance with the level of service received, to bring about more transparency in payment of commissions and to incentivize long term investment, it has been decided that:

(a) There shall be no entry load for all mutual fund schemes.

(b) The schemes application forms shall carry a suitable disclosure to the effect that the upfront commission to distributors will be paid by the investor directly to the distributor, based on his assessment of various factors including the service rendered by the distributors.

(c) Of the exist load charged to the investor, a maximum of 1% of the redemption proceeds shall be maintained in a separate account which can be used by the Asset Management Company (AMC) to pay commissions to the distributor and to take care of other marketing and selling expenses. Any balances shall be credited to the scheme immediately.

(d) The distributors should disclose all the commissions (in the form of trail commission or any other mode) payable to them for the different competing schemes of various mutual funds from amongst which the scheme is being recommended to the investor.

(e) It has now been deiced by SEBI that no distinction among unit holders should be made based on the amount of subscription while charging exit loads.

xi. Report of the Committee on Comprehensive Regulation for Credit Rating Agencies

The High level Coordination Committee on Financial Matters (HLCCFM) in its meeting held on 11th January 2008, inter alia, decided that "the legal and policy framework for regulating the activities of CRAs should be revisited in order to take a larger view of the entire policy with respect to banking , insurance and securities market." Accordingly a committee was formed under the Chairmanship of Joint Secretary (Capital Markets) with representatives from RBI, SEBI, IRDA and PFRDA. The committee had four meetings and had also interacted intensively with the CEOs of all five SEBI registered CRAs. This committee submitted its report to HLCCFM on December 21 , 2009.

xii. Report of the Committee on Investor Awareness and Protection

The High level Coordination Committee on Financial Matters (HLCCFM) in its meeting held on 22nd December, 2008 among other things, desired to set up a Committee to re-examine the issue of regulating investment advice including the regulations thereof, by various financial sector regulators in the larger context of investor awareness and protection. The committee was headed by D.Swarup, Chairman, PFRDA and had members drawn from SEBI, IRDA, RBI and MCA. Joint Secretary (Capital Markets)was the Member Secretary. The report has been submitted to Ministry of Finance on 2nd December, 2009.

xiii. Increase in non promoter public shareholding in all listed companies

A decision has been taken to increase non promoter public shareholding in all listed companies in a phased manner to 25% of the issued capital.

3.3 Secondary Markets

Growth is a function of investment and the Indian Financial markets play a crucial role in consolidating and giving a fillip to the growth momentum. On account of global financial crisis Sensex touched its bottom in March 2009 compared to when it peaked in January 2008. Due to comprehensive domestic stimulus measures and accompanied by recovery in corporate performance, securities markets have started yielding positive returns.

As on December 15th 2009 Sensex closed at 16913,an increase of 8753 points or 107.27% as compared to 8160 as on 9th March 2009 when it touched its lowest, since September 2008. Since April 2009 the net investments by Foreign Institutional Investors have also been positive.This calendar year, upto November end, has brought in FII investments to the tune of US$ 19.12 billion as against an outflow of US $7.8 billion during the corresponding period last year.The combined market capitalization of BSE and NSE as on 15th December 2009 is Rs. 11350013 cr.The market capitalization ratio is defined as market capitalisation of stocks divided by GDP. It is used as a measure to denote the importance of equity markets relative to the GDP. It is of economic significance since market is positively correlated with the ability to mobilize capital and diversify risk.The All- India market capitalization ratio increased to 109.26 % in 2007-08 from 86.02 % in 2006-07. Currently the market capitatlisation is 9.16 times the GDP at current prices.

3.4 Policy Initiatives taken during the year under review:

3.4.1 Equity Finance for the Small and Medium Enterprises (SMEs)

In recognition of the need for making finance available to needy small and medium enterprises, SEBI has decided to encourage promotion of dedicated exchanges and/or dedicated platforms of the exchanges for listing and trading of securities issued by SMEs. Based on the framework developed, applications have been received for setting up a separate SME exchange /Platform. SEBI has also decided on the operational aspects of the exchanges/ platforms of stock exchanges for small and medium enterprises.As per this decision, an upper limit of Rs 25 crore paid up capital would be prescribed in order for a company to be listed on the SME platform/exchange and a minimum paid up capital of Rs 10 crore would be prescribed for listing on the main boards of NSE and BSE.This would also enable companies with paid up capital in the range of Rs 10 cr. to Rs 25 cr. to choose between raising capital/listing on the main Board and the SME Board. However, those getting listed in main board will not be eligible for any relexation. It may be noted that in the process the lower limit for lisitng at the Main exchanges becomes Rs 10 crore(presently this is Rs 3 cr. at BSE and Rs 10 cr. at NSE). However, those companies which are already listed at BSE with the post issue paid up capital in the range of 3-10 crore need not have to migrate to SME platform.The proposed change will give the much needed boost to resource raising by SMEs.

3.4.2 Launching Self Regulatory Organisations

SEBI had notified SEBI (Self Regulatory Organizations) Regulations 2004 to enable recognition of organization of intermediaries as SROs in the Indian securities markets. SEBI, conducted a series of meetings with various intermediaries' associations namely ANMI, AMBI, AMFI and Financial Planning Standards Board India (FPSB India) so as to encourage development of SROs. In the budget speech of February 2007 FM proposed to take forward the idea of SROs for different market participants under regulations that will be made by SEBI and if necessary supported by an enabling law. Government of India, in consultation with SEBI had commissioned a study from the World Bank to suggest a suitable SRO model in the Indian context which submitted its report in August 2008, titled "India: Role of Self regulatory organizations in securities market regulation". SEBI has now identified a broad policy framework for SROs based on the feedback received from Investors' associations and recommendations of the World Bank.

3.4.3 Amendment to depositories Act 1996 with respect to managing frozen demat accounts

MoF is proposing an amendment to Depositories Act 1996 as part of the comprehensive amendments to securities laws for managing the frozen accounts with the depositories (due to non-compliance of statutory PAN requirements by the beneficial owners of securities) wherein such securities are to be declared as unclaimed and finally forfeited, crediting the proceeds to Consolidated Fund of India.The number of frozen accounts in both depositories has come down by 85% in terms of number of accounts and by over 98% in terms of value on account of the all round efforts to inform / motivate the beneficial owners to provide PAN and activate the frozen accounts.

3.4.4 Framework for delisting of securities

On 10th June 2009, the Government has notified the Rules for the Delisting Framework. Simultaneously, Regulations dealing with the procedural aspects for delisting has also been notified by the Securities & Exchange Board of India. The delisting Rules inter-alia provide grounds for voluntary as also compulsory delisting. Delisting of securities may be done by a recognised exchange on any of the following grounds:(a) the company has incurred losses during the preceding three consecutive years and it has negative net worth; (b) trading in the securities of the company has remained suspended for a period of more than six months;(c) the securities of the company have remained infrequently traded during the preceding three years;(d) the company or any of its promoters or any of its director has been convicted for failure to comply with any of the provisions of the Act or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996 (22 of 1996) or rules, regulations, agreements made there under, as the case may, be and awarded a penalty of not less than rupees one crore or imprisonment of not less than three years;(e) the addresses of the company or any of its promoter or any of its directors, are not known or false addresses have been furnished or the company has changed its registered office in contravention of the provisions of the Companies Act, 1956 (1 of 1956); or (f) shareholding of the company held by the public has come below the minimum level applicable to the company as per the listing agreement under the Act and the company has failed to raise public holding to the required level within the time specified by the recognized stock exchange. Voluntary Delisting can also be done through a request by the company to delist any securities provided (a) the securities of the company have been listed for a minimum period of three years on the Recognized Stock Exchange; (b) the delisting of such securities has been approved by the two-third of public shareholders; and (c) the company, promoter and/ or the director of the company purchase the outstanding securities from those holders who wish to sell them at a price determined in accordance with Regulations made by Securities and Exchange Board of India" under the Act.

The SEBI (Delisting of Equity Shares) Regulations notified simultaneous to the notification of Rules by the Government provide for voluntary delisting from either all recognised stock exchanges or from only some of the recognized stock exchanges. It lays down the procedure for delisting (a) where no exit opportunity is required (b) and where exit opportunity is required. It also lays down the procedure for compulsory delisting along with specifically stating the rights of public shares in such cases. The regulations also have special provisions, inter-alia, for delisting of small companies, delisting in cases of winding up of a company and de-recognition of stock exchange.

3.4.5 Rules for clearing corporation

SCRA was amended in 2004 to provide for Clearing and Settlement by a Clearing Corporation (CC). It provides that an Exchange may, with the approval of SEBI, transfer the duties and functions of a clearing house to a recognized CC for the purpose of the periodical settlement of contracts and differences there under, and the delivery of, and payment for securities. The rules for the purpose are being finalized by the Government. .

3.4.6 Short selling

The broad framework for short selling and securities lending and borrowing scheme (SLB) for all market participants was specified by SEBI vide circular dated December 20, 2007. This framework was operationalised with effect from April 21, 2008.
As per the framework for short selling in the Indian market, naked short selling is not allowed. All classes of investors are allowed to short sell provided they arrange for delivery of the shares for settlement. To enable borrowing of shares, the securities lending and borrowing framework has been put in place. Further, there is requirement for reporting of short sales and lending and borrowing transactions under the framework. As per the data available on exchange websites, there have been negligence short selling transactions in the cash market.

Pursuant to feedback received from the market participants, the scheme for Securities Lending and Borrowing was modified vide circular dated October 31, 2008. Some of the key modifications made are:

- o Tenure for SLB increased to one year days from the 30 days.
- o Details of treatment of corporate actions during the 30 days, such as Dividend, stock split etc., specified.
- o The duration of SLB session extended from the one hour (10 am to 11 am) to the normal trade timings of 9:55 am to 3:30 pm.
- o Margins in SLB allowed to be taken in the form of cash and cash equivalents.

NSE has implemented the revised SLB from December 22, 2008 and BSE has implemented the revised SLB from December 24, 2008. As per the data available on the exchanges website, there is negligible volume/ transaction under SLB.

3.4.7 FIIs in Stock Exchanges

In its Board meeting, SEBI has taken decision to permit individual entities belonging to specified categories namely PFIs, SEs, Depositories, Banks and Insurance Companies to hold upto 15% of the equity of a stock exchange. This will be carried out through appropriate amendments to the SEBI Regulation.

3.4.8 Insider trading Regulations

SEBI has tightened its insider-trading norms on 19th November, 2008 by amending SEBI (Prohibition of Insider Trading) Regulations, 1992 to broaden the definition of the term insider to include any person who is and was connected with a company and is the recipient of price sensitive information. The regulator has now amended its regulations to prohibit trades by a designated insider within a short period of six months.

3.4.9 Increase in Market Trading Hours

SEBI has issued a circular dated 23th October 2009 permitting Stock Exchanges to set their trading hours in the cash & derivative segments subject to the condition that :

a. The trading hours are between 9 AM and 5 PM, and

b. The Exchange has in place risk management system and infrastructure commensurate to the trading hours.

In pursuance of the same, both NSE and BSE have announced change in the market opening time from 9:55 a.m to 9 a.m with effect from 4th January, 2010.

3.4.10 Signing of UNIDROIT Convention

The Final Session of the Diplomatic Conference convened by the International Institute for the Unification of Law (UNIDROIT), to adopt a Convention on Substantive Rules regarding Intermediated Securities was held at Geneva, from 5-9 October 2009. The Convention, in view of the growth and development of global capital markets, and recognizing the need to protect persons that acquire or otherwise hold intermediated securities, and the need to enhance the international compatibility of legal systems as well as the soundness of domestic and international rules relating to intermediated securities, seeks to provide a common legal framework for the holding and disposition of intermediated securities.

The Indian delegation led by Capital Markets Division of the Ministry participated in the Conference. The Conference adopted the agreed text of the UNIDROIT Convention on Substantive Rules for Intermediated Securities and its Final Act on 9th October 2009. The Conference also decided that the Convention would be known as the "Geneva Securities Convention". After the adoption of the text, the Convention was opened for signature at Geneva on 9th October 2009. The Final Act of the Conference was signed by 37 States including India and the European Community.

3.5 International Co-operation

3.5.1 NIPFP- DEA Research Program

In August 2007 the NIPFP and DEA launched a Research Program on "Capital Flows and their consequences" with a one year MoU subsequent to Ashok Lahiri Committee recommendations. The success of this research program has encouraged DEA to proceed further with the Research Program, to a broader range of questions. Accordingly a fresh MoU on NIPFP -DEA Research Program was signed on 20th May, 2009 for a period of two years.

3.5.1.2 The programme focuses on positive and normative aspects of fiscal, financial and monetary economics with an emphasis on India's deepening integration into the world economy and the task of stabilizing the macro economy. It envisages building a pool of talent to work on these issues, and will provide learning opportunities such as in-depth research meetings, commission research /public policy papers with dissemination of output through website. Seminars and symposia on relevant policy issues are also proposed to be conducted. A key feature of the program lies in the flexibility to continually adapt to changing conditions, requirements and opportunities, to keep it contextual. Currently research is going on around 15 topics and NIPFP provides support for the working group on foreign investments for rationalising the present arrangements relating to foreign portfolio investments by Foreign Institutional Investors (FIIs)I Non Resident Indians (NRIs) and other foreign investments like Foreign Venture Capital Investor (FVCI) and Private Equity entities etc.

3.5.2.1 India's Sovereign Rating

Presently India is rated by five international credit rating agencies namely, Standard and Poor's (S&P), Moody's Investor Services, FITCH, the Japanese Credit Rating Agency(JCRA) and the Rating and Investment Information Inc., Tokyo(R&I). Information flow to these credit rating agencies has been streamlined. A post- budget meeting was organised for the first time to brief all the Sovereign Credit Rating Agencies (SCRAs) on current developments and perspectives.

3.5.2.2 The current ratings by these agencies are summarised below:

FITCH and S&P has rated India at BBB- with stable and negative outlook on foreign currency whereas DBRS and JCRA have given BBB+ and BBB(low) respectively with negative and stable outlook respectively. Moody's has now changed the outlook on the Indian government's Ba2 local currency rating to positive from stable. At the same time, the ceiling on banks' foreign currency deposits has been raised to Ba1 from Ba2 to better reflect the robust external position of India. The outlook on the government's foreign currency bond ratings remains stable at Baa3.

3.6 External Markets & External Comercial Borrowings

3.6.1 Financial Stability

3.6.1.1 The Financial Stability Forum (FSF) which was established by the G7 Finance Ministers and Central Bank Governors in 1999 to promote international financial stability through enhanced information exchange and international cooperation in financial market supervision and surveillance, decided at its plenary meeting in London on 11-12 March,2009 to broaden its membership and to invite as new members the G20 countries that were not initially in the FSF. These included Argentina, Brazil, China, India, Indonesia, Korea, Mexico, Russia, Saudi Arabia, South Africa and Turkey. In order to mark a change and convey that the FSF will play a more prominent role in this direction in the future, the FSF was re-launched as the Financial Stability Board (FSB) on April 2, 2009, with an expanded membership and a broadened mandate to promote financial stability. The current FSB comprises of national financial authorities (central banks, supervisory authorities and finance ministries) from the G20 countries, as well as international financial institutions, international regulatory and supervisory groupings, committees of central bank experts and the European Central Bank.

3.6.1.2 India is an important member of the FSB and has 3 seats in its plenary where a country's representation is designated as follows:

i. Level of Central Bank: Governor or immediate Deputy (India's representative: Deputy Governor, Reserve Bank of India)

ii. Head of the main regulatory agency (India's representative: Chairman, Securities and Exchange Board of India)

iii. Deputy Finance Minister (India's representative: Finance Secretary, Government of India)

3.6.1.3 Apart from the Plenary, India is a member of two of the three FSB Standing Committees as can be seen from the table below:

	Standing Committee on	India's representative
(i)	Vulnerabilities Assessment	Deputy Governor, RBI
(ii)	Standards Implementation	Finance Secretary
(iii)	Supervisory and Regulatory Cooperation	None

3.6.1.4 None Regular interaction with the Financial Stability Board takes place through periodic conference calls and meetings. Information is exchanged with FSB member jurisdictions frequently as per international requirements . The Capital Markets Division of the Ministry of Finance coordinates with the various financial sector regulators and other relevant agencies to consolidate and share India's views with the FSB who in turn share it with the G-20 which continuously monitors the working of the FSB..

3.6.2 Financial Action Task Force (FATF)

3.6.2.1 The FATF is an intergovernmental body that develops and promotes policies and concrete standards to combat money laundering and terrorist financing. It has issued 49 Recommendations: 40 Recommendations against money laundering and 9 Special Recommendations against terrorist financing. Taken together, the 40+9 Recommendations are commonly referred to as the FATF Standards. The FATF identifies money laundering and terrorist financing techniques, it assesses compliance of a country with the FATF Standard through a sophisticated peer review system and in case of non-cooperative and high risk jurisdictions FATF recommends whether counter measures should be applied against these countries.

3.6.2.2 The FATF has expanded from the original 16 members to 35. India is currently an observer with the intent to become a full member. Besides FATF, eight FATF Style Regional Bodies (FSRBs) were created over the years to promote and implement the FATF Standards in the member countries in their regions. Together with the membership of these sister organisations, the FATF community includes over 180 jurisdictions. One of FSRBs is Asia/ Pacific Group on Money Laundering (APG). India is member of the APG.

3.6.2.3 The FATF is recognized as the global standard setter on anti-money laundering and counter terrorist financing issues by the United Nations, the International Monetary Fund and the World Bank. For example, United Nations Security Council Resolution 1617 urged the international community to implement the FATF Standards. The compliance level with the FATF recommendations influences the financial sector of a country. This encourages jurisdictions to enhance compliance with the FATF Standards. Higher compliance means lower corruption and thus, lower cost to the economy. Higher compliance also means lower risks and thus better terms for the financial sector on the global financial markets, which is positive for the economy and the investment climate of a country. G20 leaders concluded in this context at their recent Pittsburg meeting that "we welcome the progress made by the FATF in the fight against money laundering and terrorist financing and call upon the FATF to issue a public list of high risk jurisdictions by February 2010". The fight against money laundering and terrorist financing is a multi-dimensional and truly global endeavour. For this reason, close co-operation and collaboration between all stakeholders is essential.

3.6.2.4 India is seeking full-fledged Membership of FATF. As a part of its Membership process, a 9-member Assessment Team of FATF visited India from 30th November, 2009 to 11th December, 2009 for on-site visit / discussions with Ministries / Departments/ Regulators/Agencies and private sector entities involved in the AML/CFT framework in the country where Indian legislative, regulatory and institutional framework to combat money laundering and terrorist financing (AML/CFT) have been evaluated against each of the 40+9 recommendations of FATF. The draft Mutual Evaluation Report is likely to be given to India by FATF by 5th March, 2009.

3.6.3 External Commercial Borrowings

ECBs are being permitted as an additional source of finance to augment the resources available domestically to Indian corporates for financing import of capital goods, new projects, modernization/ expansion of existing production units in real sector - industrial sector including small and medium enterprises (SME) and infrastructure sector – and in the services sector viz. hotels, hospitals and software companies for import of capital goods, foreign currency as well as rupee capital expenditure for the permissible end-uses. ECBs are approved within an overall annual ceiling; consistent with prudent debt management. ECB policy is reviewed regularly by the Government in consultation with RBI to keep in tune with the evolving macroeconomic situation, changing market conditions, sectoral requirements, international financial markets conditions etc. ECB up to US$ 500 million per borrower per financial year is permitted for Rupee as well as foreign currency expenditure for permissible end - uses under the Automatic Route. The few aspects of ECB policy modified recently in 2009-10 are summarized below:

i. In terms of A.P. (DIR Series) Circular No. 39 dated December 8, 2008, read with A.P. (DIR Series) Circular No. 58 dated March 13, 2009 and A.P. (DIR Series) Circular No. 65 dated April 28, 2009, Indian companies were allowed to buyback their Foreign Currency Convertible Bonds (FCCBs) both under the automatic route and approval route until December 31, 2009. Keeping in view the prevailing macroeconomic conditions and global developments, especially the improvements in the stock prices, it has been decided to discontinue the facility with effect from January 1, 2010.

ii. As per extant policy, utilisation of ECB proceeds is not permitted for the real estate. However, to facilitate access to funds for the housing sector, the 'development of integrated townships' as defined by DIPP, SIA (FC Division), Ministry of Commerce & Industry in Press Note 3 (2002 Series) dated January 04, 2002 was permitted as an eligible end-use of the ECB in January, 2009, under the approval route of RBI. The policy was reviewed in June, 2009. On a review of the prevailing conditions, it was decided to continue the existing policy of permitting development of integrated township as a permissible end-use, under the approval route, until December 2009. On a review of the prevailing conditions in Dec. 2009, it has now been decided to extend the current policy until December 31, 2010, under the approval route.

iii. NBFCs, dealing exclusively with infrastructure financing, were permitted to access ECB from multilateral or bilateral / regional financial institutions and Government owned development financial institutions for on-lending to the borrowers in the infrastructure sector under the approval route of RBI. The condition of direct lending portfolio of the above lenders vis-à-vis their total ECB lending to NBFCs, at any point of time not to be less than 3:1 was also dispensed with effective from 0 July, 2009. On a review giving the thrust to infrastructure development, it has now been decided to allow them to avail of ECB from the recognised lender category including international banks also under the approval route with effect from December 09, 2009 subject to complying with the prudential standards prescribed by the Reserve Bank and the borrowing entities fully hedging their currency risk.

iv. All-in-cost ceiling for ECBs was dispensed with under the approval route of RBI till June, 2009. Considering the continuing tightness of credit spreads in the international markets, this relaxation was extended until December 31, 2009 in terms of review undertaken in June, 2009. Now in view of the improvement in the credit market conditions and narrowing credit spreads in the international markets, it has been decided to withdraw the existing relaxation in the all-in-cost ceilings under the approval route with effect from January 1, 2010.

v. Units in the Special Economic Zone (SEZ) are permitted to access ECBs for their own requirements. However, ECB was not permissible for the development of the SEZ. On a review in June, 2009, it was decided to allow SEZ developers to avail of ECB, under the Approval route, for providing infrastructure facilities, as defined in the extant ECB policy, within the SEZ. However, ECB would not be permissible for development of integrated township and commercial real estate within the SEZ.

vi. In order to develop the telecom sector in the country, the payment for obtaining license/ permit for 3G Spectrum were made as an eligible end-use for the purpose of ECB under the automatic route in terms of review undertaken in October, 2008. On a review, it has now been decided to permit eligible borrowers in the telecommunication sector to avail of ECB for the purpose of payment for Spectrum allocation. This modification will come into effect with immediate effect i.e. 09th December, 2009.

vii. Currently, the ECB policy was not explicit about accessing of ECB by the corporate, which had violated the extant ECB policy and were under investigation by the Reserve Bank and / or Directorate of Enforcement. On a review undertaken in June, 2009, it was decided that corporate, which have violated the extant ECB policy and are under investigation by Reserve Bank and / or by Directorate of Enforcement, would not be allowed to access the Automatic route for ECB. Any request by such corporate for ECB will be examined by RBI under the Approval route. Further on a review undertaken in November, 2009, it was observed that the extant ECB policy only refers to corporate viz. entities and not groups. Hence a group level decision as opposed to an entity level decision was not fully in accordance with the extant ECB policy. Accordingly, it was decided that only the entities under investigation by RBI / DoE for violation of ECB guidelines would be ineligible as per the RBI master circular dated July, 2009. The companies that are part of the group to which the entity belongs could continue to be eligible under the approval route only.

viii. In addition credit enhancement window available in the present ECB policy was fully operationaiised. Policy prescription as proposed by RBI was also concurred by the Government in a review undertaken in November / December 2009. The facility would be extended only to companies / NBFCs/ FIs which are exclusively involved in the development / financing of infrastructure sector, as defined under ECB policy under the approval route. Such enhancement would be permitted to be provided by multilateral / regional financial institutions and Government owned development financial institutions. The borrowing through structure obligations should have a minimum average maturity of seven years in place of three years earlier. It was also decided to increase the annual limit of credit enhancement of structure obligations to US$ 1 billion instead of US$ 500 million earlier. Further it was clarified that the current proposals made by Reserve Bank would be applicable only to financing through capital market instruments and not to plain vanilla Rupee loans which were earlier permitted under the general permission in vogue.

3.6.4 FII Investment in debt

The FII investment in corporate debt limit has been enhanced from US $ 3 billion to US$ 15 billion. Further in order to accord flexibility to the FIIs to allocate the investments across equity and debt, it has been decided to do away with the conditions pertaining to restrictions of 70:30 ratio of investment in equity and debt respectively.

3.6.4.2 Fiscal measures taken by the Government-PMO press release dated January 2, 2009

The Government is committed to take steps for minimizing the impact of the global financial crisis on the Indian economy. To this end, Government has taken a number of steps since October 7, 2008 the most recent being the measures announced on 7.12.2008. Steps have been taken on the monetary, credit and fiscal front to further strengthen the contra-cyclical stance of policy. The Reserve Bank also announced a set of measures. In addition, with a view to further liberalizing the policy on External Commercial Borrowing (ECB), the Government and the RBI decided:

(a) The 'all-in-cost' ceilings on such borrowing would be removed, under the approval route of RBI;

(b) To facilitate access to funds for the housing sector, the 'development of integrated townships' would be permitted as an eligible end-use of the ECB, under the approval route of RBI;

(c) NBFCs, dealing exclusively with infrastructure financing, would be permitted to access ECB from multilateral or bilateral financial institutions, under the approval route of RBI.

3.6.4.3 FIIs' Investments in Government Securities and Corporate Bonds

- FIIs registered with SEBI are permitted to invest in Government Securities and corporate bonds. Subsequent to the review of policy in May, 2008, limit on FIIs investment in G-Sec was increased from US$ 3.2 billion to US$ 5 billion and from US$ 1.5 billion to 3 billion in corporate debt and again as announced by FM, FIIs investment in corporate debt was doubled i.e. up to US$ 6 billion. Again in consultation with the Reserve Bank, the limit of FIIs investment in corporate bonds was raised to US$ 15 billion. This decision has been implemented by SEBI as recommended by the Government.
- An overall limit for ECB approvals for the last two years was US$ 22 billion. But taking this into account and likely demand for ECBs particularly for infrastructure projects, overall approval ceiling for 2009-10 has been enhanced from US$ 22 billion to 35 billion.

3.6.4.4 Liberalization of policy on buyback of FCCBs

The policy on premature buyback of FCCBs was liberalized in December, 2008. The proposals for buyback were being considered by RBI both under automatic and approval route provided buyback is financed out of their foreign currency resources held in India or abroad and / or out of fresh ECB raised in conformity with the current ECB norms and out of internal accruals up to US$ 50 million of redemption value at a minimum discount of 25% on the book value. Keeping in view the benefits accruing to Indian companies, the RBI had decided to increase the total amount of buyback, out of internal accruals, from US$ 50 million of the redemption value to US$ 100 million by linking the higher amount of buyback to greater discounts i.e. at minimum discounts of 35% on the book value for over US$ 50 million and up to US$ 75 million of the redemption value and 50% for amounts over US$ 75 million and up to US$ 100 million. The entire procedure for buy back of FCCBs was required to be completed by December 31, 2009. Keeping in view the prevailing macroeconomic conditions and global developments, especially the improvements in the stock prices, it has now been decided to discontinue the facility with effect from January 1, 2010

3.6.5 Issuance of ADRs / GDRs and FCCBs by Indian Companies in Overseas Markets

A scheme was initiated during 1992/1993 to allow the Indian Corporate Sector to have access to the Global Capital Markets through issue of Foreign Currency Convertible Bonds (FCCBs)/Equity Shares under the Global depository Mechanism. Policy is reviewed from time to time. Liberalization in the guidelines has been announced in a phased manner.

- The ADR/GDR policy was reviewed in August, 2005 to bring the ADR/GDR guidelines in alignment with SEBI's guidelines on domestic capital issues. One of the major decision in reviewing process was mandatory domestic listing for companies desirous of issuing ADR/GDR.
- The pricing for overseas issues are also brought in line with SEBI DIP guidelines on preferential allotment and qualified institutions placements (QIP).
- An expert committee was set up by this Department; vide order dated 3 May, 2007, to review the ADR/GDR policy with a view to streamline FCCB/ADR/GDR procedures to enable Indian companies to have greater and smoother access to International Capital Markets. The committee submitted its report to the Government on 17th January, 2008. The recommendations of the committee have been accepted by the Government and are under implementation.

- Recently, SEBI amended its pricing guidelines for qualified Institutional Placement (QIP) issues. Accordingly, ADR/GDR pricing norms have also been modified. As per the new ADR/GDR pricing norms, the pricing should not be less than the average of the weekly high and low the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date. (Press Release dated 27th November, 2008 may refer)

3.6.6 Scheme for issue of Foreign Currency Exchangeable Bonds

- Scheme for issue of Foreign Currency Exchangeable Bonds has been notified by the Government, vide Gazette Notification dated February 15, 2008.
- The Exchangeable bonds mechanism will permit Indian companies to unlock a part of holding in group companies for meeting their financing requirements by issue of Exchangeable Bonds.
- An Exchangeable Bond mirrors a Foreign Currency Convertible Bond in almost all respects. The major difference is that the investors have an option to exchange the bond into specified number of shares of a company other than the issuing company.
- The end-use requirements, pricing and maturity and deployment of proceeds for Exchangeable bonds shall be as specified by Reserve Bank of India under the External Commercial Borrowings policy.
- The scheme has since been operationalised by RBI under FEMA vide its AP (DIR) Circular No. 17 dated September 23, 2008.

i) Individual FII/Sub account: 10% of the issued and paid-up capital in a company.

ii) Aggregate by all FIIs: 24% of the issued and paid-up capital in a company which could be increased up to the sectoral cap/statutory ceiling, as applicable, by the Indian company concerned by passing a resolution by its Board of Directors followed by passing of a special resolution to that effect by its General Body.

3.7 Financial sector reforms

3.7.1 The need and roadmap for reforms has been aptly brought out in the reports of two important Government Committees : (i) The High Powered Expert Committee on Making Mumbai an International Financial Centre (HPEC on MIFC) and (ii) The High Level Committee on Financial Sector Reforms (CFSR) 's report entitled " A hundred small steps". These reports are publiclyavailable at the following links respectively: http://finmin.nic.in/reports/index.html) & http://planningcommission.nic.in/reports/genrep/rep_fr/cfsr_all.pdf).

3.7.2 The recommendations of both these reports are being examined by the Ministry of Finance in consultation with various other Ministries and State Governments. The two reports have common underlying terms of reference, viz. to recommend next generation of financial sector reforms for India. The mandate of HPEC on MIFC was to look ahead and prepare for the emergent role of Mumbai as a regional/international financial centre by reviewing the existing legal, regulatory, taxation and accounting framework related to financial services in India and recommend an enabling framework to facilitate such transformation of Mumbai. The CFSR has, touched upon the following reasons for financial sector reforms: (i) to include more Indians in the growth process; (ii) to foster growth itself and (iii) to improve financial stability and thus protect the economy from any kind of turbulence that has affected emerging markets in the past and is affecting industrial countries today.

3.7.3 The steps taken in the direction of implementing the recommendations of the aforesaid reports interalia include the launch of exchange traded currency and interest rate futures, setting up of an internal working group on debt management and establishing a National Treasury Management Agency, processing the report of the said internal working group, continuous interaction with various regulators and Ministries/Departments of the government in taking forward the HR and other initiatives as well as steps required to carry out proposed changes in India's regulatory and financial architecture.

3.8 Working Group on Foreign Investment

3.8.1 With a view to rationalizing the present arrangements relating to foreign portfolio investments by Foreign Institutional Investors (FIIs)/ Non Resident Indians (NRIs) and other foreign investments like Foreign Venture Capital Investor (FVCI) and Private Equity entities etc., the Government has decided to set up a working group to look at various types of foreign flows, which are taking advantage of arbitrage across the respective stand-alone regulations and generate recommendations to Government.The working group consists of members from the Government, the regulators and the private sector. Its composition and the office order is available at the following links: http://finmin.nic.in/ (in the recent updates column) and http://www.nipfp.org.in/nipfp-dea-program/misc.html

3.8.2 The terms of reference of the working group draw attention to the following:

i. To review the existing policy on foreign inflows, other than Foreign Direct Investment (FDI), such as foreign portfolio investments by Foreign Institutional Investors (FIIs)/ Non Resident Indians (NRIs) and other foreign investments like Foreign Venture Capital Investor (FVCI) and Private equity entities and suggesting rationalisation of the same with a view to encourage foreign investment and reducing policy hurdles in this regard while maintaining the Know Your Customer (KYC) requirements.

ii. To identify challenges in meeting the financing needs of the Indian economy through the foreign investment. Foreign investment for this purpose to be understood broadly and can include investment in listed and unlisted equity, derivatives and debt including the markets for government bonds, corporate bonds and external commercial borrowings.

iii. To study the arrangements relating to the use of Participatory Notes and suggest any ' change in the policy if required from KYC and other point of view

iv. To re-examine the rationale of taxation of transactions through the STT and stamp duty.

v. To review the legal and regulatory framework of foreign investment in order to identify specific bottlenecks impeding the servicing of these financing needs.

vi. To suggest specific short, medium and long term legal, regulatory and other policy change;" in respect to foreign investment keeping in view of the suggestions expert committee reports such as the Committee on Fuller Capital Account Convertibility, the Committee on Financial Sector Reforms and the High Powered Expert Committee on Making Mumbai an International Financial Centre.

vii. Any other matter the working group may consider relevant.

3.9 Foreign Institutional Investors (FIIS)

3.9.1 Allocation Methodology of Debt Limits:

Investment by FIIs and sub-accounts in debt instruments comes under of overall External Commercial Borrowing. The overall limit for investments by FIIs and sub-accounts is USD 5 billion for government securities and treasury and USD 15 billion for corporate debt. Investments by FIIs/ sub-account in debt oriented mutual fund units (including units of money market and liquid funds) are considered as corporate debt.

Allocation of debt limit is done in two ways.

i) Electronic bidding process

ii) First-Come-First-served process

3.9.2 Electronic bidding process

Major part of debt limit is allocated to FIIs/sub-accounts in an open bidding platform provided by the stock exchanges. Auction process is performed alternatively on NSE and BSE offered platform. Maximum and minimum limits vary as per the total amount available for auction. The limits availed off in this process need to be utilized within 45 days.

3.9.3 First-Come-First-served process (FCFS)

3.9.3.1 Remaining part of debt limit shall be allocated in 'first-come-first-served' basis subject to ceiling. The limits availed off in this process need to be utilized within 11 working days.

During the calendar year 2009, the following allocations were made:-

Date of Allocation process	Debt Category	Type of Allocation Process	Maximum Limit (INR CR.)	Minimum Limit (INR CR.)
May 15, 2009	Government debt	Bidding	1000	250
May 19, 2009	Government debt	FCFS	249	0
September 08, 2009	Government Debt	Bidding	800	250
September 09, 2009	Government Debt	FCFS	249	0
December 17, 2009	Government Debt	Bidding	300	50
December 17, 2009	Government Debt	FCFS	50	0

3.10 Firm Commitment Requirement for Registration as Foreign Venture Capital Investors (FVCI)

The Regulation 11(3) of the Venture Capital Fund (VCF) Regulations requires firm commitment from investors for contribution of an amount before the start of operations. However, the SEBI (Foreign Venture Capital Investors) Regulations, 2000, do not stipulate a similar requirement for Foreign Venture Capital Investors (FVCIs). It was decided to bring in parity between domestic Venture Capital Funds and Foreign Venture Capital Investors. Therefore, applicants desirous of registering with SEBI as the Foreign Venture Capital Investors, henceforth, should obtain firm commitment from their investors for contribution of an amount of at least USD 1 million at the time of submission of applications seeking registration as FVCIs.

3.11 Derivatives

3.11.1 Exchange Traded Interest Rate Futures

Exchange traded 10-Year Notional coupon bearing GoI security futures security started trading at NSE on August 31, 2009.

3.11.2 Exchange Traded Currency Futures:

Trading in Currency Futures (INR/USD contract) started on National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and Multi Commodity Exchange-Stock Exchange (MCX-SX) on August 29, 2008, October 1, 2008 and October 7, 2008 respectively.

The Reserve Bank's Second Quarter review of Monetary Policy 2009-10 has proposed to permit exchanges to offer currency futures in currency pairs of Euro-INR, Yen-INR and Pound Sterling-INR as also the introduction of Credit Default Swaps for corporate bonds.

3.12 Regulatory Developments

3.12.1 Notification of the SEBI (Facilitation of Issuance of Indian Depository Receipts) (Amendment) Regulations, 2009

In order to facilitate the issuance of Indian Depository Receipts (IDR), SEBI has laid down regulatory structure by carrying out suitable amendments to the following regulations:

(a) SEBI (Custodian of Securities) Regulations, 1996, to provide for enabling the Custodian to undertake the activity of domestic depository for IDRs.

(b) SEBI (Depository Participants) Regulations, 1996, to make IDR eligible as security which can be dematerialized.

(c) SEBI (Foreign Institutional Investor) Regulations, 1995, to allow FIIs to invest in IDRs also.

3.12.2 Notification of the SEBI (Payment of Fees) (Amendment) Regulations, 2009

In order to revise the fees payable by some of the intermediaries and market participants viz. Custodian of securities, FIIs, FVCI, Mutual Funds and Stock Brokers and Sub-Brokers. This amendment regulation suitably amended the following regulations.

(a) SEBI (Custodian of Securities) Regulations, 1996

(b) SEBI (Foreign Institutional Investor) Regulations, 1995

(c) SEBI (Foreign Venture Capital Investors) Regulati ons, 2000

(d) SEBI (Mutual Funds) Regulations, 1996

(e) SEBI (Stock Brokers and Sub-Brokers) Regulati ons,1992

3.13 Unit Trust of India (UTI) & Investor Grievance.

The Specified Undertaking of UTI (SUUTI) or UTI – I was formed by the transfer of all Assured Return Schemes as per the Schedule – I of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002. SUUTI issued two series of Bonds, the 6.75% US 64 Bonds matured on June 2008 and the 6.60% ARS Bonds which matured on April 2009. These Bonds with tenure of 5 years are guaranteed by the Government of India. The 6.75% US 64 Bonds matured on June 2008 and Rs.8,463 crore of the Bond Capital was redeemed. The 6.60% ARS Bonds matured on April 2009 and

Sr. no.	Intermediary/Market participants	Fees earlier payable	Revised fees
1.	Custodian of securities	Annual fee Rs. 1000000 or 0.0005% of the assets under custody, whichever is higher	Annual fee Rs. 1000000 or 0.00025% of the assets under custody, whichever is higher
2.	Foreign Institutional Investor	a) For registration as FII- fee of US $ 10,000 and thereafter fee for every block-US $ 10,000 b) For registration as sub-account - fee of US $ 2,000 and thereafter fee for every block – US $ 2000	a) for registration as FII -fee of US $ 5,000 and thereafter for every block - US $ 5000 b) For registration as sub-account - fee of US $ 1000 and thereafter fee for every block – US $ 1000
3.	Foreign Venture Capital Investors	Application fees US $ 5000 and registration fee US$ 20000	Application fees US $ 2500 and registration fee US $ 10000
4.	Mutual Funds	Filing fee for offer documents 0.005% of the amount raised in the NFO, subject to a minimum of Rs. 1 lakh and maximum of Rs. 50 lakh	Filing fee for offer documents 0.0020% of the amount raised in the NFO, subject to a minimum of Rs. 1 lakh and maximum of Rs. 50 lakh
5.	Stock Broker &Sub-Broker for a) All sale and purchase transactions in securities other than debt securities.	a) 0.0002 per cent of the price at which the securities are purchased or sold (Rs. 20 per crore)	a) 0.0001 per cent of the price at which the securities are purchased or sold (Rs. 10 per crore)
	b) All sale and purchase transactions in debt securities.	b) 0.00005 per cent of the price at which the securities are purchased or sold (Rs. 5 per crore)	b) 0.00025 per cent of the price at which the securities are purchased or sold (Rs. 2.5 per crore)
	c) fee in respect of the transactions undertaken by trading member on the derivatives segment of a recognised stock exchange	c) 0.0002 per cent of his turnover (Rs. 20 per crore).	c) 0.0001 per cent of his turnover (Rs. 10 per crore).
	d) fee in respect of the currency derivative segment transactions undertaken by trading member on the derivatives segment of a recognised stock exchange	d) 0.0002 per cent of his turnover (Rs. 20 per crore).	d) 0.0001 per cent of his turnover (Rs. 10 per crore). In case of currency derivative contract and 0.000025% (Rs. 2.5 per crore) in case of interest rate derivative contracts.

Rs.5,970 crore of the Bond Capital was redeemed. An amount of Rs.2300 crore is yet to be claimed by the holders of the above two series of bonds and other matured schemes of the erstwhile UTI. During the period 2009-10, SUUTI also sold a part of its equity holdings amounting to Rs.59.38 crore. Beginning the year 2003-04, approximately Rs.6400 crore have been recovered out of non performing assets, including interest component in some cases and approximately Rs.900 crore from the sale of fixed assets.

4 Infrastructure and Investment Division

4.1 Infrastructure Branch

4.1.1 Functions/working of Infrastructure Section

- Infrastructure Section is headed by Joint Secretary (I&I) and is assisted by Director (Infra & Energy), Director (Infra Finance) and Deputy Director (Infra & Energy). The Functions/Working of the section includes the following:
- Providing inputs on Cabinet Notes, CCI Notes and other Infrastructure policy and Infrastructure Finance related issues concerning roads, ports, shipping, inland water transport, railways, telecommunications, civil aviation and urban development sector referred to the Department of Economic Affairs (DEA) by the concerned Administrative Ministries.
- Analyzing the investment proposals in these infrastructure sectors requiring the approval of EFC/PIB/CCEA for their viability and justification.
- Promoting investments in infrastructure sectors by encouraging public private partnership.
- Servicing High Level Committees, GOMs, EGOM, etc. constituted to deal with policy issues in these sectors and providing inputs for formulation of DEA's view on such issues.
- Preparing briefs/taking points etc for the use of Finance Minister/Finance Secretary.
- Handling VIP/MP references and Parliament Questions on these sectors.
- Providing inputs on these sectors to other Divisions/Departments/Ministries.
- Participating in meetings/discussions held by the Ministries/Planning Commission/Associations in these sectors with the approval of the Head of the Divisions.

2. Infrastructure Section provided substantial policy inputs on the following issues discussed in the Cabinet/CCEA/CCI Notes which are concluded at Annexure below.

4.1.2 Some Highlights

The framework and financing plan for implementation of the National Highways Development Project (NHDP) and the changes proposed in MCA/RfP/RfQ documents presented to the committee under the Chair of Shri B.K. Chaturvedi, Member, Planning Commission, were analysed in depth, by the Division, both in terms of the underlying models and their financial implications. The recommendations of the Chaturvedi Committee have been subsequently substantially approved by Cabinet Committee on Infrastructure (CCI) and Empowered Group of Ministers (EGoM). The recommendations – post implementation have improved substantially the bidding climate and led to receipt of attractive bids for many of the road projects which had not found favour with the market earlier.

- A financial restructuring plan was proposed by Ministry of Civil Aviation (MoCA) in respect of the National Aviation company of India Ltd. (NACIL), inter alia, seeking Rs. 20,000 crore of Government support. The plan was analysed in depth by the division and a revised format suggested to the Committee of Secretaries (CoS), which reduced drastically the financial requirement to Rs. 5,000 crore; linked its infusion to identifiable deliverables and milestones; and, identified a set of measures for cost reduction and revenue enhancement. The current endeavour of MOCA/NACIL is to evolve a plan on the basis of the "road map" suggested by the Ministry of Finance.
- A standing Committee on Infrastructure Finance has been set up, under the Chairmanship of the Finance Secretary, with representation from concerned Ministries/Departments and regulatory agencies, and on a rotation basis, from infrastructure developers and banks/financial institutions, to oversee recommendation on infrastructure financing and to act as the coordinating mechanism for implementation of the announcement in Para 20 of FM's Budget 2009 -10 speech.
- The Division was responsible for assisting the Finance Minister in his role as Chairperson of the Empowered Group of Minister (EGOM) on issues relating to auction of 3G/BWA spectrum. The Division is also assisting the Finance Secretary to providing inputs to the High Level Monitoring Committee (HLMC) under the chair of Cabinet Secretary, which is engaged in issues relating to laying of the optical fibre (OFC) network for the armed forces and consequent vacation of spectrum. In the 4 meetings of the EGOM, and, 3 of the HLMC, the framework for the auction of spectrum has been finalzed which now expected to be concluded by end February, 2010.
- At the behest of the Prime Minister's Office (PMO), extensive discussions were held with stakeholders and a concept note was prepared on a "harmonized definition of infrastructure". This has now been circulated to wider discussion, before finalization.
- Core principles were evolved for utilization of the funds credited to the "National Skill Development Fund". At the same time, the

National Skill Development Corporation (NSDC) was formally launched by the Finance Minister. A skill gap analyse was undertaken, by the NSDC, in consultation with this Division, for 21 high growth sectors, which is the first such attempt ever in the skills' domain.

Annexure

1. Signing of Air Services Agreement between India and France
2. Signing of Air Services Agreement between India and Poland
3. Signing of Air Services Agreement between India and Bhutan.
4. Signing of Air Services Agreement between India and Bosnia & Herzegovina
5. Signing of Air Services Agreement between India and Azerbaijan
6. Signing of Air Services Agreement between India and Nepal
7. Signing of Air Services Agreement between India and Kenya
8. Amendment in the Air Services Agreement between India and Germany
9. Amendment in the Air Services Agreement between India and Finland
10. Amendment in the Air Services Agreement between India and UK
11. Amendment in the Air Services Agreement between India and Saudi Arabia
12. Amendment in the Air Services Agreement between India and Belgium
13. Amendment in the Air Services Agreement between India and Netherland
14. Setting up a New Greenfield International Airport at Mopa in Goa
15. Amendment of the Indian Telegraph Act, 1885.
16. Kochi Metro Rail Project
17. Establishment of Andaman & Nicobar Island Port Trust
18. National Road Transport Policy
19. Establishment of Lakshadweep Port Trust.
20. Re-Development of Kidwai Nagar (East).
21. Ultra Power Mega Power Policy
22. Revised Strategy for implementation of NHDP Framework & Financing B. K. Chaturvedi
23. Accession to the Protocol of 1996 to the convention of the prevention of Marine Pollution by Dumping of Water and other materials 1972, London Convention1972.
24. Proposed Rajiv Awas Yojana Draft Guidelines
25. Modification of Guidelines for Sub. Mission Urban Infrastructure under JNNRUM.
26. Setting up Electric Locomotive Factory at Madhepura, Bihar and Diesel Locomotive factory at Morawra, Bihar
27. Consideration of Budget of MTNL as Telecom Service Provider for Commonwealth Games to be held in Delhi in 2010

4.1.3 CCEA Notes

i. Upgradation/strengthening of 20,000 KM of single/intermediate/two lane National Highways to two lane with paved shoulders under National Highways Development Project (NHDP) Phase-IV on BOT (Toll) and BOT (Annuity) basis in phase manner

ii. Induction of Supercritical technology through bulk ordering of 660 MW generating unit for PSUs.

iii. Enhancement of Delegation of Powers to NTPC Ltd. in respect of equity investments to establish financial Joint Ventures and wholly owned subsidiaries in India or abroad.

iv. Central Inland Water Transport Corporation

v. Draft Cabinet Note on setting up new Greenfield International Airport at MoPA, Goa.

vi. Draft CCEA note on Hindustan Shipyard Ltd (HSL), Vishakhapatnam

vii. Sale of entire 30% equity holding of M/s TCIL in Bharti Hexacom Ltd (BHL) a JV Company of TCIL

vii. Restructuring of the National Investment Fund (NIF) for direct Funding of the Social Sector Scheme

ix. Seeking approval for disinvestment in NTPC Ltd.

4.1.4 CCI Notes

i. Amendment to the National Highway Fee (Determination of Rates & collection Rules, 2008

ii. Induction of Super-Critical Technology through bulk orders of 660 MW generating unit.

iii. Transfer of assets of Hindustan Shipyard Ltd

iv. Review of Infrastructure projects- MOCA

v. Progress in respect of infrastructure projects in the Port Sector

vi. Modification in the Scheme for "Affordable Housing in Partnership

vii. Status of Railways Infrastructure

viii. Status of the Progress of Ongoing Infrastructure Projects of the Ministry of Urban Development

4.1.5 PPP Cell (Public Private Partnership)

The PPP Cell is headed by Joint Secretary (Infra & Investment) who is assisted by Director (PPP), Deputy Director (PPP) and Section Officer (PPP). The PPP Cell is responsible for matters concerning Public Private Partnerships, including policy, schemes, programmes and capacity building.

The PPP Cell serves as the Secretariat for the PPP Appraisal Committee (PPPAC), which has been constituted with the approval of Cabinet Committee on

Economic Affairs to establish an appraisal mechanism and guidelines for PPP projects in the central sector, on the lines of the PIB. The PPPAC is chaired by Secretary, Economic Affairs with Secretaries of Department of Expenditure, Department of Legal Affairs, Planning Commission and the sponsoring department as members. Since its constitution in January 2006, PPPAC has granted approval to hundred and thirty seven projects, with a total project cost of Rs144687.27 crore, as per details below :

Sector Share	No. of projects	Total Project Cost (Rs Crore)	Sectoral (%age)
Highways	123	123691.50	85.49
Railways	01	8500.00	5.87
Ports	10	11346.90	7.85
Civil Aviation	02	1000.00	0.69
Tourism	01	148.87	0.10

A major scheme to promote public private partnership (PPP) in various infrastructure sectors such as roads, seaports, airports, railways, convention centres etc. with viability gap support from the Government of India was announced in the budget 2005-06. Procedure for approval and institutional mechanism for approvals of proposal seeking funding under the 'Scheme for Financial Supports to PPPs in Infrastructure (Viability Gap Funding Scheme)' have been notified. The total Viability Gap Funding provided under the Scheme is up to 20% of the capital cost of the project. The Government or statutory entity that owns the project may provide an additional 20% grant out of its own budget. So far, under the Scheme, 57 proposals have been granted 'in-principle' approval by the Empowered Institution with a total project cost of Rs.38914.20 crore and an estimated viability gap funding of Rs.7357.39 crore. The bidding process has been completed for 15 PPP projects. 9 projects received negative grant/revenue share on completion of the bidding process. Rs.94.47 crore has been disbursed as Viability gap support.

2007-08	Rs.23.00 crore
2008-09	Rs.54.07 crore
2009-10 (upto December, 2009)	Rs.17.40 crore

Union Finance Minister in his Budget Speech for 2007-08 announced establishment of a mechanism to support the project development expenditure on PPP projects to accelerate the process of project preparation. To fulfil the commitment, the Scheme and Guidelines for India Infrastructure Project Development Fund have been notified in December 2007 to operationalise financial support for quality project development activities to the Central Ministries, States and local government. The Schemes funds potential Public Private Partnership projects' project development expenses including cost of engaging consultants and transaction advisor, thus increasing the quality and quantity of successful PPPs and allowing informed decision making by the Government based on good quality feasibility reports. The IIPDF assists projects that closely support the best practices in PPP project identification and preparation. So far 27 projects proposals granted approval with total project development cost of Rs.27.19 crore and IIPDF assistance of Rs.20.39 crore. Rs. 1.43 crore had been disbursed under the Scheme so far.

A panel of eleven Transaction Advisers had been short-listed. Panel members have skills and experience to provide both commercial/financial and legal services in support of PPP transactions. However, the sponsoring authorities have been advised to procure financial, legal and technical expertise separately in the case of large complex projects. A 'Manual on the panel to guide the users' has also been prepared and circulated. The validity of panel of Transaction Advisers is upto December, 2009. The process of short-listing new panel of Transaction Advisers is in progress.

The PPP Cell is also administering capacity building programmes for PPPs in State Government and Central line Ministries. State Governments and central infrastructure Ministries have been advised to set up PPP Cells to enable each sector/line Ministry using PPP methodology for delivery of public service to prepare action plans and policies for individual sectors, to adopt best practices and follow standard procedures for contracting PPPs. PPP Cells have been established in twenty-four State Governments/ U.Ts. and thirteen Central infrastructure Ministries to enable each sector/line Ministry using PPP methodology for delivery of public service to prepare action plans and policies for individual sectors, to adopt best practices and follow standard procedures for contracting PPPs. Over time, as the PPP Cells mature, it is envisaged that the PPP Cells would become the central core to catalyse PPPs in an efficient and effective manner in their respective sectors/States.

To assess the existing institutional framework and processes for managing PPPs; and identify critical areas in which PPP Cells and other key government entities responsible for implementing PPPs would require support over the next 2-3 years, a study on five representative States and key Central line Ministries was undertaken through Partnerships United Kingdom (Paternership UK).

With Technical Assistance from Asian Development Bank, PPP cells at the States and Central Ministries are being provided with in-house PPP experts, financial experts, MIS experts and access to a panel of legal firms. So far 20 PPP Cells in States and central ministries are being strengthened. Training programmes on public private partnerships and workshops on developing sector specific PPP frameworks were organized. To intensify and deepen the capacity building of public functionaries at the State and municipal level, a curriculum for training at State Administrative Institutes and a 'Training of Trainers' programme has been initiated in collaboration with KfW and World Bank. Online toolkit for PPP projects and framework for risk and contingent liabilities for PPP projects are being developed in collaboration with the World Bank. Memorandum of Understanding has been signed and States are being identified for roll out of the programme under the programme.

PPP projects in urban and social sector have been identified as pilots, which are being structured in collaboration with the Implementing Authorities.The objective of the exercise is to develop sustainable demonstration projects that may eventually have a catalyst effect on PPPs in these sectors.

A document titled "Public Private Partnerships - Creating an Enabling Environment for State projects" has been developed for dissemination of information on the various schemes and programmes of the Government to facilitate development of infrastructure through public private partnerships.

Two website, www.pppinindia.com and www. pppindiadatabase.com have been developed on PPPs which provide one-stop on information of PPPs in India including policy guidelines and status of the proposals received by the PPP cells under the VGF and IIPDF scheme and PPP Appraisal Committee. The purpose of the online database is to provide comprehensive and current information on the status and extent of PPP initiatives in India at the central, state and sectoral levels. Information on 460 PPP projects in the country are currently available on www.pppindiadatabase.com

4.1.6 Energy Cell

1. The items of work allocated to Energy Cell includes sectoral charge of the Ministries of Petroleum and Natural Gas, Ministry of Chemicals and Petrochemicals, Ministry of Coal and Department of Fertilizers. The Energy Cell is responsible for analysis of the proposals received from these Ministries and furnish comments from policy and financial angle. It is also responsible for analysis of Cabinet Note, ECC Notes, CCEA Notes, EGOM/GOM Notes, COS Notes, ECS Notes and HPC Notes and furnish comments. The Energy Cell is also responsible for preparation of briefs on the agenda for the meetings of the ONGC/OVL Board of Directors and their committees whom DEA officers are represented as Government nominees.
2. The list of draft notes for Cabinet/CCEA/CCI/ ECC/Full Planning Commission/EGOM/COS/ Expert Group/NTS/PIB/EFC analyzed/comments of Ministry of Finance and Brief prepared for the meetings during 2009-10 is enclosed at Annex – I.

Some Highlights

(i) New Exploration Licencing Policy (NELP-VIII) – finalization of bids & award of blocks (b) Coal bed Methane (CBM IV) – award of bids were analyzed in Energy Cell

(ii) Expert Group on pricing of Petroleum Products - Policy Advisory paper was prepared for the Finance Secretary who is a member of the Expert Group.

4.1.7 Draft Cabinet Notes/Meetings

i. Draft Note for the Cabinet reg. Maintaining status quo in rate of royalty on crude oil produced from on-land blocks allotted under nomination/ pre-NELP regime

ii. Draft Note for the Cabinet regarding- Development of Gas Highways Leading to a National Gas Highways Leading to a National Grid.

iii. Draft Note for Cabinet reg- Relinquishment of the project Najwat Najem (NN) Block in Qatar.

iv. Draft Note for Cabinet Reg- Approval for participation & investment in the upstream & offshore midstream sections of the Blocks in Myanmar.

v. Draft Note for the Cabinet reg- Revision of Administered Price Mechanism (APM) price of natural gas.

vi. DCN reg Reforms in Royalty Regime-sharing of Royalty with Local Community.

vii. DCN reg Amendments in PNGRB Act 2006.

4.1.8 Draft CCEA Notes/Meetings

i. Draft CCEA Note reg- Approval for acquisition of participating interest in Satpayev exploration Block Kazakhastan .

ii. Draft CCEA Regarding –Approval for (OVL)'s investment and relinquishment of Block 5B in Sudan.

iii. Draft CCEA Note reg- Approval for Master Plan dealing with fire, subsistence and rehabilitation in Jharia and Raniganj.

iv. Draft CCEA Note reg- Proposal for (i).Formation of an empowered of Secretaries with mandate to consider and recommend proposals of coal India ltd to invest abroad and (2). Delegation of power to coal India Ltd with regard to investment abroad.

v. Draft CCEA Note reg- allocation of coal blocks to coal India Ltd by Mozambique.

vi. Draft CCEA Note reg- Additional project Investment of USD 149.46 Million in Block 06.1 Vietnam.

vii. Draft CCEA Note reg-Spliting of the Production Sharing contract (PSC) for Block AA-ON/7 in two parts, to consider separate exploration period for Nagaland part of the Block.

viii. CCEA Note Reg- additional investment of US $ 70 million for project BC 10 Brazil.

ix. Draft CCEA Note reg.Proposal for Marginal Field Policy (MFP)

x. CCEA meeting reg Special Dispensation to Gazprom for carrying out work programme with 18 months extension beyond Exploration phase III.

xi. CCEA meeting reg extension of Exploration Phase I in the Block CB ONN 2002/2 to carry out Additional Work of testing 4 exploration wells drilling under MWP.CCEA meeting reg-extension of Exploration Phase I in the Block CB ONN 2002/2 to carry out Additional Work of testing 4 exploration wells drilling under MWP.

4.1.9 COS Notes

i. Note for COS reg- Ban on Plastic Bag.

ii. COS Note reg- Presentation on review of Coal Sector.

4.1.10 ECS Meetings/Notes

i. Meeting of the ECS reg- Project of ONGC Videsh Ltd.

ii. Additional project investment in Vietnam.2. Relinquishment of project Qutar.3. Participation in first petroleum licensing round in Iraq 4. Investment in gas field in Myanmar.

iii. Meeting of the ECS reg- approval for additional investment in Block BC-10 Brazil.

iv. Meeting of the ECS Reg- creation of additional/ multiple delivery points for evacuation of crude and granting marketing freedom to the contractor of Block RJ-ON-90/PCS.

v. Meeting of the ECS Reg- approval for funding the Work Program me and Budget for OPL 279 and OPL 285 in Nigeria.

vi. Meeting of the ECS reg. finalization of Bids under 4th round of CBM IV & bid & award of Blocks under NELP VIII.

vii. Meeting of the ECS reg Approval for Investment in Gas Field development Project of Blocks in Myanmar and participation in Onshore Midstream Pipeline Co. by ONGC Videsh Ltd and GAIL Ltd.

4.1.11 Full Planning Commission

i. Full Planning commission Meeting reg- Integrated Energy Policy

4.1.12 Expert Group

i. to 8th meetings of Expert Group on pricing policy of petroleum products.

4.1.13 NTS Meeting

i. Meeting of the Negotiation Team of Secretaries (NTS) Reg- finalization of the PSC for discovered field award for Ratna R-Series.

4.1.14 EGOM

i. Meeting of the EGOM reg- Gas pricing and commercial utilization of Gas under NELP.

4.1.15 CCI/PIB Meetings

i. PIB Meeting reg- Revised Cost Estimate of Adriyala Shaft Project of Signagareri Collieries Co.Ltd

ii. PIB Meeting reg- Conversion of FO/LSHS Units of national Fertilizers Ltd, at Panipat to gas under the New Pricing Scheme stage of FO/LSHS Units to Gas.

4.1.16 FIPB Unit (Foreign Investment Promotion Board)

The Foreign Investment Promotion Board is a single window clearance for FDI proposals and comprises the core Group of Secretaries of Department of Economic Affairs, Department of Industrial Policy & Promotion, M/o Small Scale Industries, D/o Revenue, D/o Commerce, M/o External Affairs and M/o Overseas Indian Affairs. FIPB is chaired by the Secretary of the Department of Economic Affairs and its meetings are held twice a month.

FDI Proposals seeking FIPB approval are handled in this Department and proposals of NRI Investment, Foreign Technology transfer trade marks agreement and FDI in 100% EOUs are handled in the Ministry of Commerce & Industries, Department of Industries Policy & Promotion (DIPP). The FDI Policy and FDI Data are also handled in the DIPP.

During the Financial year 2008-09, total 19 meetings were held in which 645 proposals were considered and 397 proposals were approved. The FDI inflow involved was approximately Rs. 61972.74 crore. During the Financial year 2009-10 (up to December 31, 2009) total 14 meetings were held in which 392 proposals were considered and 199 proposals were approved. The FDI inflow involved was approximately Rs. 20238.794 crore.

4.1.17 IC Section (International Cooperation)

4.1.17.1 Bilateral Invesment Promotion and Protection Agreement (BIPA)

(i) 4 (four) Bilateral Investment Promotion and Protection Agreement (BIPA) were signed with Bangladesh, Mozambique, Romania (Protocol) and Colombia.

(ii) 7 (seven) BIPA were enforced (signed earlier) viz. Brunei Darussalam, Syrian Arab Republic, Myanmar, Serbia (Yugoslavia), Libya, Mozambique and Senegal.

(iii) BIPAs with DPR Korea, Latvia and Seychelles have been concluded for being signed.

(iv) Three Cabinet Notes were prepared during this period i.e. BIPA with Colombia, Seychelles and Lithuania.

(v) BIPAs have been signed with 76 countries, of which 68 have been enforced and others are in various stages of enforced.

4.1.17.2 Overseas investments for setting up JV/ WOS abroad

During the year from 1st January to 31st October 2009, 3216 number of proposals were approved for overseas investments worth US$ 16360.52 million as equity, loan and guarantee.

4.1.18 FIU (Foreign Investment Unit)

FDI Policy

1. Government of India has embarked upon major economic reforms since mid-1991 with a view to integrate with the world economy and to emerge as a significant player in the globalization process. Reforms undertaken include de-control

of industries from the stringent regulatory process; simplification of investment procedures, promotion of foreign direct investment (FDI), liberalization of exchange control, rationalization of taxes and public sector disinvestment.

2. As per the extant policy, FDI up to 100% is allowed, under the automatic route, in most of the sectors/activities. FDI under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India (RBI). Investors are only required to notify the Regional office concerned of RBI within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of issue of shares to foreign investors.

3. Under the Government approval route, applications for FDI proposals, other than by Non-Resident Indians, and proposals for FDI in 'Single Brand' product retailing, are received in the Department of Economic Affairs, M/o Finance. Proposals for FDI in 'Single Brand' product retailing and by NRIs are received in the Department of Industrial Policy & Promotion, M/ o Commerce and Industry. These proposals are then considered by the Foreign Investment Promotion Board (FIPB).

4. Foreign investments in equity capital of an Indian company under the Portfolio Investment Scheme are not within the ambit of FDI policy and are governed by separate regulations of RBI /Securities & Exchange Board of India (SEBI).

5. The FDI policy has been liberalized progressively through review of the policy on an ongoing basis and allowing FDI in more industries under the automatic route. Three major reviews were undertaken in the year 2000, 2006 and 2007-2008.

4.1.19 As per the existing Policy, the following sectors are prohibited for FDI:-

(i) Retail Trading (except single brand product retailing)

(ii) Atomic Energy

(iii) Lottery Business

(iv) Gambling and Betting

(v) Business of chit fund

(vi) Nidhi company

(vii) Trading in Transferable Development Rights (TDRs)

(viii) Activity/sector not opened to private sector investment

4.1.20 Sectors in which FDI caps exist are as under:-

(i) Defence Projection — 26% under FIPB route

(ii) Civil Aviation
- (a) Scheduled Air transport services/domestic Scheduled passenger airlines -49% FDI (100% for NRIs) under automatic route.
- (b) Non-scheduled Air Transport Service/Non Scheduled airlines and Cargo airlines – 74% FDI (100% FDI for NRIs) under automatic route.

(iii) Asset Reconstruction Companies (ARCs) — 49% (only FDI) under FIPB route.

(iv) Banking –private Sector — 74% (FDI +FII) under automatic route.

(v) Broadcasting
- (a) FM Radio - 20% (FDI+FII) FIPB Route.
- (b) Cable network – 49% (FDI+FII) FIPB
- (c) DTH -49%(FDI+FII) FIPB route.
- (d) Setting up of hardware facilities such as Uplinking, HUB etc. – 49% (FDI +FII) under FIPB route.
- (e) Uplinking of news & current affairs TV Channel -26% (FDI +FII) –FIPB.

(vi) Commodity exchanges — 49% (26% FDI+23% FII) under FIPB route.

(vii) Credit information Companies (CICs) — 49% (FDI + FII) under FIPB route.

(ix) Insurance — 26% under automatic route

(x) Petroleum & Natural Gas Refining — 49% FDI in case of PSUs (100% in case of Private companies)

(xi) Publishing of newspaper and periodicals dealing with news and current affairs — 26% FDI under FIPB route.

(xii) Telecommunications
(a) Basic and cellular, Unified Access Services, NLD/ILD, V-Sat, Public Mobile Radio Trunk Services, Global Mobile

communication Services and other value added telecom services - 74% FDI (including FDI, FII,NRI FCCBs, ADRs, GDRs, Convertible Preference shares and proportionate Foreign equity in Indian promoters /investing company.

(b) ISP with gateways, Radio paging, end-to-end bandwidth 74% FDI (upto 49% automatic; between 49% and 74% under FIPB route.

(xiii)Single brand product retailing 51% FIPB route

(xiv)Satellites –establishment and operation 74% FIPB

8. A consolidated Policy on Foreign Direct Investment as brought out by the Department of Industrial Policy & Promotion, vide Press Note 7 of 2008, can be accessed in website dipp.nic.in. A copy of the same is enclosed. Also enclosed are the FDI statistics updated up to December 2008.

9. In 2009, revised guidelines on (i) calculation of direct and indirect foreign investment in Indian companies, (ii) downstream investment by Indian companies and (iii) transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities have been issued. Briefly stated, these are as under:-

- Counting of indirect foreign Investment

  The foreign investment through an Indian company would not be considered for calculation of the indirect foreign investment in case of Indian companies which are 'owned' (i.e. more than 50% of the equity interest is beneficially owned) and 'controlled' (i.e. have the power to appoint a majority of its directors) by resident Indian citizens and/or Indian companies which are owned and controlled by resident Indian citizens.

- Downstream investments

  Foreign investment in 'operating companies' and 'operating-cum-investing companies', is to comply with the relevant sectoral conditions on entry route, condionalities and caps with regard to the sectors in which such companies are operating. The Indian companies into which downstream investments are made by 'operating-cum-investing companies' are also to comply with the above conditions. In respect of 'investing companies' and 'companies which do not have any operations and are only holding investments in another Indian Company other than for trading ", the guidelines stipulate that foreign investment in these companies would require prior approval/FIPB approval regardless of the amount or extent of foreign investment.

- Transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities

  In sectors with caps, Government approval/FIPB approval would be required in all sectors where an Indian company is being established with foreign investment and is owned by a non-resident entity or an Indian company is being established with foreign investment and is controlled by a non-resident entity or the control of an existing Indian company currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens is being transferred to a non-resident entity or the ownership of an existing Indian company, currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens is transferred to non-resident entities. These guidelines would not apply for sectors/ activities where there are no foreign investment caps i.e. 100% Foreign investment is permitted.

10. The Government of India has reviewed the extant policy and payments for royalty, lump sum fee for transfer of technology and payments for use of trademark/brand name are now permitted on the automatic route i.e. without any approval of the Government of India. All such payments will be subject to Foreign Exchange Management (Current Account Transactions) Rules, 2000 as amended from time to time.

4.1.21 FDI inflows (updated upto November 2009)

The cumulative FDI inflows from August 1991 to November 2009 aggregate to US $ 125,919 million (Rs. 5, 47,085 crore).

In the current year FDI equity inflows during the financial year 2009-2010 (from April 2009 to November, 2009) are US $ 19,379 million (Rs. 93,354 crore) compared to US $ 19,791 million (Rs. 85,700 crore) during the corresponding period in 2008-09. This represents a decrease of 2% in dollar terms and an increase of 9% in rupee terms.

4.1.22 Currency & Coinage Branch

The C&C Branch is responsible for formation of policy on printing of currency notes, stamp papers and other security documents passports, visa paper etc. and minting of coins including production planning in consultation with RBI, Introduction of new features in currency notes, stamps papers etc. to abort counterfeiting, issue of commemorative coins on special occasions and administration of the Security Printing & Minting Corporation of India Limited which is responsible for production of currency notes, coins, security paper and other security documents.

4.1.23 Currency Notes

In consultation with the Reserve Bank of India (RBI), it was decided to have a symbol for the Indian Rupee as in the case of major international currencies. A public competition was held for the purpose. In response thereto, more than 3000 applications were received of which 2,676 were considered valid applications. The selection process was entrusted to a Jury of seven persons under the Chairmanship of one of the Deputy Governors of RBI. The Jury consisted of representatives of art institutes of repute, RBI and the Government of India. After due consideration, the Jury evaluated five entries for final consideration. These finalists were called to give presentations before the Jury. Based on the Jury's recommendations, the Government proposes to introduce the symbol for Indian Rupee in 2010 for which the implementation plan is under preparation.

New/additional security features were incorporated in currency notes in 2000 and 2005. Further, a High Level Technical Committee of Experts (HLTCE) was constituted under the Chairmanship of Additional Secretary (EA) to review the security features of currency notes. Technical Sub-Committee constituted by HLTCE shortlisted the security features proposed by the various firms and submitted the report to the HLTCE. Meanwhile a new Committee to review the whole gamut of processes, practices and procedures being followed for procurement and finalization of security sensitive items relating to currency e.g., ink, paper, equipment and security features has been set up under the Chairmanship of Shri Shilabhadra Banerjee, IAS(Retired), ex-Secretary to Government of India to give its report within two months i.e. by February, 2010, further extended to March 2010, till such time, security features by the HLTCE is put on hold. The terms of reference to the Committee would be as under:

(i) To review the acquisition procedure relating to security features for Indian Currency Notes and prepare a procurement manual in this regard.

(ii) To review the procurement manuals of Security Printing and Minting Corporation of India Limited (SPMCIL) and Bhartiya Reserve Bank Note Mudran Private Limited (BRBNMPL) in respect of paper, ink and other products including equipment and recommend modifications.

(iii) To suggest a roadmap for progressive indigenization of various inputs including high end machinery and security features.

The Committee is to submit its report by March 2010. New/additional security features are expected to be incorporated in currency notes by 2011.

Government of India has decided to set up a new bank note paper mill at Mysore in close proximity to the existing bank note press of Bharatiya Reserve Bank Note Mudran Private Limited(BRBNMPL) by Security Printing and Minting Corporation of India Limited (SPMCIL) and BRBNMPL, jointly by establishing a new Company with 50:50 equity holding. A joint Management Committee (JMC) has been constituted for finalizing the roadmap for setting up a new bank note paper mill in India.

4.1.24 Coins

In the year 2009, Government has issued Commemorative coins on the following occasions :

i. Commemorative coin on 200th Birth Anniversary of "Louis Braille".
ii. Birth Centenary of Saint Alphonsa
iii. 100th Birth Anniversary of Perriyana Anna
iv. Celebration of Birth centenary year of Dr. Homi Bhaba
v. 60th Anniversary of the modern Commonwealth Day

The then Minister of Finance in the Budget Speech of 1993, announced setting up of a special review group in every Ministry/Department to review existing laws and procedures and identify changes needed in the light of the new policies. The Group constituted in the Department of Economic Affairs and subsequently another Expert Group constituted by the Cabinet Secretariat in 1997, and, thereafter, a Commission constituted to review administrative laws in 1998 recommended the amalgamation of the following Acts in one comprehensive Act:

i) Indian Coinage Act, 1906;
ii) The Metal Tokens Act, 1989; and
iii) Small Coins (Offences) Act, 1971.

Later, on the advice of the Ministry of Law, the Bronze Coin (Legal Tender) Act, 1918 was also added to the list of Acts to be amalgamated.

The salient features of the Bill are as follows:

i) Enabling Central Government to establish a mint at any place, which may be managed by Ministry of Finance;
ii) Providing minting of coins of denomination not higher than Rs.1000 in any mint;
iii) Providing for punishment with imprisonment for offences relating to melting and destruction of coins;
iv) Providing for coins minted under the proposed legislation to constitute legal tender;
v) Providing for decimal system of coinage;
vi) Empowering Central Government to notify certain categories of coins as not being legal tender anymore; and
vii) Providing for repeal of the aforementioned 4 sets of existing legislations.

4.1.25 The Bill has since been introduced in the Lok Sabha on December 17, 2009.

4.1.26 Security Printing & Minting Corporation of India Limited (SPMCIL)

Security Printing and Minting Corporation of India Limited (SPMCIL) was set up to manage the nine Mints/Presses/Mill, which were earlier being managed by the Ministry of Finance. The Company was registered on 13.01.2006 with its headquarters at New Delhi. SPMCIL is headed by Chairman & Managing Director. The company is managed by its Board of Directors comprising Government of India nominees and functional Directors. The activities of SPMCIL are managed by the Board of Directors assisted by the General Managers of the respective units of SPMCIL. The Company has four Presses, four Mints and one Paper Mill. Client of two Currency Presses is RBI for currency notes. For another two Security Presses, clients are State Governments for Non-Judicial Stamp Papers and allied stamps and Postal Department for postal stationery, stamps, etc. Security Presses also produce various security items like cheques for various clients and passports, visa stickers and other travel documents for Ministry of External Affairs. For Mints, major work relates to minting of coins for RBI, though small payments are received from individuals for commemorative coins, etc.

As per audited accounts for the year 2008-09, Security Printing and Minting Corporation of India Limited has posted net profit of Rs.433.83 crore and having assets Rs.4424.40 crore.

During this year SPMCIL has been able to meet the indents received from RBI for production of the currency/bank notes. It has been a record production of passport and visa stickers for Ministry of External Affairs. SPMCIL has achieved the target for minting of coins for Government of India, postal Stationery for Department of Post and printed stamp papers for States and other agencies.

The Corporation envisages modernisation of security paper mill, capacity enhancement of security paper production, modernisation of currency printing unit, automation of various activities being carried out in traditional manner, modernisation of designing sections and modernization of ink manufacturing facilities. To carry out this modernization, Government will provide financial assistance, if required.

Orders have been issued for absorption of employees of 9 units, on their option, in the Corporation or for redeployment to other Central Government Departments. The disbursement of Pension to employees absorbed in the Corporation, who have opted for pro-rata pension for service under the Government, has also commenced and it is scheduled to be completed by March, 2010. A Pension Fund Trust has also been created for disbursement of pension to employees absorbed in the Corporation who have opted for pension on the basis of combined service in the Government and the Corporation when they finally retire from the Corporation.

SPMCIL has set up a cell to deal with Right to information (RTI) Act with following officials:

a) Appellate Authority – Sh. Ajay S. Singh, GM (IA)

b) Public Information Officer– Sh. B.J. Gupta, DGM (HR)

c) Asst. Public Information Officer – Sh. V. Balaji, Manager (P&A)

5. Multilateral Institutions Division

5.1 India and the International Monetary Fund (IMF)

International Monetary Fund (IMF) was established along with the International Bank for Reconstruction and Development at the Conference of 44 nations held at Bretton Woods, New Hampshire, USA in July 1944. At present, 186 nations are members of IMF.

India is a founder member of the IMF. India has not taken any financial assistance from the IMF since 1993. Repayments of all the loans taken from International Monetary Fund have been completed on May 31, 2000.

Finance Minister is the ex-officio Governor on the Board of Governors of the IMF. RBI Governor is the Alternate Governor at the IMF. India is represented at the IMF by an Executive Director, currently Dr. Arvind Virmani, who also represents three other countries as well, viz. Bangladesh, Sri Lanka and Bhutan.

India's current quota in the IMF is SDR (Special Drawing Rights) 4,158.20 million in the total quota of SDR 217,431.7 billion, giving it a share holding of 1.91 %. However, based on voting share, India (together with its constituency countries viz. Bangladesh, Bhutan and Sri Lanka) is ranked 22nd. However, once the IMF's April 2008 decision on Quota and Voice Reform is implemented, India's actual quota will be at 2.44 %.

5.2 Article IV Consultations

As part of its mandate for international surveillance under the Articles of Agreement, the IMF conducts what is known as Article IV consultations to review the economic status of member countries. Article IV Consultations are generally held in two phases, main consultations in October-November and mid-term review in March. Latest round of Article IV Consultations for India took place in December 2009.

5.3 General and Special SDR Allocations by IMF in 2009

The general allocation of Special Drawing Rights (SDRs) equivalent to about US$250 billion was made to IMF members that are participants in the Special Drawing Rights Department (currently all 186 members) in proportion to their existing quotas in the Fund and became effective on August 28, 2009. The allocation is designed to provide liquidity to the global economic system by supplementing the member countries' foreign exchange reserves. As a result, India has been allocated a total of SDR 3,082.5 million.

Additionally, the Fourth Amendment to the IMF Articles of Agreement providing for a special one-time allocation of SDRs entered into force on August 10, 2009. The special allocation was made to IMF members on September 9, 2009.The total of SDRs created under the special allocation was SDR 21.5 billion and as a result, India has been allocated a total of SDR 214.6 million.

Consequently, India has been allocated a total of SDR 3,297.1 million (SDR 3082.5 million plus SDR 214.6 million)

Further, since attaining membership of IMF, Net Cumulative Allocation (NCA) of SDR by IMF to India now stands at SDR 3,978.26 million. Out of this NCA of SDR 3,978.26 million, India, as on 3 December 2009, is currently holding SDR 3,297.14 million which is 82.87 % of its NCA.

5.4 Financial Transactions Plan (FTP)

India agreed to participate in the Financial Transaction Plan of the IMF in late 2002. Forty-three countries, including India, now participate in FTP. By participation in FTP, India is allowing IMF to encash its' rupee holdings as part of our quota contribution, for hard currency which is then lent to other member countries who are debtors to the IMF.

From 2002 to 3 December 2009, India has made seventeen purchase transactions of SDRs 1194.16 Million and twenty-one repurchase transactions of SDRs 771.947 Million.

5.5 India's contribution to lending resources of IMF

At an April 2, 2009 summit in London of the Group of Twenty (G-20) major industrialized and emerging market economies, world leaders decided to dramatically increase the IMF's lending capacity to support its ability to combat financial contagion, providing significant new financing and a broad mandate for action. As a result, the resources available with IMF to support its members will be tripled to $750 billion.

In pursuance of decision at the London Summit of the Group of Twenty (G-20) and to increase the lending capacity of IMF, India has decided to invest its reserves, initially up to US$ 10 billion through the Notes Purchase Agreement (NPA), and subsequently up to US$ 14 billion through the New Arrangements to Borrow (NAB), in notes issued by the IMF.

5.6 Purchase of Gold from IMF

Reserve Bank of India, as part of its reserves management operations, has purchased 200 metric tonnes of gold from the IMF at a total consideration of Rs. 31,463 crore or equivalent of US$ 6,699 million. RBI has undertaken this purchase under IMF's limited gold sales programme wherein the offer from IMF presented an opportunity to acquire sizeable amount of gold from an official holder.

5.7 World Bank Group

India is a member of four of the five constituents of the World Bank Group viz., International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA). India is still not a member of ICSID (International Centre for Settlement of Investment Disputes). India has been accessing funds from the World Bank (mainly through IBRD and IDA) for various development projects.

5.8 International Bank for Reconstruction and Development (IBRD)

The total assistance extended by IBRD by way of loans to India was US$ 31262.262 million as on 31.12.2008. During the period from 01.01.2009 to 31.12.2009, new commitments of US$ 5830.2 million were approved making it US$ 37092.462 million as on 31.12.2009. The main sectors for which IBRD assistance has been provided are roads & highways, energy, urban infrastructure (including water & sanitation), rural credit and the financial services sector.

5.9 International Development Association (IDA)

The total assistance extended by IDA by way of credits to India for which agreements were signed was US$ 32937.56 million as on 31.12.2008. During the period from 01.01.2009 to 31.12.2009, new commitments of US$ 547 million were approved making it US$ 33484.56 million as on 31.12.2009. The major sectors for which IDA assistance is provided are health, education, agriculture and poverty reduction sectors. Approved project are given at Table 1.1.

5.10 International Fund for Agricultural Development (IFAD)

International Fund for Agricultural Development (IFAD) was set up in 1977 as the 13th specialized agency of the United Nations. 165 countries are members of the IFAD and these are grouped into three lists: List – A: Developed Countries, List – B: Oil Producing Countries and List – C: Developing Countries. India is in List – C. IFAD is headed by an elected President and has Governing Council and an Executive Board.

India is one of the original members of the IFAD. Since inception, India has contributed US$ 88.0 million towards the resources of IFAD. India has pledged to contribute an amount of US$ 25.0 million to the 8th Replenishment of the IFAD's resources and has paid US$ 9 million in December 2009 as the first installment of the Eighth Replenishment. The second and third installment of US$ 8 million each will be paid in FY 2010-11 and 2011-12 respectively.

IFAD has assisted in 23 projects in the agriculture, rural development, tribal development, women's empowerment, natural resources' management and rural finance sector with the commitment of US$ 656.4 million (approx.). Out of these, 15 projects have already been closed. Presently, eight projects with a total assistance of US$ 254.35 million are under implementation and one project viz. 'North Eastern Region Community Resource Management Project for Upland Areas – II (NERCORMP-II)' for US$ 20.0 million

Table 1.1					(in US $ million)
S. No.	Project Name	Approval date	IBRD COMM AMT	IDA COMM AMT	TOTAL AMT
1	APRPRP 2nd Additional Finance	22-Dec-09	0.0	100.0	100.0
2	Andhra Pradesh Municipal Development Project	10-Dec-09	300.0	0.0	300.0
3	Sustainable Urban Transport Project	10-Dec-09	105.2	0.0	105.2
4	Andhra Pradesh Road Sector Project	15-Oct-09	320.0	0.0	320.0
5	Andhra Pradesh Rural Water Supply and Sanitation	22-Sep-09	0.0	150.0	150.0
6	Banking Sector Support Loan	22-Sep-09	2000.0	0.0	2000.0
7	Fifth Power System Development Project	22-Sep-09	1000.0	0.0	1000.0
8	Financing PPPs in Infrastructure through Support to the India Infrastructure Finance Company Limited	22-Sep-09	1195.0	0.0	1195.0
9	Haryana Power System Improvement Project	4-Aug-09	330.0	0.0	330.0
10	Uttar Pradesh Sodic Lands Reclamation III Project	30-Jun-09	0.0	197.0	197.0
11	Second Madhya Pradesh District Poverty Initiatives Project (MPDPIP-II)	24-Jun-09	0.0	100.0	100.0
12	Coal-Fired Generation Rehabilitation	18-Jun-09	180.0	0.0	180.0
13	SME Financing and Development Project: Additional Financing	30-Apr-09	400.0	0.0	400.0
	Total		**5830.2**	**547.0**	**6377.2**

has been approved but programme documents are yet to be signed. The details of the on-going projects are as at Table 1.2.

IFAD loans are repayable over a period of 40 years including a grace period of ten years and carry no interest charges. However, a service charge at the rate of three-fourths of one per cent (0.75%) per annum is levied on loan amounts outstanding.

5.11 Global Environment Facility (GEF)

The Global Environment Facility (GEF) is a financial mechanism that provides grants to developing countries for projects that benefit the global environment and promote sustainable livelihoods in local communities. GEF projects address six designated focal areas:- biodiversity, climate change, international waters, ozone depletion, land degradation and Persistent Organic Pollutants.

India has been a leading developing country participant in the GEF since its inception in 1991 and has played a major role in shaping GEF. India is both a donor and a recipient of GEF. It had contributed US $ 6 million to the core fund of the GEF Pilot Phase. India has pledged US $ 9 million towards each of the four Replenishments. The total funds pledged so far amounts to US $ 42.0 million and the amount has been paid by November 2009.

Table No. 1.2			(US$ Million)
S. No.	Name of the project	Date of Agreement	Amount
1.	Jharkhand – Chhattisgarh Tribal Development Programme	13.3.2001	22.80
2.	Orissa Tribal Empowerment & Livelihood Programme	18.12.2002	20.00
3.	Livelihood Improvement Project for the Himalayas	20.2.2004	39.91
4.	Post-tsunami Livelihoods Programme for the Coastal Areas of Tamil Nadu	11.11.2005	30.00
5.	Tejaswini – Rural Women's Empowerment Programme	12.10.2006	39.44
6.	Mitigating Poverty in Western Rajasthan	17.10.2008	30.3 (loan) 0.6 (grant)
7.	Priyadarshini: Women's Empowerment & Livelihoods Programme in Mid-Gangetic Plains	11.12.2008	30.2
8.	Convergence of Agricultural Interventions in Maharashtra's Distressed Districts Project	30.9.2009	40.1 (loan) 1.0 (grant)

India has formed a permanent Constituency in the Executive Council of the GEF together with Bangladesh, Sri Lanka, Bhutan, Nepal and Maldives. The Council Meetings are held semi-annually or as frequently as necessary. At each meeting, the Council elects a Chairperson from among its members for the duration of that meeting. India's Executive Director in the World Bank represents our Constituency in the GEF Council.

5.12 International Finance Corporation (IFC)

- The International Finance Corporation, Washington (IFC) was established in 1956 as an affiliate of the World Bank, but as a separate entity, to promote the growth of private and joint enterprises, which would contribute to the economic development of its member countries.
- India is one of the founder members of the IFC. The IFC finances investments with its own resources and by mobilizing capital in the international financial markets.
- IFC instruments include: equity and long term debt investment in specific firms, including local currency loan for sectors like infrastructure and health care which do not generate foreign exchange; guarantees; and technical assistance.
- As part of overall Bank Group CAS, the private sector strategy is to support India in its efforts to meet the challenge of increasing private investment and enhancing productivity. The strategy calls for close collaboration between Bank and IFC.
- IFC will provide direct assistance to the private sector, focusing on supporting competitive industry & services and private investment infrastructure. Bank and IFC will work together to support higher private sector investment, including though public private partnerships in infrastructure, health and SME development, where a mix of public sector interventions and investment and TA to private companies are required.

5.13 IFC in India

- India has been a member of IFC since 1956. India has IFC's third largest exposure worldwide. The role of IFC is to provide financial services and advice based on its ability to offer clients in mix of equity, long-term debt, guarantees and global expertise, and ability to mobilize financing from other sources.
- IFC does not compete with domestic financial institutions or markets, but partner with them to provide financing packages which enable Indian companies to grow and exploit new economic opportunities. IFC has a sectoral approach for providing assistance to the domestic companies.
- Over the past few years, IFC has augmented its portfolio in India, improving profitability and investing in high impact projects. Commitments reached US $ 320 million in Financial Year 2005-06, US $ 785 million in 2006-07, US $ 2.2 billion in 2007-08, and US $ 868 million in 2008-09. During the current financial year (till January, 2010), IFC commitments' have reached US $ 726 million in 30 companies.
- These have been concentrated in Infrastructure, manufacturing, financial markets, agribusiness, power, information technology, oil and gas and healthcare.

5.14 Asian Development Bank (ADB)

5.14.1 India's Membership of ADB and its Status

India became a member of the Asian Development Bank (ADB) as a founding member in 1966.The Bank is engaged in promoting economic and social progress of its developing member countries (DMCs) in the Asia Pacific Region. The main instruments that it uses to do this are making loans and equity investments, providing technical assistance for the preparation and execution of development projects and programs and other advisory services, guarantees, grants and policy dialogues. ADB has 67 member countries (including 48 regional and 19 non-regional members), with its headquarters at Manila, Philippines.

India borrows from the ADB within the overall external debt management policy pursued by the Government which focuses on raising funds on concessional terms from less expensive sources with longer maturities. We started borrowing from ADB (Ordinary Capital only) in 1986. Although India is eligible to draw partly from the Asian Development Fund (ADF) which provides concessional funding, India has consciously opted out of this facility to allow the Least Developed Countries (LDCs) to avail of this facility.

The ADB follows the calendar year for all its programs and projects. ADB's authorized and subscribed capital stock is approximately $ 56 billion of which India's current subscription is $ 3.18 billion, spread over a total number of 224, 010 number of shares (6.317% of the total share). India's paid in capital is $ 222 million and callable capital is 2.96 billion approximately as on 30 October, 2009.

5.14.2 General Capital Increase-V of Asian Development Bank, 2009

ADB Board of Directors has approved a 200% GCI, with 4% paid-in assuming lending growth in line with a higher case regional projected economic growth of 7.5% or an SLL of $ 13 billion. India has been stressing upon a General Capital Increase (GCI) for the last two years on account of declining headroom of ADB and also to utilize the opportunity to increase our vote share in the Bank. We have supported a GCI of 200% and had pressed for more because anything short of this would be inadequate to service the growing demands of the region, especially in the face of the global financial crisis. India's current subscription is $ 3.18 billion. Subscribing to a 200% increase of GCI means 448,020 shares or US$ 6.36 billion. 4% of this will be paid-in capital. This comes to 17, 921 shares or US$ 216.20 million (Rs 1092.24 crore @ Rs 50.52 for $1) to be paid in five equal annual installments starting from 2010. 96% would be callable capital.

5.14.3 Country Strategy Program

Country Strategy Program (CSP) has been finalized for calendar year 2010 only and the following projects are proposed:

Table 1.3

SN	Name of Project	Amount
1	Agribusiness Infrastructure Development Project	170.0
2	Assam Integrated Flood and River Erosion Management Project	120.0
3	Sustainable Coastal Protection and Management	250.0
4	Bihar Power Sector Development Program	180.0
5	Inclusive Tourism Infrastructure Development Program	250.0
6	India Infrastructure Project Financing Facility (IIPFF)-III	50.0
7	Support to the National Capital Region Planning Board	150.0
8	Bihar State Roads II Investment Program	200.0
9	North East State Roads Investment Program	200.0
10	PPP Support for NHAI- II	100.0
	Total	1,670.0

5.13.4 Status of Projects

Projects in 2009 (As on 31.12.2009)

Table 1.4

SN	Project Name	Amount (US $ million)	Status
1	North Eastern Region capital cities development investment program -MFF	200	Signed
2	Assam Power Sector Enhancement Investment Program -MFF	200	Negotiated
3	India Infrastructure project financing facility-II (MFF)	700	Signed
4	MSME Development Project (regular loan)	50	Negotiated
5	Mizoram public resource management and development program	100	Signed
6	National Highway Corridor-I (Suppl. Financing) (regular loan)	100	Signed
7	Jharkhand State Roads Project (regular loan)	200	Negotiated
8	Rural roads sector II Investment Program (tranche 4)	185	Signed
9	Inclusive Tourism Infrastructure Development Investment Program	21	Negotiated
10	Khadi & Village Industries Development Program	150	Signed
	Total	2071	

5.14.5 Sectorwise Operations Sector wise breakup of ADB's assistance to India: Table 1.5			(As on 31.12.2009)
Sector	**No. of Loans**	**US $ Million**	**%**
Agriculture, Environment & Natural Resources	2	62.6	0.3
Energy	36	6,086.6	29.2
Finance	33	5,080.0	24.4
Industry and Non-fuel Minerals	2	300.0	1.4
Transport and Communications	35	6,727.6	32.3
Urban Development & Multi Sector	19	2,578.4	12.4
Total	127	20835.2	100.0

5.14.6 The overall portfolio overview of ADB is as under:

As on 31.12.2009, the ADB portfolio includes 54 loans with a net loan amount of US$ 8.6 billion. Total 60 Technical Assistances (TAs) for $ 67 million are active.

5.14.7 Review of 2009 performance

As on 31.12.2009, for the calendar year 2009, against a target of $ 1.442 billion for contract awards, the achievement has been $ 1.673 billion (116%) and the disbursement achieved is US $ 1.351 billion against a target of US $ 1.413 billion (96%) including loans and Tsunami grant.

Analysis of the portfolio reveals the following features:

(i) Analysis of portfolio between 2003-2009 shows that across the sectors start-up phase had been shortened, both due to close project monitoring at the Tri-partitie Meetings and separately between DEA and ADB Mission Leaders together with strict implementation of Project Readiness Checklist. Procurement and consultant selection has also got speeded up and while old urban projects spend significant time for team design and consultant selection, the newer projects were much faster though there was scope of improvement. The multi tranche financing facility (MFF) had proved to be effective way to avoid tying the large loan for a long time for urban projects thereby reducing commitment fee the borrower and allowing the use of this tranche of the MFF for consultant selection and DPR preparation.

(ii) Although ADB had started responding to the need for TA for DPR preparation under its cluster TA, there is need for Mission leaders and EAs of urban projects to try to complete DPR preparation before loan effectiveness

(iii) For Urban projects, project implementation required extensive human resources and extra support is highly recommended for the PMU, capacity building fo the PMU and financing of pre-project related activity.

5.14.8 Action points on the basis of cross sector analysis:

(i) ADB is providing extra support to urban sector projects in the shape of extended Mission. This essentially means a sub-office established at project state staffed with consultants familiar with ADB's policies and procedures to assist Executing Agencies (EAs) in expediting procurement and project management.

(ii) ADB has intensified its capacity building programme for project implementation covering procurement, consultant selection, disbursement and safeguard measures. In 2009, topics were expanded to contract administration and project management in response to the requests of EAs. Under this a total of 1543 EA staff have been given the training since the capacity building program started in 2008. In addition, under 21 project specific programmes, approximately 1000 EA staff have received training in 2008.

(iii) ADB has introduced two facilities to finance project preparation separately from capital investment. ADB has started a cluster umbrella TA facility funding by DIFD which are being used for various project preparatory works including the detailed design. Under this a number of urban projects have benefitted. The other facility facility now available with member countries of ADB is the Multi Tranche Financing Facility (MFF) in which the first tranche is normally kept small, particularly in urban projects and used for detailed engineering design. Once these are ready the EA then normally takes a much bigger second and third tranche to implement projects for which designs have been prepared. This facility to separately finance detailed designs and capital investment has resulted in a more efficient use of loan funds. .

5.15 New Initiatives

i. India has contributed US $ 1 million to the creation of an India Trust Fund (later called India-ADB Co-Financing Fund), in the ADB with the corpus of US$ 1 million dedicated to supporting ICT and renewable energy related projects in the 14 Developing Members Countries (DMCs) in the Pacific region

ii. A Technical Assistance on Provision of Urban Amenities in Rural Areas (PURA) was recently got approved by ADB. The scheme is proposed to be implemented at about 10 clusters in PPP mode with core funding from the scheme of PURA and finances from the private developers along with participation of the user community.

iii. DEA is implementing a Technical Assistance programme on India's Municipal Finance Study. The long term goal of TA is to assist Government in formulating a possible direction for the fiscal reform programme by assessing the fiscal de-centralisation and budget and revenue systems at the Municipal Levels. The immediate purpose is to identify key reform measures of Municipal Finance in India's rapidly changing urban context.

iv. The State Govt of Himachal Pradesh is working with ADB for registration of Himachal Pradesh Clean Energy Development Investment Program (HPCEDIP) as a Clean Development Mechanism (CDM) project under the United Nations Framework Convention on Climate Change (UNFCCC). This is linked to the ADB loan of $800 million for clean energy development in the State and with this the State Corporation would be amongst the first in the field to develop such a regime in the sovereign sector.

v. ADB has approved a Technical Assistance on Integrated Water Resource Management (IWRM). It aims at contributing to livelihood enhancement of water scarce and rain-fed areas of the State through a productive and sustainable water resources management on a river basin approach.

6. Multilateral Relations Division

6.1 G-20:

The Group of Twenty (G-20) Finance Ministers and Central Bank Governors was established in 1999 to bring together systemically important industrialized and developing economies to discuss key issues in the global economy. In a normal practice, G-20 finance ministers and central bank governors meet once a year usually preceded by two deputies' meetings and extensive technical work. In view of the Global Economic and Financial Crisis, Leaders of the G-20 Countries (Head of the States Level) meet in Washington. Since then Leaders' summit was held consecutively in London, UK on 2nd April and Pittsburgh, USA on 25th September, 2009.

6.1.2 Follow-up by the G-20 on Washington Summit Declaration: This moved mainly along three streams: (i) The relevant 47 individual actions of the Action Plan contained in the G-20 Leaders Washington Summit Declaration are covered by four G-20 Working Groups:- enhancing sound regulation and strengthening transparency, reinforcing international cooperation and promoting integrity in financial markets, reforming the IMF, and reforming the World Bank and multilateral development banks (MDBs). The Indian response was prepared in association with the five Indian/Internal Working Groups set up for this purpose. (ii) The Work on "Macroeconomic Policy Response and Cooperation" was taken forward under the G-20 Deputies process covering the three broad areas:- understanding the roots of the crisis, dealing with the fallout of the real economy, and laying the foundations for sustainable recovery; and (iii) the Sherpa process as the aides of the Heads of States of the member countries. In the case of India, Shri Montek Singh Ahluwalia, Deputy Chairman, Planning Commission is the aide to the Indian Prime Minister. The Sherpa's process concentrates on the political process leading up to the Summit.

6.1.3 The London Summit: The Leaders' of the Group of Twenty, representing 85% of the world's output, met in London on 2nd April, 2009 at the backdrop of the world economic and financial crisis, a crisis which has deepened further since the Washington Summit held on November 15, 2008. The Indian delegation for the Summit was led by the Hon'ble Prime Minister. Picking up from the Washington Summit and subsequent work of the four G-20 Working Groups, the Leaders agreed on the following actions:- Restoring growth and jobs; Strengthening financial supervision and regulation; Strengthening our global financial institutions; Resisting protectionism and promoting global trade and investment; and Ensuring a fair and sustainable recovery for all.

6.1.4 Pittsburgh Summit: The Summit of the Leaders of Group of Twenty (G-20) countries was held at Pittsburgh, USA on 24-25 September, 2009 in the midst of a critical transition from crisis to recovery to turn the page on an era of irresponsibility and to adopt a set of policies, regulations and reforms to meet the needs of the 2 century global economy. The Indian delegation for the Summit was led by the Hon'ble Prime Minister. The summit declaration, inter-alia, pledge to sustain strong policy response until a durable recovery is secured and pledge to adopt the policies needed to lay the foundation for strong, sustained and balanced global growth in the 2 century. The most significant outcome of the G-20 Pittsburgh Leaders' Summit was that the Leaders' designated the G-20 to be premier forum for International Economic Cooperation.

6.1.5 Other G-20 events in which India particip ated since January 2009:

- Deputies Meeting February 2009, London, UK
- Officials Workshop Financing for Climate Change 13th & 14th February 2009, Australia
- Deputies Meeting 13th March 2009, Horsham, UK
- Finance Ministers and Central Bank Governors Meeting 14th March 2009, Horsham, UK
- Officials Workshop on Global Economy 25th & 26th May 2009, Mumbai, India
- Deputies Meeting 27th & 28th June 2009, Basel, Switzerland
- Officials Workshop on Sustaining Growth and Financing Development Through Adverse Times, 3rd-4th, July 2009, Hangzhou, China
- Deputies Meeting 3rd & 4th September 2009, London, UK
- Finance Ministers and Central Bank Governors Meeting 4th & 5th September 2009, London, UK
- G-20 Experts Group on Climate Change Finance on October 2009, London, UK
- Finance Ministers and Central Bank Governors Meeting 6th & 7th November 2009, St Andrews, UK
- G-20 Workshop on Securing Sustainable Economic Recovery on 15 – 16th November 2009, Seoul, Korea
- G-20 Conference on 'The Korean Leadership: Assessing the key issues for 2010 on 17th-18th November 2009, Seoul, Korea

6.1.6 Organisation for Economic Cooperation & Development (OECD):

India is sectorally engaged with OECD in a number of areas. This constructive interaction has grown substantially over the years. Since 1999 India has participated in the OECD special dialogue with the non member countries and has participated in several events in areas such as SMEs, Taxation, Global biodiversity, Agriculture, steel, investment, IT and e-commerce, competition policy, corporate governance etc. India has been a member of the Development Centre since 2001, and is a regular observer in 7 OECD bodies. India participates in the Global Forum which is an offshoot from the OECD. The current engagement with Ministry of Finance has been on (a) Preliminary discussion for the second Economic Survey, and (b) OECD Network of fiscal relations. The first OECD economic survey for India was brought out in 2007. Work on the second OECD Economic Survey is to commence in 2010-11.

6.1.7 India-EU Macroeconomic Dialogue:

The Third India-EU Macroeconomic Dialogue was held in New Delhi on October 30, 2009. The agenda of the dialogue are; (a) Overview of the macroeconomic situation in India and the EU; (b) Fiscal sustainability in the aftermath of the crisis; (c) Monetary policy at the current juncture; (d) The impact of the slowdown on job losses and policy responses so far; and (e) Capital flows to developing countries. Representatives from Ministry of Finance and central banks from both India and European Council are participated. The first India-EU Macroeconomic Dialogue was held in New Delhi on 12th July, 2007 and the second India-EU Macro Economic Dialogue in Brussels on 6th June, 2008. The dialogue has been established to exchange information and experiences on recent economic developments in respective economies as well as policy context and global challenges, in both macroeconomic and structural reform spheres.

6.1.8 BRIC:

Informal meeting of the forum for four countries Brazil, Russia, India and China (BRIC) has been held several times during 2008-09 both at the Finance Ministers and Central Bank Governors level as well as at the Finance Secretary and Central Bank Deputy Governor's level. One of the most significant meeting of the BRIC Finance Ministers and Central Bank Governors meeting was held in London, September 4, 2009. The Ministers and Governors have resolved to commission a study from the finance ministries and central banks regarding where the world economy will be in the near future and the role of the BRIC countries. India is expected to anchor the study with a Secretariat in Ministry of Finance.

6.2 MR-II Section (UN)

United Nations Development Programme (UNDP) in India

UNDP has been India's partner in development, with a presence in the county since 1951.The overall mission of the UNDP is to assist the programme countries through capacity development in Sustainable Human Development (SHD) with priority on poverty alleviation, gender equity, women empowerment and environmental protection. All assistance provided by the UNDP is grant assistance.

UNDP derives its funds from voluntary contributions from various donor countries. India's annual contribution to UNDP is US$ 4.5 million, one of the largest from developing countries.

6.2 Country Cooperation Framework (CCF)

The country-specific allocation of UNDP resources is made every five years under the Country Cooperation Framework (CCF) which usually synchronizes with India's Five-years plans. The last CCF (CCF-II) synchronized with 10th Five-year Plan (2003-07).

6.3 New Country Programme

The Country Programme (CP) document: 2008-12, adopted in the UNDP Executive Board in September, 2007, was formulated by the GOI and UNDP Country Office based on the United Nations Development Assistance Framework (UNDAF) goal on 'promoting social, economic and political inclusion for the most disadvantaged, especially woman and girl'. This is in harmony with the thrust of the 11th Plan on inclusive growth. The new CP will primarily concentrate on the thematic areas, namely democratic governance, poverty reduction, HIV and development, disaster risk management, and Energy and Environment. It will focus on the seven economically laggard states – Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh.

The total resource requirement for the new CP is estimated at US$200-250 million, out of which one-third would be Core, one-third Non-core and remaining mobilized from UN Trust Funds etc.

The Country Programme Action Plan (CPAP) which will guide the UNDP programmes during the period 2008-12, was signed between DEA and UNDP on 27.2.2008, and will remain in force till 31 December, 2012.

Six projects worth US$ 40.3 million approx, have been approved under the CPAP: 2008-2012 during the period 1.1.2009 to 31.12.2009.

6.3 MR-III Section

During the year, several issues pertaining to financial Service under the GATS at WTO and negotiations under Free Trade Agreements, Regional Trade Agreements and Comprehensive Economic Cooperation with Japan, Korea, Sri Lanka and EU were taken up.

The Third Meeting of the SAARC Finance Secretaries/ Finance Ministers was held on 10-14th May, 2009 in Maldives in which several recommendations were made for strengthening mutual cooperation in the financial sector among SAARC countries. The meeting recommended that there should be a greater functional inter-face between the SAARCFINANCE and the IGEG on financial issues to ensure greater inter-agency coordination.

The 4th SDF Board meeting was held in Thimphu in April, 2009.The Board discussed inter alia the progress on decisions taken by the 2nd and 3rd meeting of the Board on women's empowerment and maternal and child health care.

The 5th Meeting of SDF Board was held in Kabul in September, 2009. The meeting focused on the finalisation of the terms and conditions of the CEO of the SAARC Development Fund and the proposed organegram of the SAARC Development Fund Secretariat to be established in Thimphu, Bhutan.

The 6th Meeting of SAARC SDF Board was held in Thimphu on 24-25th November, 2009. The Board finalized the matters relating to operation of the SDF Permanent Secretariat-administrative provisions, consideration of service rules, financial rules and regulation, disciplinary and efficiency rules.

The Third Meeting of SAARC IGEG on Financial Issues was held in Kathmandu on 23-24 April, 2009. The meeting reviewed the current status of regional cooperation in the field of finance and related areas. It also considered and approved the Report of the Colloquium on Management of Stock Exchange Systems and Regulations of Securities Markets. The meeting deliberated on issues relating to barriers in cross-listing of shares in the Member States and linking the Securities Markets of the region so as to avail of the benefits of best practices being followed in various Member States.

MR-IV Section

Technical Cooperation Scheme (TCS) under Colombo Plan

The Colombo Plan for cooperative and economic social development in Asia and the Pacific is a regional inter-governmental organization established in 1951 to enhance economic and social development of the countries of the region. As part of the South – South Technical Cooperation Scheme of Colombo Plan, the Government of India started the Technical Cooperation Scheme with the view to provide technical assistance to 18 countries which are signatory to the Colombo Plan.

During 2009-10, around 378 scholars including 148 women scholars of 18 Colombo Plan member countries have attended training in 44 institutes of India under the TCS of Colombo Plan. The areas of training covered human resource development, audit and accounts, commerce, information technology, computer education, parliamentary matters, rural development, textile, water resources, medical sciences, engineering, financial management, insurance, etc. In addition, the training programmes under the India Millennium Fund were merged with the training programmes conducted under the TCS of Colombo Plan, thus increasing the number of slots to 470.

Further, technical and financial assistance to Colombo Plan Staff College, Manila constitutes an important component of the Colombo Plan. During the current year Government of India has approved the proposal for funding a project for capacity building to CPSC, Manila in the form of one-time grant of US$ 0.5 million. The proposal received from Ministry of HRD for secondment of faculty to Colombo Plan Staff College has been approved during 2008-09 and accordingly Ministry of HRD has recently shortlisted one candidate. In respect of engagement with Bhutan, Government of India has approved the request of Royal Government of Bhutan for increasing the number of Colombo Plan lecturers deputed from 13 to 14 during the current year and up to 30 during the academic year 2010-11 onwards.

MR-V Section

The work allocated to MR-V Section inter alia includes all matters related to African Development Bank and also have the territorial charge of Africa.

India is non-regional member of the African Development Bank since 1983 and primarily play role as a donor country. India, currently holds 4860 (0.223%) shares of African Development Bank constituting 0.247% of total voting power.

India also contributes towards the African Development Fund (ADF) which is the soft window of the Bank Group. India became a member of the African Development Fund in 1982. With contribution of 65,358 thousand UAs India exercises the right equivalent to 0.201% of total votes. India pledged Rs. 40.17 crore to be paid in three equal instalments. The first two instalments of Rs. 13.39 crore each have been released in 2008 and 2009 respectively.

Dr. Donald Kaberuka, President, African Development Bank Group (AfDB) visited India between 8-11th November, 2009. During his visit, he had meetings with Finance Minister, Finance Secretary, Chairman, Railways Board and Dy. Chairman, Planning Commission for strategizing India - Africa Development Bank partnership for ensuring sustainable development in Africa. The President, AfDB also visited Bengluru for facilitating intense interaction with prominent IT Companies and also State Government officials. As a mark of major outcome associated with the visit AfDB signed memorandum of understanding with EXIM Bank for co-financing the projects in Africa jointly.

On 10-11th November, 2009, India hosted ever Nordic + India + Switzerland (NIS) constituency meeting organized outside the European Sub-continent. Except for Finland all other constituency members namely Denmark, India, Switzerland, Norway and Sweden were present in the meeting.

7. Aid Accounts & Audit Division(AAAD)

This Division, an ISO 9001:2008 certified office, is a part of the External Finance Wing of the Department of Economic Affairs. Back office function relating to external Loans/Grants obtained by Government of India from various multilateral and bilateral donors is being discharged by this Division. The main function handled by the Division include interaction with

Project Implementing Authorities (PIAs) and Donors, processing of claims received from PIAs, arranging of draw down of funds from various donors and timely discharge of debt service liability of Government of India. Besides, this Division is responsible for maintaining of loan records, external debt statistics, compilation of various management information reports, publication of External Assistance Brochure on annual basis and framing of Estimates of External Aid Receipts and Debt Servicing. In addition, audit of import licences issued to registered exporters for export promotion by the 41 licensing Offices under DGFT are also conducted by this Division.

Performance/Achievements upto last year

The external receipts on Government Account during 2008-2009 in the form of loans/credits were Rs. 19,784.22 crore against the Revised Estimates (RE) of Rs. 19,578.35 crore. Cash Grant Assistance received during 2008-2009 was of Rs. 2,745.49 crore against RE of Rs. 2,745.52 crore.

Performance/Achievements during current financial year

The drawal of external loan/credits during 2009-10 (upto 3 December 2009) was Rs. 14,752.26 crore against Budget Estimates (BE) of Rs. 27,080.41 crore. Cash Grant Assistance received during the financial year (upto 3 December 2009) was Rs. 2,361.90 crore against BE of Rs. 2,134.20 crore.

E-Governance

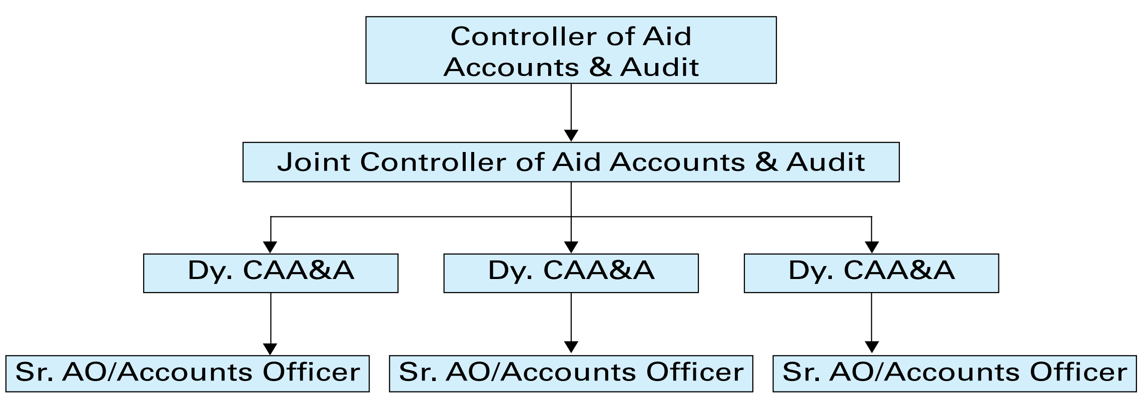
1. The activities of AAAD have been fully computerized since April 1999 based on an on-line system namely "Integrated Computerised System" (ICS). ICS covers all the activities in the loan cycle, preparation of estimates for External Assistance for receipt as well as repayment, preparation of annual External Assistance Brochure and maintenance of Debt Records in the format of Commonwealth Secretariat Debt Recording Management System (CS-DRMS) to facilitate forecasting of different debt parameters. The ICS has been refined/fine-tuned to suit the user requirement. The on-line ICS system has enhanced functional efficiency of this office apart from enabling close monitoring of the Division's activities. All the officers and staff members of this Division have been trained for functioning under computerised work environment.

2. A comprehensive Web-site on External Assistance is being maintained by this Division under website address http://aaad.gov.in for the benefit of all Credit Divisions, State Governments, PIAs, Donors and general public. This website contains comprehensive information relating to disbursement status Donors-wise, Loan/Credit/Grant-wise, State-wise, Sector-wise on monthly, quarterly, and yearly basis. The Website is updated on daily basis. Website also provides up-to-date status of claims submitted by the PIAs covering the entire claim cycle i.e. from receipt of claims to Additional Central Assistance (ACA) release. Apart from claim-cycle website also provides detailed status of ACA release made by Plan Finance Division (PF-I). In addition a comprehensive data about disbursed outstanding debt (DOD) in respect of External Sovereign Borrowing on various parameters is also available on the website. The website also contains Key Statistical information relating to overall portfolio of External Assistance. Soft copies of External Assistance Brochure being published by this Division annually are also available on the website for ease of reference by any user.

3. Functionality for submission of claims electronically by PIAs to this Division and from this Division to Donors has been developed. Claims for few selected projects are being received from PIAs and processed in this Division on a pilot basis. This will help in early submission of claims to donors.

4. For citizen centricity the clients of this Division are well known (i.e. PIAs) and the service to be rendered is also well defined i.e. smooth and quick disbursal of the Loans/Grants. All the activities of this Division have been organised hierarchy-wise and standards in terms of time span at each level for their accomplishment have been defined. The standards set out are being adhered to strictly with a close monitoring system. With a view to ensure continuous improvement in the performance standards Management Review Meetings (MRMs) are being held on quarterly basis. All the above activities have been/are being carried out with a view to ensure continuance of ISO certification accorded to this Division. The working of this Division was evaluated by external auditors.

Organisation Chart of the Aid Accounts & Audit Division



8. Administration Division

Functions

Administration Division is responsible for personnel and office administration of the Department and implementation of official language policy of the Government in Department of Economic Affairs and its attached/subordinate offices / autonomous bodies.

Staff Strength

The strength of Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) and persons with disabilities in the Department of Economic Affairs (Main) and its attached/subordinate offices / autonomous bodies. for the year 2009-10 is given at Table 1.6 to 1.11

Grants-in-aid

During the year 2009-10, an amount of Rs 30 lakh was sanctioned as grants-in-aid to Ratan Tata Library, Delhi School of Economics for meeting the deficit on journal expenses on Ratan Tata Library.

Complaints Committee on Sexual Harassment of Women Employees

In compliance with the Supreme Court's Judgement dated 13th August, 1997 in the Visakha case relating to prevention of sexual harassment of women at work place, a Complaints Committee for considering complaints of sexual harassment of women employees in Department of Economic Affairs has already been set up.

Use of Hindi in Official Work

During the year under report, progress made in the implementation of various provisions under the Official Language Policy of the Government continued to be reviewed.

All documents required to be presented in Parliament were provided bilingually. Section 3(3) of Official Language Act, 1963, and Rule 5 of Official Language Rules, 1976 made thereunder and other instructions issued by the Department of Official Language were fully complied with. A number of steps were taken in the Department to promote the use of Hindi in official work during the year :

i. Annual programme for the year 2009-10 issued by the Department of Official Language was circulated to all the attached/subordinate offices/divisions/sections under the Department and all efforts were made to achieve the targets fixed therein;

ii. The extended tenure of Hindi Salahkar Samiti of the Department expired in June, 2009.The process of reconstitution of the Samiti is underway.

iii. Hon'ble Minister of Finance in his "Message" on the auspicious occasion of Hindi day on 14th September appealed to the officers and staff of the Ministry of Finance as well as the Offices under its control to do their official work in Hindi;

iv. In order to remove the hesitation amongst officials to do their official work in Hindi and to acquaint them with the rules and other instructions regarding the Official Language policy of the Government, Hindi workshops were organized.

v. To create a conducive atmosphere in the Department regarding the progressive use of Hindi, Hindi Fortnight was celebrated during 14th to 29th September, 2009. On the occasion, various Hindi competitions namely Hindi Noting and Drafting, Essay Writing, Hindi Typing and Shorthand, Poem Recital and Debate etc. were conducted and cash awards were given to the winners on the merits.

vi. The amount of first (Rs. 50,000/-), second (Rs. 40,000/-) and third (Rs. 30,000/-) prizes under the scheme of incentive on Original Book Writing on Economic subjects for the year 2007-08 were awarded to the Books titled "Vitt Evam Banking ki Aadhunik Pravirtiyan" (Written by Shri Subash Singh Yadav and Dr. S.B. Yadav); "Banking Prabandhan Ke Vivid Aayam" (Written by Dr. Jayanti Prasad Nautiyal), and "Nirdhanta Unmoolan aur Sarkari Prayash / Rin Jokhim Prabandhan" jointly (Written by Dr. Nishant Singh / Shri Dilip Mehra respectively). No entry for the year 2008-09 was found suitable under the scheme.

vii. The website of the Department was fully rendered bilingual. Besides other material, all Budget documents, Economic Survey and other publications and important circulars are uploaded simultaneously in Hindi and English.

viii. Sections of the Department and other offices under its control were inspected to see the extent upto which the Official Language Act, the rules made thereunder, the Annual Programme and the orders and instruction etc. relating to Official Language are being complied with,

ix. Meetings of the Official Language Implementation Committee of the Department were held regularly in which the progress of implementation of Official Language policy was reviewed and appropriate action on the suggestions given therein was taken.

Finance Library & Publication

Introduction

Finance Library & Publication Section was established in 1945. Finance Library functions as the Central Research and Reference Library in the Ministry and caters the needs of officials of all the Departments, Ad-hoc Committees and Commissions set up from time to time and research scholars from the various universities in India as well as abroad. This Library also serves as the Publications Section of the Ministry, coordinating in the procurement and distribution of official documents with the various institutions/individuals on demand in India and abroad.

Finance Library has been categorized as Grade III Library on the basis of Department of Expenditure's O.M. No. 19(1)/IC/85 dated 24.07.1990. All the posts in the library are ex cadre posts.

Collection

Library has specialized collection of more than two lakh documents on Economic and Financial matters and subscribe to more than 800 periodicals/ newspapers annually.

Electronic Resources

Electronic resources include the following CD-ROM databases Census of India 2001

- DDO Manual
- DGCI&S - Foreign Trade Statistics of India
- DGCI&S - Statistics of foreign Trade of India
- DGCI&S - Monthly Statistics of Foreign Trade of India
- Government Accounting Rules, 1990
- IMF - Balance of Payments Statistics
- IMF - Direction of Trade Statistics
- IMF - Government Finance Statistics
- IMF - International Financial Statistics
- India - Civil Accounts Manual, rev. 2nd edition, 2007
- India - Economic Survey
- India - Pay Commission Report (5th and 6th)
- India- Union Budget
- List of Major and Minor Heads of Accounts
- RBI - Banking Statistics & Basic Statistical Returns
- Receipts and Payments Rules
- The World Bank - World Development Indicators
- The World Bank - Global Development Finance
- UN- International Trade Statistics Year Book

Vigilance Manual

Services

Library provides different kinds of services viz. lending, inter-library loan, consultation, reprographic, circulation of newspapers and magazines, reference service, current awareness service through "WEEKLY BULLETIN" as well as providing services through e-mail. The Finance Library also undertakes the work of distribution of publications of Ministry of Finance and Reserve Bank of India to State Governments, foreign Governments and renowned institutions in India as well as abroad.

A useful links is also being provided on intranet by the Library which helps the readers in search and download full text of reports and data.

The Finance Library also undertakes the work scanning the public grievances appearing in the leading newspapers relating to the Department of Economic Affairs.

Publications

Finance Library compiles one (print+online) weekly publication i.e. "Weekly Bulletin" a subject bibliography indexing articles of interest from journals received in the library.

The Library has entered into an agreement with JSTOR to provide online access to about 200 full-text journal archives related to Economics

Computerisation

The Library has computerized almost all its activities. The Library uses LIBSYS Library package for database management, retrieval, Library automation and other in-house jobs. The internet facility is also available in the library through which information is provided to the officers of Ministry of Finance.

Accessibility of the online data is concern; a link from internet site "finance.nic.in" is made available to access the information.

Table 1.6

(a) Representation of SCs, STs, & OBCs in the Department of Economics Affairs (Main), Ministry of Finance for the year 2009-10

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	116	11	3	4	-	-	-	-	-	-	-	-	-	-
Group B	297	36	18	7	-	-	-	-	-	-	-	-	-	-
Group C	197	41	12	16	-	-	-	-	-	-	-	2	2	-
Group D (Excl.Safai Karamcharis)	180	67	3	8	-	-	-	-	-	-	-	-	-	-
Gr.D (Safai Karamcharis)	11	11	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**801**	**166**	**36**	**35**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**	**-**

Table 1.7

b) Representation of SCs, STs & OBCs in Attached/Subordinate Offices/Autonomous bodies under the administrative control of Department of Economic Affairs (i.e. National Savings Institute (NSI), Nagpur and Securities Appellate Tribunal (SAT), Mumbai)

Groups		Number of Employees				Number of appointments made during the previous calendar year									
						By Direct Recruitment				By Promotion			By Other Methods		
		Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1		2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	NSI	18	5	-	3	-	-	-	-	-	-	-	-	-	-
	SAT	5	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	NSI	7	-	-	1	-	-	-	-	-	-	-	-	-	-
	SAT	10	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	NSI	69	13	2	10	-	-	-	-	-	-	-	-	-	-
	SAT	8	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Excl. Safai Karamchari	NSI	24	10	2	3			-	-					-	-
	SAT	7	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL		148	28	4	17	-	-	-	-	-	-		-	-	-

Table 1.8

(a) Representation of Persons with Disabilities in the Department of Economic Affairs (Main), Ministry of Finance for the year 2009-10.

Groups	Number of Employees				DIRECT RECRUITMENT				PROMOTION									
					No. of Vacancies reserved			No. of Appointments Made				No. of Vacancies reserved			No. of Appointments Made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Group A	116	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	297	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	197	2	1	3	-	-	-	1	-	-	-	-	-	-	-	-	-	-
Group D	191	-	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	801	2	2	9	-	-	-	1	-	-	-	-	-	-	-	-	-	-

Note: (i) VH stands for Visually Handicapped (persons suffering from blindness or low vision)

(ii) HH stands for Hearing Handicapped(persons suffering from hearing impairment)

(iii) OH stands for Orthopaedically Handicapped (persons suffering from locomotor disability or cerebral palsy)

Table 1.9

b) Representation of Persons with Disabilities in Attached/Subordinate offices under the administrative control of Department of Economic Affairs

(i.e. National Savings Institute (NSI), Nagpur and Securities Appellate Tribunal (SAT), Mumbai).

Groups		Number of Employees				DIRECT RECRUITMENT				PROMOTION									
						No. of Vacancies reserved			No. of Appointments Made				No. of Vacancies reserved			No. of Appointments Made			
		Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Group A	NSI,	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SAT	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	NSI	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SAT	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	NSI	69	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SAT	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D	NSI	24	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
	SAT	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		**148**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Table 1.10

a) Representation of SCs, STs and OBCs in Securities & Exchange Board of India (SEBI, Mumbai) for the year 2009-10.

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Officers	487	59	22	110	47	5	3	9	-	-	-	-	-	-
Secretaries	124	7	-	15	-	-	-	-	-	-	-	-	-	-
MSNGR	2	1	-	-	-	-	-	-	-	-	-	-	-	-
Total	**613**	**67**	**22**	**125**	**47**	**5**	**3**	**9**	**-**	**-**	**-**	**-**	**-**	**-**

NOTE: Employees in the SEBI are not classified as Group A, B, C & D.

Table 1.11

b) Representation of Persons with Disabilities in Securities & Exchange Board of India (SEBI, Mumbai) for the year 2009-10.

Group	Number of Employees				Direct recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointments Made				No. of Vacancies reserved			No. of Appointments Made			
	Total	VH	HH	OH	Total	SCs	STs	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Officers	487	4	1	10	-	-	-	47	-	-	-	-	-	-	-	-	-	-
Secretaries	124	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MSNGR	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**613**	**5**	**1**	**10**	**-**	**-**	**-**	**47**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

NOTE: Employees in the SEBI are not classified as Group A, B, C & D.

9. Bilateral Cooperation Division

9.1 United Kingdom

9.1.1 Development Cooperation

Indo-UK Annual Aid Consultations was held on 24 July 2009: Issues pertaining to DFID's Country Plan for India, cross-cutting and thematic issues concerning DFID assisted National Programme, DFID partnership programmes with multilateral agencies and civil societies and matters relating to international aid architecture were discussed. DFID reiterated their commitment to disburse Pounds 825 million grant assistance to India for the ongoing projects during the period 2008-09 to 2010-11.

During the year 2009, only one project agreement, namely, West Bengal Institutional Strengthening Programme (WBISP) was signed with DFID for grant assistance of Pds 6.5 million.

High Level Bilateral Dialogues:

9.1.2 India-UK Economic & Financial Dialogue

The 3rd round of Official level India-UK Economic & Financial Dialogue (EFD) was held in New Delhi on 13.11.2009. The Indian delegation was led by Finance Secretary and the British delegation by Mr. Tom Scholar, Second Permanent Secretary, HM Treasure. The topics discussed during the meeting were (i) Global Economy and Trade; (ii) Financial Regulations and Reforms; (iii) Climate Change Financing; and (iv) International Development w.r.t. IFI Reforms and possibilities of trilateral cooperation in South Asian region.

9.1.3 Important International Economic Forum

Commonwealth Finance Ministers' Meeting and Commonwealth Fund for Technical Cooperation:

The last round of Commonwealth Finance Ministers' Meeting (CFMM) and Senior Finance Officials Meeting was held in Cyprus from 30 September to 2 October 2009. Minister of State for Finance and the Finance Secretary participated in the meetings. The main topic for discussion was "Impact of the current global economic crisis, its implications and their policy response".

During the above mentioned meeting Government of India had pledged to contribute £ 1.00 million as annual contribution for the year 2009-10 to the Commonwealth Fund for Technical Cooperation (CFTC).

9.2 Germany

The Federal Republic of Germany is providing the assistance to India since 1958 under Indo-German Bilateral Development Cooperation Programme. At present, the mutually agreed sectoral priorities of the programme are Energy; Environmental Policy,

Protection and Sustainable Use of Natural Resources; Sustainable Economic Development. Germany provides financial assistance as well as technical assistance to India.

For the year 2009, Germany has made the total commitments of Euro 449.497 million (approx. Rs.2,950 crore) (including reprogramme fund). The Agreements signed under Indo-German Bilateral Development Cooperation Programme during the year 2009-10 (upto December 2009) are given in the Table 1.12.

The total disbursement on the Government projects through CAA&A (excluding technical assistance during 2009-10 (upto December'09) was Rs. 116.53 crore while the total disbursement made by KfW under Indo-German Bilateral Development Cooperation Programme was Euro 57.73 million (approx. Rs. 375 crore - upto November'09).

9.3 France

The Government of France has been extending development assistance to India since 1968. On behalf of the Government of France, the French Agency for Development (Agence Francaise de Development-AFD) has commenced operations in India to extend ODA. An Inter-governmental Agreement for Development Cooperation was signed between the two countries on 25.01.2008.The purpose of the Agreement is to define the general framework, institutional arrangements and fiscal aspects concerning the French Development Cooperation activities through AFD in India. In pursuance of the Inter-Governmental Agreement, a Memorandum of Understanding (MoU) was signed between Department of Economic Affairs and AFD on 29.09.2008. As per MoU the priority sectors under Indo-French Development Cooperation will be energy efficiency; renewable energy; urban public transport, preservation of biodiversity and fight against emerging and communicable diseases.

The first Annual Consultation meeting and first Annual Negotiation meeting between DEA and AFD was held on 24.03.2009 in New Delhi and 6-7 October, 2009 in Paris respectively. The AFD made the commitment of 120 million (approx. Rs. 780 crore) for the year 2009 during the Negotiation meeting.

9.4 Japan

9.4.1 Official Development Assistance (ODA) loan

Japan has been extending bilateral loan and grant assistance to India since 1958. Japanese bilateral loan assistance to India, Grant Aid and Technical Cooperation to India is received through JICA (Japan International Cooperation Agency). Japan is the largest bilateral donor to India. Since 2003-04, India has become the largest recipient of Japanese ODA loan.

The Japanese Official Development Assistance (ODA) loans to India are "untied loans". The procurement is through International Competitive Bidding. ODA loan is mostly project tied. The interest rates are 1.4% p.a. with 30 years' repayment period for general projects and interest rate @ 0.55% p.a. with 40 years' repayment period for environment sector projects. In addition, a commitment charge @ 0.1% is levied after 120 days of signing of the loan agreement on the undisbursed loan.

Government of Japan committed JPY 194.07 billion (Rs.9704 Crore approximate) for six projects in India from January, 2009 to 3 December, 2009. As on 3 December, 2009, 56 projects are under implementation with Japanese loan assistance. Details of these ongoing projects are at Table 1.13. The loan amount committed for these projects is Yen 1058.360 billion (i.e. about Rs.54668.61 Crore). Cumulative ODA loan to India has reached Yen 2958.23 billion (Rs.116194.77 Crore approximate) on commitment basis till 3 December, 2009.

The ODA loan disbursement to India from January, 2009 to 3 December, 2009 was Yen 97.812 billion (Rs.5468.27 Crore).

Government of Japan also provides assistance under Grant Aid and Technical Cooperation Programme. There are no ongoing grant aid programmes of Government of Japan. There are 9 ongoing projects under Technical Cooperation and Development Study Programmes, in the fields of Health, Education, Environment etc. There are 4 ongoing "Model Projects' in the areas of energy conservation/alternative energy source under Government of Japan's "Green Aid Plan". Apart from these, Government of Japan also provides assistance to NGOs for implementation of projects.

9.4.2 Grant Aid

The Government of Japan provides Grant Aid to India under three categories, viz. general grant aid, grant aid for fisheries and grant aid for cultural activities. The major targets of General Grant Aid are projects for Basic Human Needs, which essentially have low economic viability and as such, not deemed suitable to be funded by loans. The priority sectors covered are (i) Public Health and Medical Care, (ii) Agriculture and Rural Development, and (iii) Environmental Conservation and Protection. Grant Aid for fisheries is provided for fishing facilities, training boats, fishing port facilities etc. that lend themselves to the promotion of the fishing industry. Cultural Grant Aid is provided for promotion of cultural activities, education and research.

There are no ongoing grant aid projects under grant aid programme.

The response of Government of Japan is awaited on fourteen proposals posed under grant aid programme.

List of the projects signed during the year 2009-10 (upto December 2009) under Indo-German Bilateral Development Cooperation

Table 1.12

S. No.	Name of the Project	Amt. in Rupee Crore (approx.)
(a)	Government to Government Umbrella Agreement	
1	Indo-German Umbrella Agreement-2008 (FC)	2,262.00
2	Indo-German Umbrella Agreement-2008 (TC)	104.00
3	Indo-German Umbrella Agreement-2008 (TC) under German Government's International Climate Protection Initiative	48.30
	TOTAL	**2,414.30**

(b)	Loan / Financing / Guarantee Agreement	
1	Natural Resource Management Umbrella Programme, NABARD - Grant	19.50
2	Natural Resource Management Umbrella Programme, NABARD - Loan and Grant	106.60
3	Removal of Barriers to Biomass Power Generation in India, IREDA - Loan	129.81
4	Energy Efficiency Credit Line with SIDBI - Loan	325.00
5	Energy Efficiency Credit Line with SIDBI - Grant	3.25
6	Environmental Credit Line with SIDBI – Loan	250.25
7	Environmental Credit Line with SIDBI – Grant	1.30
8	SIDBI - Microfinance Programme – Loan	552.50
9	SIDBI - Microfinance Programme – Grant	11.03
10	Pulse Polio Immunization Programme-XV – Loan	260.00
11	Pulse Polio Immunization Programme-XIV and XVI – Loan and Grant	78.00
	TOTAL	**1,737.24**

9.4.3 Technical Cooperation Programme

Technical Cooperation aims at transfer of technology and knowledge in a bid to develop and improve human resources and thus contribute to the Socio-Economic Development of India. The Technical Cooperation covers a broad spectrum of fields ranging from Basic Human Needs to Agriculture and Industrial Development. Priority areas for JICA in India are (i) public health and medical care, (ii) agriculture and rural development, (iii) environmental conservation and protection, and (iv) improvement of economic infrastructure.

The main components of Technical Cooperation are (i) Project Type Technical Cooperation Projects , (ii) Development Study, (iii) Dispatch of Experts, (iv) Japanese Overseas Cooperation Volunteers (JOCV) Programme, (v) Follow -up Cooperation Programme, (vi) Training of Indian Government personnel, (vii) Third Country Training Programme involving training of personnel from different countries in India.

There are 8 ongoing projects under Technical Cooperation and Development Study Programme.

The Scope of Work was signed in April, 2009 for the project "Master Plan & Feasibility study on the improvement of water supply system in Delhi".

The Scope of Work was signed in April, 2009 for the Project "Preparation of Manual on Operation & Maintenance of Sewerage & Sewerage Treatment Plants".

Under JOCV Programme, the proposals from fourteen institutes have been posed to Embassy of Japan for the year 2009-10. Twelve Japanese volunteers were appointed under the programme.

9.4.4 JICA Partnership Programme

JICA Partnership Programme involving Indian and Japanese NGOs, was started in 2001 and three proposals were cleared from 1.4.2009 to 31.12.2009.

9.4.5 Grassroots Funding

Government of Japan also provides small grant assistance to Indian NGOs under its scheme for "Grant Assistance for Grassroots Projects". Twenty seven proposals have been cleared by Department of Economic Affairs till December, 2009.

9.4.6 Green Aid Plan

Government of Japan (Ministry of Economic Trade and Industry) provides technical assistance under Green Aid Plan through agencies like New Energy and Industrial Development Organisation (NEDO). The principal policy of this plan is to support the self-help effort of the developing country to cope with the issues in the areas of energy conservation. The areas of cooperation are prevention of water pollution, air pollution, treatment of wastes and recycling and energy conservation and alternative energy source.

NEDO is entrusted with negotiation and implementation of Model Projects under Japanese Green Aid Plan which is a technical cooperation programme outside the Japanese Official Development Assistance (ODA) Programme. NEDO sends Japanese experts to Indian organizations to impart training and conducts training programmes in Japan.

9.5 Australia

Australian Development Assistance to India started in the year 1951. This is channeled through the Australian Agency for International Development (AusAID). The bilateral development cooperation with Australia has been discontinued in pursuance to Government of India's new guidelines on bilateral development cooperation in the year 2003.

9.5.1 Australian assistance to Indian NGOs

AusAID provided small grant assistance for grassroots projects to be implemented by Indian NGOs in social sector under their South Asia Community Assistance Scheme (SACAS). No proposal was received from Australian High Commission / AusAID under this scheme during this financial year.

9.6 United States of America

USA has been extending economic assistance to India since 1951. US Development Assistance is channelized through US Agency for International Development (USAID). Presently, US Development Assistance is received in the form of grant and is available as project assistance.

Total Assistance disbursed in 2009-10 was of the order of US $ 35.72 million as compared to US $ 36.74 million disbursed in 2008-09.

Under PL-480 (Title II), USAID has disbursed a total amount of US $ 11.00 million in 2009-10 as compared to US $ 11.93 million disbursed during 2008-09.

DEA is the nodal agency for the Indo-US Financial & Economic Partnership. Under this regular interaction with the US Government takes place. The last 4th Cabinet level meeting of the Forum was held at New Delhi on 30th October 2007, which was co-chaired by the Finance Minister and US Treasury Secretary. The meeting was followed by a Technical Group Level meeting held at Washington DC, USA in June 2008.Under Indo-US Financial & Economic Forum, a Regulatory Dialogue which was held on 9th and 10th December 2009 in New Delhi.

9.7 Canada

Canadian Economic Assistance to India started in 1951. Till March 2007, the total aid to India had been around C$ 2.743 billion. The assistance mainly comprised of Development assistance, food and technical assistance. Canadian assistance is channelized through the Canadian International Development Agency (CIDA). The assistance extended by CIDA since April 1986 has been in the form of grant. The assistance through Government budget is negligible.

In October 2003, the Canadian International Development Agency (CIDA) notified to phase out their current bilateral aid program by 2006-07. The GOI had, in October 2003, prepaid the entire Canadian Loan of CAD 419.941 million, against the loans taken by GOI during 1966-1984.

The Government of India has reviewed the policy on bilateral development cooperation to affirm the liberalization and reform orientation in India's Economic policy. As per the policy announced on 20th September 2004, bilateral development assistance will be accepted from all G-8 countries including Canada, as well as European countries.

In the year 2006-07, Canada has started extending grant assistance for local initiatives (CFLI) to India. During 2008-09 12 proposals involving grant assistance of CAD 0.47 million have been cleared as compared to 14 proposal involving grant assistance of CAD 0.50 million in 2007-08.

9.8 Assistance from Ford Foundation (FF):

The Ford Foundation has been extending grant assistance to various Indian NGOs/institutions since 1952 for implementing projects/studies etc. in the areas of health, rural development, social sector, education, culture etc. 59 project proposals involving total grant of US $ 13.4 million have been cleared in 2008-09 as compared to 85 project proposals involving total grant of $ 24 million have been cleared in 2007-08

9.9 Assistance from International Develo pment Research Centre (IDRC) of Canada

IDRC extends grant assistance to various Government and Non-Government organizations for projects in the field of agriculture, good health and family welfare etc. During 2008-09, 9 proposals involving grant assistance of CAD 0.70 million have been cleared as compared to 22 project proposals for the total grant of Canadian $ 2.80 million cleared in 2007

9.10 Development of Coordination and Decision Support System on External Assistance(CDSS)

9.10.1 Project Background

The annual external assistance (receipt) to India is around Rs. 26,463.56 crore and the total outstanding external assistance debt (as on 31 March 2009) is Rs. 2, 64,075 crore (US $ 52 billion). This amount represents a very large and diversified portfolio of externally-assisted projects. Aid inflows and debt repayment are managed by the Controller of Aid Accounts and Audit in the Department of Economic Affairs (DEA), Ministry of Finance, which is the nodal ministry for external assistance management. Each of the multilateral and bilateral programmes has its own set of processes for monitoring the physical and financial progress of projects. The need, however, has been felt to give these projects a more uniform approach available to all stakeholders that can foresee problems in implementation.

The Coordination and Decision Support System (CDSS) responds to this need. It is developed by the DEA with UNDP support. Further, systematic recording and tracking of progress in external assistance inflows provides a basis for analysis and decision-making. The CDSS is an important tool to ensure improved development assistance effectiveness.

The CDSS is based on a customized version of the Development Assistance Database, which following consultations with stakeholders, particularly with central ministries, state governments and donor agencies, has been tailored to meet the institutional needs in India. Developed as a web-based application, users can produce reports and charts according to needs (development assistance by state, sector and development partner), as well as track the progress of individual projects and programmes. The CDSS also allows access to project and programme documentation for users seeking a more detailed understanding of individual projects and programmes.

9.10.2 Project Objectives

The initiative enhances the pace and quality of utilization of external assistance in India through improved information systems developed for decision support.

9.10.3 Results and Achievements (to date)

- The CDSS database has a data of 1200 Externally Aided Projects (EAPs) of which 407 are ongoing projects with a total commitment of US $ 43.9 billion.
- During the year 2009, CDSS has (and continues to) partnered with (30) line ministries, (25) State counterparts – project management units for EAPs, (300) project implementing authorities (PIAs), (4) credit divisions with 21 sections, and, (15) multi lateral and bi lateral development partners in India to coordinate and monitor externally aided projects.
- Hands on training has been provided to large number of these partners to have the real time information and project progress available in the System for the Government to take informed decisions on external assistance.
- The quantitative and qualitative analysis of usability of CDSS to assess the gaps has been completed. 393 projects were thus analysed and the results are being collated to be shared within DEA and for the primary stakeholders. Based on the preliminary finding DEA has revised the data revision policy and each stakeholder is being reassigned responsibility so as to avoid duplication and multiplicity. Proposed design changes for the data gathering is also being incorporated at the moment
- CDSS is hosted on dedicated servers managed and maintained by DEA and also accessible from the main web page of the Ministry of Finance.
- CDSS keeps track of and up-to-date project information – financial, physical progress and other critical aspects – to address implementation issues and challenges.
- Project-level Paris Declaration indicators and Gender indicators in line with the Paris Declaration indicators have been integrated and tracked for all externally-aided projects.
- Financial data consistency has been established by institutionalized linkages with Controller of Aid Accounts and Audit (CAA&A) aid inflow management system and, automated data synchronization between CDSS and CAA&A.

9.10.4 Looking to the Future

The CDSS has entered its full roll out phase. The ongoing projects and programmes (for which external assistance is disbursed through the Indian public financial management system) will be at the core of the CDSS. There is ccontinuous capacity building at different stakeholder levels.

9.11 European Commission

The European Commission (EC) provides assistance through Development Cooperation in form of Grants. The priority areas include environment, public health and education. EC implements development cooperation programmes through Country Strategy Paper (CSP). The CSP is based on EC objectives, on the policy agenda of the partner country and on an analysis of the country/region situation. Therefore, there is no concept of annual commitments. The CSP generally covers two consecutive Multi-annual Indicative Programme (MIP). The current CSP for the 2007-2013, covers Multiannual Indicative Programme-I (MIP-I) for the period 2007-2010 and Multiannual Indicative Programme-II

(MIP-II) for the period 2011-2013. For MIP-I, EC has earmarked a total assistance amounting to Euro 260 million, of which Euro 110 million is for the health sector, Euro 70 million for the education sector and Euro 80 million for India-EU Joint Action Plan (JAP). A Joint Action Plan (JAP) provides the necessary framework for deeper cooperation and engagement through adoption of specific measures in various sectors, viz., Industrial Policy, Science & Technology, Finance & Monetary Affairs, Environment, Energy, Information & Communication Technologies, Transport, Shipping, Space Technology, Pharmaceuticals & Biotechnology, Agriculture, Customs, Employment and Social Policy, Business Cooperation and Development Cooperation. For MIP-II for the period 2011-2013, EC has committed an amount of Euro 210 million.

The major programmes of Government of India which receives EC aid alongwith other development partners are Sarv Shiksha Abhiyan and National Rural Health Mission/Reproductive Child Health.

9.12 Norway

The Norwegian Bilateral Development Assistance Programme in India began in 1952 with traditional fisheries project in Kerala by way of technical assistance and financial support. Since 1970 Norwegian assistance has been received as grants for technical cooperation and local cost projects, mainly in social and environment sectors. Norway is a non G-8 and non-EU country. There has been no disbursement of Norwegian bilateral development assistance since the financial year 2006-2007. The First Annual Bilateral Meeting between Senior Officers of the Ministries of Finance of India and Norway was held on 22-23 May 2009, at Oslo Norway.

9.13 Sweden

India has been a recipient of Swedish development assistance since 1965. Indo-Swedish development cooperation relations were on peak during the 1990s. However, there has been a setback in the development cooperation relations after 1998 and Sweden unilaterally terminated the Bilateral Cooperation Agreement covering the period from 1.1.1997 to 31.12.1999 amounting to SEK 900 million.

Being a non G-8, EU country, Bilateral Assistance from Sweden can be accepted if they commit a minimum annual development assistance of US$25 million to India in terms of the extant policy of the Government of India. However, Sweden did not respond to this. Nevertheless, in a new country strategy paper for India, Sweden decided that during the period 2005-2009 traditional aid will be gradually phased out and shifted to new forms of cooperation. It is in this context that an agreement for Technical Cooperation was signed between the Republic of India and Sweden on 29.10.2007 in mutually selected areas, primarily in the areas of environmental protection and sustainable development and social development. The tenure of the said Agreement expired on 31.12.2009.

9.14 Italy

Italy has been providing concessional assistance to India since 1981. Prior to 1981 Italy was providing suppliers' credit to importers directly. Bilateral agreement of Technical

Cooperation concluded in February 1981 whereby Italy agreed to provide expert services and related equipment on grant basis for specific projects.

Government of Italy is providing a tied loan amounting to Euro 25,822.844.05 for Water Supply and Solid Waste Management Project in 16 selected districts of West Bengal. Financial Agreement has been signed on 10th January 2006. Though the Agreement was signed in the year 2006, but negotiations between the Governments of Italy and India for the project started in February 2003 which predates the announcement of Government of India's new policy on external assistance. This Italian loan is interest free with repayment period of 39 years, including a grace period of 19 years. Disbursement upto 30.9.2009 is Euro 0.28 million.

9.15 Ideas

In the year 2009-2010 (i.e. April, 2009 to December, 2009), following proposals for extension of GOI supported lines of credit to be routed through the Exim Bank of India have been approved:

(i) US$ 100 million credit line to the Government of Syria

(ii) US$ 30 million credit line to the Government of Sierra Leone

(iii) US$ 36 million credit line to the Government of Mali

(iv) US$ 25 million credit line to the Government of DR Congo

(v) US$ 20 million credit line to the Government of Eritrea

(vi) US$ 5 million credit line to the Government of Burkina Faso

(vii) US$ 60 million credit line to the Government of Rwanda

(viii) US$ 67.4 million credit line to the Government of Sri Lanka

(ix) US$ 30 million credit line to the Government of Angola

(x) US$ 15 million credit line to the Government of Benin

(xi) US$ 10 million credit line to the Government of Seychelles

(xii) US$ 10 million credit line to the Government of Swaziland

(xiii) US$ 20 million credit line to the Government of Mongolia

(xiv) US$ 4.7 million credit line to the Government of Lesotho

(xv) US$ 30 million credit line to the Government of Cote d'Ivoire

(xvi) US$ 15 million credit line to the Government of Mali

(xvii) US$ 15 million credit line to the Government of Angola

(xviii) US$ 36.56 million credit line to the Government of Tanzania

(xix) US$ 5 million credit line to the Government of Senegal

(xx) US$ 5.763 million credit line to the Government of Suriname

(xxi) US$ 30 million credit line to the Government of Cote d'Ivoire

(xxii) US$ 425 million credit line to the Government of Sri Lanka

(xxiii) US$ 21.8 million credit line to the Government of Mauritania

(xxiv) US$ 5 million credit line to the Government of Cape Verde

Table 1.13

List of Ongoing JICA assisted Projects (State-wise)

S. No.	IDP Number and Name of the Project	Central / State – Location	Sector	Loan Amount (In Yen)	Date of Signing/Closing
1	(IDP-151) Delhi Mass Rapid Transport System Project V	Central -Delhi	Urban Transport	59296	31.3.2004/ 18.6.2008
2	(IDP-159) Delhi Mass Rapid Trans. System Project (VI)	Central -Delhi	Urban Transport	19292	31.3.2005/ 28.7.2011
3	(IDP-170) Delhi Mass Rapid Trans. Sys.(Phase 2) (I)	Central -Delhi	Urban Transport	14900	31.3.2006/ 24.7.2011
4	(Idp-179) Delhi Mass Rapid Transport System Project Phase.2 (II)	Central -Delhi	Urban Transport	13583	30.3.2007/ 11.7.2011

5	(Idp-191) Delhi Mass Rapid Transport System Project Phase.2 (III)	Central -Delhi	Urban Transport	72100	10.3.2008/ 25.3.2012
6	(Idp-202) Delhi Mass Rapid Transport System Project Phase.2 (IV)	Central -Delhi	Urban Transport	77753	31.3.2009/ 28.7.2015
7	(IDP-178) Transmission System Modernizaion and Strengthening Project in Hyderabad Metropolitan Area	State - Andhra Pradesh	Power	23697	30.3.2007/ 11.7.2014
8	(IDP-174) Hussain Sagar Lake and Catchment Area Improvement Project	State - Andhra Pradesh	Water Supply	7729	31.3.2006/ 24.7.2016
9	(IDP-155) KC Canal Modernization Project II	State - Andhra Pradesh	Water Resources	4773	31.3.2004/ 18.6.2012
10	(IDP-181) Andhra Pradesh Irrigation & Livelihoods Improvement Project	State - Andhra Pradesh	Water Resources	23974	30.3.2007/ 11.7.2016
11	(IDP-176) Visakhapatnam Port Expansion Project (Engineering Services)	Central- Andhra Pradesh	Shipping	161	31.3.2006/ 24.7.2011
12	(IDP-180) Visakhapatnam Port Expansion Project	Central – Andhra Pradesh	Shipping	4129	30.3.2007/ 16.1.2016
13	IDP193 Hyderabad Outer Ring Road Project Ph.I	Andhra Pradesh	Urban Transport	41853	10.3.2008/ 25.3.2016
14	IDP198 Hyderabad Outer Ring Road Project Ph. II	Andhra Pradesh	Urban Transport	42027	21.11.2008/ 25.2.2017
15	IDP201 Guwahati Water Supply Project	Assam	Urban Dev	29453	31.3.2009/ 28.7.2019
16	(IDP-167) Purulia Pumped Storage Project III	State - West Bengal	Power	17963	31.3.2006/ 24.7.2013
17	(IDP-175) Kolkata Solid Waste Management Improvement Project	State - West Bengal	Water Supply	3584	31.3.2006/ 24.7.2014
18	IDP192 Kolkata East West Metro Project	West Bengal	Urban Transport	6437	10.3.2008/ 04.9.2013
19	(IDP-177) Bangalore Distribution Upgradation Project	State - Karnataka	Power	10643	30.3.2007/ 11.7.2015
20	(IDP- 163) Karnataka Sustainable Forest Mgt & Biodiversity Con Project	State - Karnataka	Forestry	15209	31.3.2005/ 28.7.2015
21	(IDP-165) Bangalore Water Supply and Sewerage (II)	State - Karnataka	Water Supply	41997	31.3.2005/ 28.7.2015
22	(IDP-168) Bangalore Water Supply and Sewerage (II-2)	State - Karnataka	Water Supply	28358	31.3.2006/ 24.7.2016
23	(IDP-171) Bangalore Metro Rail Project	Central - Karnataka	Urban Transport	44704	31.3.2006/ 24.7.2016
24	(188) Maharashtra Transmission System Project	State - Maharashtra	Power	16749	14.9.2007/ 28.11.2014
25	(IDP-150) Ajanta-Ellora Cons. & Tourism Dev. Proj-II	Central - Maharastra	Tourism	7331	31.3.2003/ 31.7.2011
26	(IDP-186) Amritsar Sewerage Project	State - Punjab	Water Supply	6961	30.3.2007/ 11.7.2015
27	(IDP-148) Rajasthan Forestry and Biodiversity Project	State - Rajasthan	Forestry	9054	31.3.2003/ 31.7.2010
28	(IDP-157) Bisalpur-Jaipur Water Supply Project	State - Rajasthan	Water Supply	8881	31.3.2004/ 19.10.2013
29	(IDP-161) Rajasthan Minor Irrigation Improvement	State - Rajasthan	Water Resources	11555	31.3.2005/ 28.7.2015
30	(IDP-164) Ganga Action Plan (Varanasi)	Central - Uttar Pradesh	Enviornment	11184	31.3.2005/ 28.7.2015
31	(IDP-166) Uttar Pradesh Buddhist Circuit Development	Central - Uttar Pradesh	Tourism	9495	31.3.2005/ 28.7.2015
32	(IDP-185) Agra Water Supply Project	State - Uttar Pradesh	Water Supply	24822	30.3.2007/ 11.7.2017

33	IDP194 Uttar Pradesh Participatory Forest Management & Poverty Alleviation Project	Uttar Pradesh	Environment	13345	10.3.2008/ 25.3.2018
34	(IDP-173) Orissa Forestry Sector Development Project	State - Orissa	Forestry	13937	31.3.2006/ 24.7.2016
35	(IDP-187) Orissa Integrated Sanitation Improvement Project	State - Orissa	Water Supply	19061	30.3.2007/ 11.7.2016
36	(IDP-154) Rengali Irrigation Project II	State – Orissa	Water Resources	6342	31.3.2004/ 18.6.2011
37	(IDP-184) Kerala Water Supply Project (II)	State - Kerala	Water Supply	32777	30.3.2007/ 11.7.2012
38	(IDP-203) Kerala Water Supply Project (III)	State - Kerala	Water Supply	12727	31.3.2009/ 28.7.2013
39	(IDP-111) Attapaddy Wasteland Project	State - Kerala	Rural Development	5112	25.1.1996/ 26.3.2008*
40	1. (IDP-189) Goa Water Supply & Sewerage Project	State - Goa	Water Supply	22806	14.9.2007/ 28.11.2017
41	(IDP-160) North Karanpura Super Thermal Power Project	Central – Jharkhand	Power	15916	31.3.2005/ 9.1.2011
42	(IDP-169) Rural Electrification Project	Central - Andhra Pradesh, Madhya Pradesh & Maharashtra	Power	20629	29.8.2006/ 29.8.2012
43	(IDP-149) Yamuna Action Plan Project (II)	Central - Delhi, UP, Haryana	Environment	13333	31.3.2003/ 31.7.2010
44	(IDP-158) Intg. Natural Resource Magt & Pov Red	State - Haryana	Forestry	6280	31.3.2004/ 18.6.2014
45	IDP 190 Haryana Transmission System Project	Haryana	Power	20902	10.3.2008/ 12.9.2014
46	(IDP-162) Tamil Nadu Afforestation Project II	State - Tamil Nadu	Forestry	9818	31.3.2005/ 28.7.2015
47	IDP196 Tamil Nadu Urban Infrastructure Project	Tamil Nadu	Urban Dev	8551	10.3.2008/ 25.3.2016
48	IDP195 Hogenakkal Water Supply & Fluorosis Mitigation Project	Tamil Nadu	Water Resources	22387	10.3.2008/ 25.3.2017
49	IDP204 Hogenakkal Water Supply & Fluorosis Mitigation Project(Ph.2)	Tamil Nadu	Water Resources	17095	31.3.2009/ 28.7.2017
50	IDP-197 Chennai Metro Project	Tamil Nadu	Urban Transport	21751	21.11.2008/ 19.3.2015
51	(IDP-172) Swan River Integ. Watershed Management	State - Himachal Pradesh	Environment	3493	31.3.2006/ 24.7.2016
52	(Idp-182) Tripura Forest Environmental Improvement and Poverty Alleviation Project	State - Tripura	Forestry	7725	30.3.2007/ 11.7.2017
53	(IDP-183) Gujarat Forestry Development Project Phase 2	State – Gujarat	Forestry	17521	30.3.2007/ 11.7.2017
54	IDP 156 Umium Stage II Hydro Power Station	Meghalaya	Power	1964	31.3.2004/ 18.6.2012
55	IDP 200 Micro, Small & Medium Enterprises Energy Saving Project	All over India	Fin. Services	30000	21.11.2008/ 26.12.2013
56	IDP199 Capacity Dev. For forest Management &	Central	Environment & Forests	5241	16.10.2009/ 16.10.2018

10. Integrated Finance Division

The Integrated Finance Division is headed by the Joint Secretary & Finance Advisor of the Ministry of Finance. The Division services the Department of Economic Affairs (DEA) as also the Department of Financial Services (DFS)

The Division is responsible for the following functions:

i) Tendering financial advice/examination for concurrence to proposals involving expenditure in respect of DEA and DFS as well as their attached and subordinate offices e.g. Investment Commission/13th Finance Commission/National Savings Institute/Debt Recovery Tribunals/Office of Custodian/ Appellate Authority for Industrial and Financial Reconstruction/ Board for Industrial and Financial Reconstruction/ Office of Special Court, Mumbai and Office of Court Liquidator, Kolkata.

ii) Exercising expenditure control and management, ensuring rationalisation of expenditure and compliance of economy measures in accordance with the instructions of the Department of Expenditure including regular monitoring of expenditure through monthly/quarterly reviews and submission of reports to the concerned Secretaries.

iii) The Division also administers two Detailed Demands for Grants i.e. Grant No 32-Department of Economic Affairs and Grant No 33 –Department of Financial Services.This involves finalising the Budget/ the Revised Budget/estimating final requirements/ surrender of savings, re-appropriations and vetting of Head wise Appropriation Accounts.

iv) Coordination of and the printing of the Detailed Demand for Grant (DDG) for the entire Ministry of Finance.

v) Coordination of all matters relating to the examination of the DDG of the year by the Parliamentary Standing Committee on Finance.

vi) Preparation of the 'Outcome Budget' of the Ministry of Finance, as also monitoring Outcome Budget targets of different units in the Departments of Economic Affairs and Financial Services.

vii) Monitoring replies to the PAC/C&AG Audit Paras.

viii) Budgetary position regarding the Grants administered by the Division is given below:

The best practices followed for effective expenditure control included:

(a) Expenditure progress reviewed monthly with Major Head/Scheme wise details with concerned Secretaries.

(b) The Major Head wise and Scheme wise expenditure progress as compared to BE figures, posted on the web-site of the Ministry of Finance.

(c) Strengthening of internal control mechanism by getting internal audits undertaken.

(d) Monthly monitoring of Major schemes/ Programmes of Departments included in the Outcome Budget.

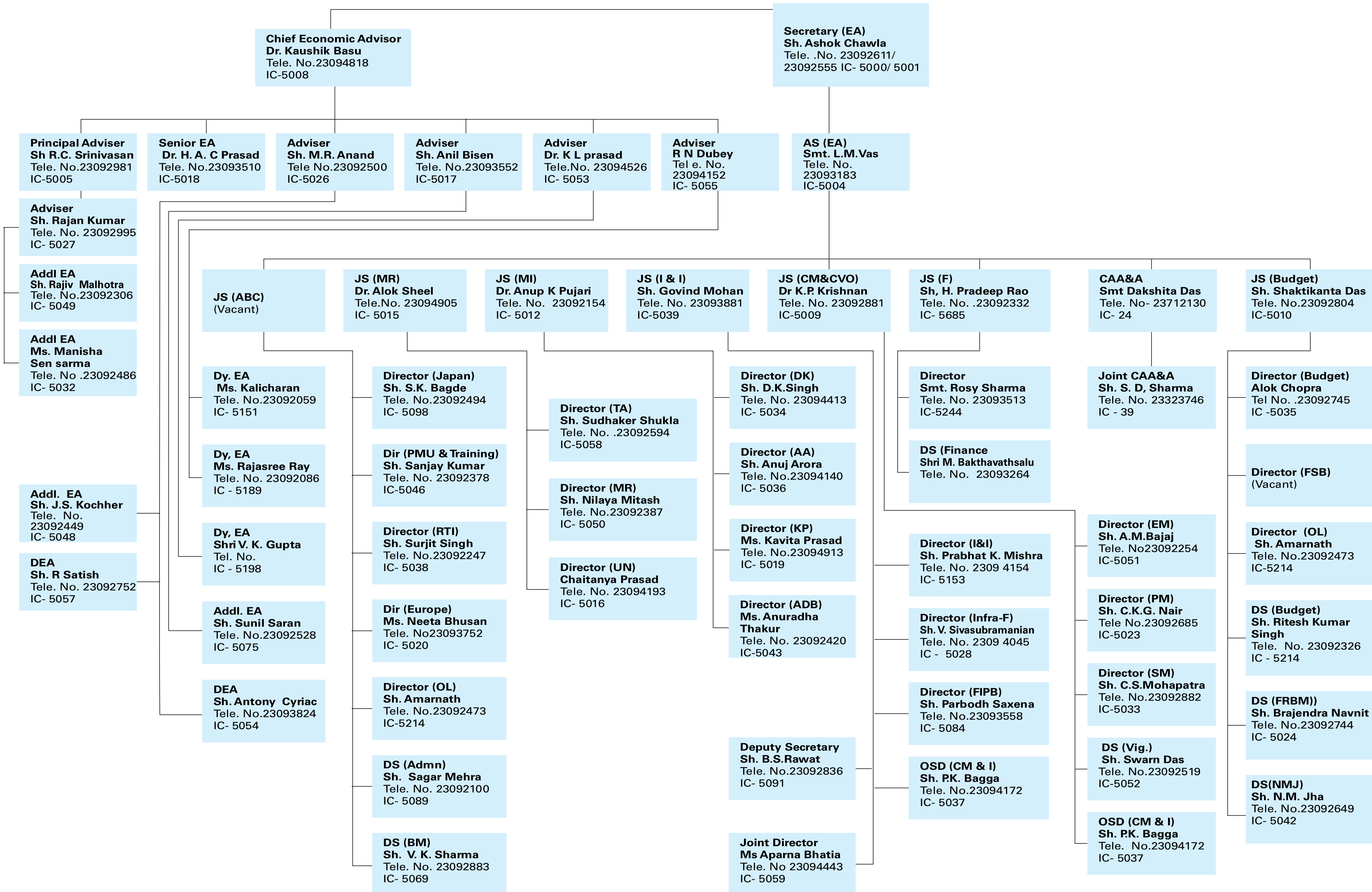
(e) Regular and close monitoring resulted in finalisation of 34. Action Taken Notes (ATNs) in respect of C&AG audit paras during the year.

Budgetary allocation of the Grants

Rs. in crore

Grant		BE 2009-10	RE 2009-10	BE-2010-11
32-D/Economic Affairs	Plan	2308.36	1941.81	3233.72
	Non Plan	11091.71	20408.95	5437.76
	Total	13400.07	22350.76	8671.48
33-D/Financial Services	Plan	1542.00	1450.00	---
	Non Plan	36871.54	38466.23	50,734.10
	Total	38413.54	39916.23	50,734.10

Organization Chart Department of Economic Affairs (As on 02.03.2010)



Department of Expenditure

Chapter - II

Department of Expenditure

1. Establishment Division

1.1 The Establishment Division works under the Joint Secretary (Personnel) and deals with matters related to determination of salary structure and service conditions of all Central Government employees including on account of recommendation of Sixth Central Pay Commission, wage policy determination, revision of pay scales, creation of posts, basic principles of fixation of pay, House Rent Allowance, Travelling/ Daily Allowance, Dearness Allowance and various other compensatory allowances in respect of Central Government employees, General Financial Rules, Delegation of Financial Power Rules, Economy Instructions etc. It is also responsible for administrative matters concerning the Department of Expenditure.

1.2 The Department of Expenditure has taken a number of measures to improve the systems and procedures of public financial management, thereby promoting the cause of good governance. The Prime Minister's Thrust Areas included five planks of Institutional reforms, viz., Decentralization, Simplification, Transparency, Accountability and e-governance. These were echoed in the Initiatives on Expenditure Management announced by the Finance Minister Fiscal Policy Strategy Statement (FPSS) prepared under the Fiscal Responsibility and Budget Management Act in Budget 2005-06 and became the guiding principles of setting the work plan.

1.3 The Department of Expenditure and the Planning Commission had jointly prepared the first ever Outcome Budget for the year 2005-06, which was presented to the Parliament on August 25, 2005. Thereafter, a series of detailed guidelines were issued to all Ministries/Departments on preparation of OUTCOME BUDGET & PERFORMANCE BUDGET by individual Ministries. In a further refinement of the process, fresh guidelines were issued (vide OM. No.2(1)Pers/E-Coord/OB/2005 12th December, 2006) for integration of OUTCOME BUDGET and PERFORMANCE BUDGET documents into a single document. Outcome Budget has become an integral part of the budgeting process since 2005-06. Latest guidelines in this respect were issued in January, 2010, wherein it was emphasized that the projected physical output should be disaggregated by sex, wherever possible and appropriate to where delivery is to individuals. Indicators of performance relating to individuals should also be sex disaggregated.

1.4 The Report of the Sixth Pay Commission was received on 24th March, 2008. The Government, after giving careful consideration to the recommendations of the Commission, approved the recommendations of the Commission with certain modifications. The orders on pay structure and allowances based on the Governments' approval of the recommendations of the Sixth Central Pay Commission have been issued. Clarifications, both general and Ministry/Department specific, are also being issued.

1.5 With a view to containing non-developmental expenditure, and thereby releasing additional resources for meeting the objectives of priority schemes, Ministry of Finance has been issuing guidelines on 'Austerity Measures' in the Government from time to time. Such measures are intended at promoting fiscal discipline, without restricting operational efficiency of the Government. The last set of instructions were issued vide OM No.7(1)/E. Coord/2009 dated 7th September, 2009.These measures include, interalia, a 10% & 5% cut on specified heads of Non Plan Expenditure (excluding interest payment, repayment of debt, Defence capital, salaries, pension and the Finance Commission grants to the States) and restrictions on purchase of new vehicles, foreign travel, seminars and conferences.

2. Pay Research Unit (PRU)

2.1 The Pay Research Unit was established in1968 and is mainly responsible for collection, compilation and analysis of data on actual expenditure incurred on pay and various types of allowances as well as data pertaining to the strength of the Central Government Civilian Employees and Employees of Union Territory Administration. This unit brings out an annual publication titled **"Brochure on Pay and Allowances of Central Government Civilian Employees"**. The brochure provides statistical information regarding expenditure incurred by the different Ministries/Departments of the Central Government on pay & various types of allowances such as Dearness Allowance, House Rent Allowance, Transport Allowance, Overtime Allowance, Compensatory Allowance etc. in respect of its regular employees. It also provides information on Ministry-wise/Department-wise and Group-wise number of sanctioned posts and numbers of incumbents in position. The brochure also contains information about disparity ratio i.e. the ratio of the maximum to minimum pay of different State Government Employees.

2.2 The unit brought out the 30th issue of the series of brochure for the year 2007-2008 in September 2009. The work regarding the brochure for the year 2008-2009 is in progress.

3. Integrated Finance Unit (IFU)

3.1 The Integrated Finance Unit works under Joint Secretary & Financial Adviser (Finance) and deals with the expenditure and Budget related proposals under Grant No. 38 – Department of Expenditure which includes (i) Secretariat General Services covering the establishment budget for the Department of Expenditure, Controller General of Accounts, Central Pension Accounting Office, Finance Commission Division, Staff Inspection Unit, Cost Accounts Branch and Chief Controller of Accounts; and (ii) Other Administrative Services covering the budget for Institute of Government Accounts and Finance, National Institute for Financial Management; Contribution to International Body (AGAOA) and the budget relating to payment of services charges to the Central Recordkeeping Agency for the New Pension Scheme.

3.2 This Unit also monitors the expenditure under Grant No. 39 – Pension and Grant No. 40 – Indian Audit & Accounts Department. The allocations under the respective Grants are at Table 2.1.

3.3 The Integrated Finance Unit has expeditiously examined and disposed the financial and expenditure proposals pertaining to the Department of Expenditure including the proposals for appointment of consultants, deputation abroad of officers, grants-in-aid to National Institute of Financial Management duly observing austerity instructions issued from time to time. All budget related matters including issues concerning the Standing Finance Committee were examined and disposed off. Similarly, Action Taken Notes on recommendations of Public Accounts Committee and also on Audit Para included in the report of Auditor & Comptroller General of India have been monitored and submitted.

3.4 The expenditure trend of the Department has consistently been monitored and strict control has been exercised over the Govt. expenditure. A report of the review is submitted to the Secretary (Expenditure) on quarterly basis.

4. Plan Finance-I Division

4.1 State Plan Schemes

Central assistance is provided to State Governments for the implementation of various State Plan Schemes. Apart from Normal Central Assistance, funds are provided to the State Governments under various regular Plan schemes, such as National Social Assistance Programme (NSAP), Accelerated Irrigation Benefit Programme (AIBP). Jawaharlal Nehru National Urban Renewal Mission (JNNURM). A brief write-up on various State Plan Schemes is as under:

4.2 Normal Central Assistance (NCA)

Annual Plans of States as approved by Planning Commission are funded by States' own resources, borrowings by States and Central assistance by the Central Government. Central assistance includes Normal Central Assistance (NCA), Additional Central Assistance (ACA) for Externally Aided Projects (EAPs) and ACA for specific schemes. NCA is allocated on the basis of Gadgil Formula approved by NDC taking into consideration factors like population, per Capita Income, performance and special problems of states. NCA for State Plans is untied and provided to the States in the pattern of 70%loan and 30% grants to Non-Special Category States and 10% loan and 90% grant to Special Category States. During 2008-09, an amount of Rs.15948.17 crore was released to States as NCA. An amount of Rs.14130.80 crore of NCA has been released in 2009-10 (upto 31.12.2009).

4.3 Special Central Assistance/Special Plan Assistance (SCA/SPA)

Apart from Normal Central Assistance and scheme-specific Additional Central Assistance, Special Central Assistance/Plan assistance to meet the gap in resources for financing of the States' Annual Plans is also allocated by the Planning Commission to some States, especially those classified as Special Category States. The assistance is not tied with any particular scheme and is released by the Ministry of Finance on the pattern of Normal Central Assistance

Table 2.1

Grant No.	Budget Estimates 2009-10			Revised Estimates 2009-10		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
38- Department of Expenditure	10.00	68.00	78.00	8.20	73.74	81.94
39- Pensions	-	10,966.67	10,966.67	-	15,520.00	15,520.00
40-Indian Audit & Accounts Department	-	2352.83	2352.83		2371.61	2371.61

to such States. Normally, the SCA/SPA allocated by the Planning Commission forms part of Gross Budgetary Support (GBS). However, in exceptional cases, additional allocation is also made with the concurrence of Ministry of Finance. SPA of Rs. 4705.14 crore was released during the financial year 2008-09. During 2009-10, SPA of Rs 5894.24 cr has been released so far (upto 31.12.2009).

4.4 National Social Assistance Programme (NSAP) and Annapurna Schemes:

4.4.1 The National Social Assistance Programme (NSAP), which came into effect from 15th August, 1995, represents a significant step towards the fulfilment of the Directive Principles in Article 41 of the Constitution. The programme aims at ensuring a minimum national standard for social assistance in addition to the benefits that States are currently providing or might provide in future. NSAP at present comprises the Indira Gandhi National Old Age Pension Scheme (IGNOAPS), the Indira Gandhi National Widow Pension Scheme (IGNWPS), the Indira Gandhi National Disability Pension Scheme (IGNDPS), the National Family Benefit Scheme (NFBS) and the Annapurna Scheme.

4.4.2 NSAP was operated as a Centrally Sponsored Scheme by the M/o Rural Development upto 2002-03, when it was transferred to the State Sector. With this change, the funds for the operation of these schemes are now being released as Additional Central Assistance (ACA) to the States by the Ministry of Finance. The extent of ACA to be provided to the States/UTs for the Scheme is decided by the Planning Commission, while the State-wise allocation of ACA is made by the Ministry of Rural Development and Planning Commission. Based on recommendations received from M/o Rural Development, an amount of Rs.4442.24 crore was released to the State Governments during 2008-09. An amount of Rs.4260.54 crore has been released in 2009-10 (upto 31.12.2009).

4.5 Backward Regions Grant Fund (BRGF) Scheme

The Backward Regions Grant Fund (BRGF) Scheme is being implemented on the basis of allocations made in the Demand for Grants of the Ministry of Panachayati Raj and Ministry of Finance. BRGF has two components, namely, Districts component covering 250 districts and Special Plans for Bihar and the KBK Districts of Orissa. The implementing Ministry for the Districts Component of the BRGF is the Ministry of Panchayti Raj, and for Special Plan for Bihar and the KBK Districts of Orissa, the implementing Ministry is the Ministry of Finance. An amount of Rs.1130 crore has been released by Ministry of Finance during the financial year 2008-09. During 2009-10, Rs.1097.50 crore has been released so far (upto 31.12.2009).

4.6 Accelerated Irrigation Benefit Programme (AIBP)

4.6.1 The Accelerated Irrigation Benefit Programme (AIBP) implemented during the 10th Plan was continued in the 11th Plan with a total outlay of Rs.49,700 crore for providing Central assistance to the ongoing major and medium irrigation projects. Additional Central assistance is also provided for extension, renovation and modernization of irrigation projects, surface minor irrigation schemes and projects of national importance.

4.6.2 Pattern of funding is Central grant equivalent to 90% of project cost in case of Special Category States and projects benefiting drought prone/tribal areas; and 25% of project cost in case of Non-Special Category States. The balance cost of the project being State's share is to be arranged by the State Government from its own resources.

4.6.3 Implementation of identified National Projects with Central assistance of 90% of the cost of the project as grant was approved by the Cabinet on 7.02.2008. International projects where usage of water in India is required by a treaty, inter-State projects dragging on due to non resolution of inter- State issues and intra-State projects with additional potential of more than two lakh ha are eligible for funding under this category. A total of 14 projects are presently included in the list of 'National Projects'. The outlay for National Projects during 11th Plan period is Rs.7000 crore.

4.6.4 During the current year (2009-10), as against a BE of Rs.9700 crore the allocation made by Planning Commission for these State Sector Schemes is as under at Table 2.2.

Table 2.2

(Rs. in crore)

Sl. No.	Scheme	Allocation made by Planning Commission
1	AIBP-Regular Programme	8000.00
2	Flood Management Programme	900.00
3	Command Area Development and Water Management	400.00
4	Repair, Renovation and Restoration of Water Bodies (RRR)-Externally assisted	399.00
5	Dam Rehabilitation and Improvement Programme	1.00
	Total	**9700.00**

4.6.5 Based on the recommendations of M/o Water Resources, grant of Rs.8501.94 crore was released to the State Governments during 2008-09. During 2009-10, Rs.4209.08 crore has been released so far (up to 31.12.2009).

4.7 Accelerated Power Development and Reform Programme (APDRP)

4.7.1 The Accelerated Power Development and Reform Programme (APDRP) was approved in the year 2000-01. The Scheme mainly envisaged financing projects relating to Renovation & Modernization / Life Extension / Upgrading old power plants, both thermal and hydro electrical, upgrading sub-transmission & distribution network (below 33 KV or 66KV) and energy accounting & metering.

4.7.2 The funding of projects was in the ratio of 90% grant & 10% loan to special category States and 50% grant and 50% loan for non-special category States. The non-special category States were required to manage 50% of their share of project cost though internal resources or by way of loans from PFC/REC/FIs/Suppliers' Credit.

4.7.3 Based on the recommendations of M/o Power an amount of Rs.436.03 crore was released to the State Governments during 2008-09. In 2008-09, the scheme was transferred to the Central Sector and is now administered by the Ministry of Power.

4.8 Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

4.8.1 To provide focused attention to integrated development of infrastructural services in identified cities, "Jawaharlal Nehru National Urban Renewal Mission (JNNURM)" was launched by the Honorable Prime Minister of India on 3rd December, 2005. Ministry of Urban Development is implementing the Sub-Mission on Urban Infrastructure and Governance (SMUIG); and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), while Ministry of Housing and Urban Poverty Alleviation is implementing the Sub-Mission on Basic Services to the Urban Poor (BSUP) and Integrated Housing and Slum Development Programme (IHSDP).

4.8.2 The duration of the Mission is seven years, beginning from 2005-06. During this period, the Mission seeks to ensure sustainable development of select cities. Additional Central assistance under the Scheme is being released by Ministry of Finance in the form of 100% grant.

4.8.3 In February, 2009, a component for funding of urban transport projects including purchase of buses was added under SMUIG. Accordingly, ACA of Rs. 1048.82 crore has been released to the States/ UTs during 2008-09 and 2009-10 so far, for purchase of buses for Urban Transport.

4.8.4 The 7 year mission allocation has been from Rs.50,000 crore to Rs.61,000 crore. An increase of Rs.5043 crore (Rs.2682 crore for BSUP and Rs.2361 crore for IHSDP has also been made in the mission period. Based on the recommendations of M/o Urban Development and Ministry of Housing Urban Poverty Alleviation, Additional Central Assistance of Rs.23869.95 crore has so far been released to the State Governments under the four components of JNNURM during the entire mission period so far. An amount of Rs 3869.53 crore has been released in 2009-10 (upto 31.12.2009).

4.9 National E-Governance Plan (NEGP)

4.9.1 The Government approved the National e-Governance Plan (NeGP), comprising 27 Mission Mode Projects (MMPs) and 8 components, on May 18, 2006. The Scheme envisions making all Government services accessible to the common man in his locality through common service delivery outlets and ensuring efficiency, transparency and reliability of such services at affordable cost. At present there are four components operational under the Scheme:

(i) Common Service Centre (CSC)
(ii) State Wide Area Networks (SWAN)
(iii) State Data Centres (SDC)
(iv) Capacity Building

4.9.2 The Ministry of Communications and Information Technology is the nodal ministry in charge of the Scheme. In 2008-09, as against the budget allocation of Rs.469.37 crore, Rs.284.22 crore was released. No release has been made so far in 2009-10.

4.10 Nutrition Programme for Adolescent Girls (NPAG)

4.10.1 To address the problem of under-nutrition among adolescent girls and pregnant women and lactating mothers, the Planning Commission, in the year 2002-03, launched the Nutrition Programme for Adolescent Girls (NPAG), on a Pilot Project basis in 51 districts in the country. Under this scheme, 6 kg. of food-grains were given to under nourished adolescent girls, pregnant women and lactating mothers. The Pilot Project was continued in the year 2003-04 also. However , it could not be continued in the year 2004-05. The Government approved the implementation of NPAG, through the Ministry of Women and Child Development, in 51 backward districts identified by the Planning Commission in the year 2005-06 to provide 6 kg of free food-grains to undernourished adolescent girls only (pregnant women and lactating mothers are not covered as they are targeted under ICDS).The scheme is being continued from 2006-07on pilot project basis.

4.10.2 The funds are given as 100% grant to States/ UTs so that they can provide food grains through the Public Distribution System free of cost to the families of identified undernourished persons. An amount of Rs.23.32 crore was released during the financial year 2008-09. During 2009-10, Rs 49.55 crore has been released (till 31.12.2009). It has been decided to merge NPAG with the Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG).

4.11 Long Term Reconstruction Plan

4.11.1 Funds for long term rehabilitation/reconstruction of damaged infrastructure are being provided as ACA by the Government of India to 12 States viz., Karnataka, Jammu & Kashmir, Sikkim, Madhya Pradesh, Himachal Pradesh, Gujarat, Uttar Pradesh, Arunachal Pradesh, Andhra Pradesh, Tamil Nadu, Kerala and Maharashtra and the UT of Puducherry for long term rehabilitation/reconstruction of infrastructure damaged due to natural calamities in 2005.

4.11.2 Grant of Rs.296.58 crore was released to J&K in 2006-07 and 2007-08 as SPA. A further amount of Rs.645.16 crore was released to the other States/UT during the financial year 2008-09. During 2009-10, Rs 179.64 crore has been released (upto 31.12.2009).

4.12 Tsunami Rehabilitation Programme:

4.12.1 Large expanses of coastal terrain in Tamil Nadu, Kerala, Andhra Pradesh, Puducherry and Andaman and Nicobar Islands suffered great damage to life and property due to the tsunami in December, 2009. A rehabilitation programme is being implemented in these areas.

4.12.2 ACA is released for the Tsunami Rehabilitation Programme to affected States, based on the recommendation of Planning Commission. The releases in respect of UTs are handled by Ministry of Home Affairs.

4.12.3 An amount of Rs.1182.68 crore was released during the financial year 2008-09. During 2009-10, Rs.8.84 crore has been released (upto 31.12.2009).

4.13 Additional Central Assistance for Externally Aided Projects

Till 2004-05, Additional Central Assistance for Externally-Aided Projects (EAPs) used to be released on the pattern of Normal Central Assistance i.e., 70% loan and 30% grant to General Category States and 10% loan and 90% grant to the Special Category States. From April, 2005, a new system of back-to-back (B2B) transfer of external assistance was introduced on the recommendation of the Twelfth Finance Commission, under which the external assistance is passed on to the General Category States on the same terms and conditions on which these are received by the central Government from donor agencies. In case of ongoing projects (signed before 1st April, 2005), the assistance to general category States continues to be passed on the NCA pattern (70 loan: 30 grant). The Special Category States continue to receive the ACA for EAPs as earlier, on the 90% Grant and 10% Loan pattern. Based on the recommendations of Office of Controller of Aid, Account and Audit, Ministry of Finance, an amount of Rs.10434.22 crore was released to the State Governments during 2008-09. During 2009-10, Rs 6940.11 crore has been released (upto 31.12.2009).

4.14 Other Schemes

4.14.1 Additional Central Assistance is also released to other schemes like Hill Area Development ADP) and Border Area Development Programme (BADP). An amount of Rs. 369.62 crore has been released for BADP in 2009-10 (upto 31.12.2009) and Rs.189.89 crore has been released for HADP in 2009-10 (upto 31.12.2009)

4.14.2 A statement showing allocation and releases made for different State Plan Schemes in 2008-09 and 2009-10 (upto 31.12.09) is at Table 2.3

4.15 Non-Plan Grants to States

The States are supported through Non-plan grants as per recommendations of Finance Commissions. The year 2009-10 is the last year of the award period of the Twelfth Finance Commission (TFC). On the non-plan side, Rs.23538.76 crore had been released as on 08.01.2010 as grants-in-aid, including assistance from National Calamity Contingency Fund (NCCF), to States for Non Plan Revenue Deficit, maintenance of Roads & Bridges and Public Buildings, Education, Health, Calamity Relief, State Specific Needs etc. (being 68.44% of budget provision of Rs.34324.08 crore for 2009-10). In addition to assistance released under CRF, Rs.1850.74 crores has been released from NCCF as on 08.01.2010. Provision under NCCF has been augmented to meet additional requirement of funds for calamity relief due to drought, flood and other natural calamities etc.

4.16 Fiscal Situation of States

4.16.1 The State Finances continued demonstrating improvement in 2009-10. In contrast to sharp liquidity pressures faced by State Government in the years prior to 2004-05; the Ways and Means position of most of the State Governments has been comfortable showing large surpluses invested in Intermediate Treasury Bills/Auction Treasury Bills. As on 31.12.2009 the States had a combined cash balance of Rs. 99,572.14 crore with the RBI.

4.16.2 The status of fiscal reforms in 2009-10 is as below:

Borrowings

In his budget speech of 6 July 2009, the Finance Minister announced that against the backdrop of limited fiscal space because of reduction of CENVAT and Service Tax rates, Government had substantially hiked the Gross Budgetary Support for the Annual Plan 2009-10. Bulk of this increased support was to be directed toward public investment in infrastructure. Further, the State Governments were permitted to borrow an additional 0.5% of their Gross State Domestic Product (GSDP) by relaxing the fiscal deficit target from 3.5% to 4% of their GSDP as projected under Debt Consolidation and Relief Facility (DCRF) guidelines. This was expected to go a long way in reversing the impact of economic slowdown and accelerate the growth revival in the medium term. The Union Government, in August 2009, relaxed the Debt Consolidation and Relief Facility (DCRF) guidelines, to enable the States to borrow upto 4% of their respective Gross State Domestic Product (GSDP) during 2009-

Table 2.3

The various types of assistance allocated to the State Governments and released during 2009-10 are as under:-

As on 01.01.2010 ***(Rs. in crore)***

Sl. No	Items/Schemes	Allocation for at the (BE) 2008-09	Allocation for at the (RE) 2008-09	Amount released during 2008-09	Allocation for at the (BE) 2009-10	1st Supplementary 2009-10	Amount released during 2009-10 (upto 31.12.09)
A.	Plan Assistance						
1.	Normal Central Assistance	17991.98	16898.98	15948.17	19110.61		14130.80
2.	Addl. Central Assistance for Externally Aided Projects	4550.00	11241.00	10434.21	7500.00	1400.00	6940.11
3.	Special Plan Assistance	4602.00	4602.00	4705.14	4602.00		5894.24
4.	Addl. Central Assistance for other Projects	-	1293.00	1443.40	1550.00		1189.90
5.	Nutrition Programme for Adolescent Girls (NPAG)	162.77	162.77	23.32	162.77		49.55
6.	Accelerated Power Development Reform Programme (APDRP)	800.00	202.97	436.03	350.00		156.06
7.	Accelerated Irrigation Benefit Programme (AIBP) and other water related programme	5550.00	7850.00	8501.89	9700.00		4209.08
8.	National Social Assistance Programme including Annapurna (NSAP)	3442.24	4442.24	4442.24	5109.24		4260.54
9.	Central assistance for Hill Areas/Western Ghats Development Programme	272.00	272.00	271.49	272.00		189.89
10.	Special Central Assistance for Border Areas Development Programme (BADP)	635.00	635.00	635.00	635.00		369.62
11.	Central assistance for Backward Regions Grant Fund (State Component)	1130.00	1130.00	1130.00	1130.00		1097.50
12.	National E. Governance Action Plan (NEGAP)	469.37	469.37	284.21	469.37		
13.	ACA for Jawaharlal Nehru National Urban Renewal Mission						
	(i) Sub Mission on Urban Infrastructure and Governance (SM-UIG)	3100.37	4400.37	4400.37	5117.26		2869.84

	(ii) Urban Infrastructure development for Small and Medium Towns (UIDSSMT)	879.69	3279.69	3279.69	3073.56		23.86
	(iii) Sub Mission on Basic Services to Urban Poor (SM-BSUP)	1656.54	1656.54	1472.68	2168.94		530.71
	(iv) Integrated Housing and Slum Development (IHSDP)	611.38	1111.38	1295.24	1108.86		445.12
	(v) Rajiv Awas Yojana (RAY)	-	-	-	150.00		
14.	Tsunami Rehabilitation Programme (TRP)	460.00	1183.00	1182.68	336.98		
15.	Brihan Mumbai Storm Water Drain Project (BRIMSTOWA), Mumbai	100.00	100.00	100.00	500.00		
16.	ACA for desalination Plant at Chennai	-	-	300.00	300.00		
17.	ACA for Accelerated Programme of Restoration and Regeneration of Forest Cover	-	-	-	500.00		
18.	ACA for Infrastructure Support for Opening Bank Branches in Unbanked Blocks	-	-	-	100.00		
19.	Commonwealth Youth Games, Pune	-	60.00	60.00	-		
20.	Long Term reconstruction of assets damaged during 2005-05 floods	-	1198.50	645.16	-		
	Total (A)	**46413.34**	**62188.81**	**60990.92**	**63946.59**	**1400.00**	**42356.82**

10. The States would not lose the benefits of DCRF, provided they are in compliance with this modified fiscal deficit target.

4.17 Debt Consolidation and Debt waiver awarded to States

The year 2009-10 is the last year of the award period of the 12th Finance Commission. So far, 26 out of 28 states (except West Bengal and Sikkim) have enacted FRBM Acts. Out of these 26 States, central loans (from Ministry of Finance) of 26 States have been consolidated to the extent of Rs.113601.14 crore. Debt consolidation has provided interest relief to these 26 States to the extent of Rs.4392.03 crore, Rs.3995.22 crore, Rs.3903.01 crore, Rs. 3452.59 crore and Rs. 2945.67 crore in 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 respectively. Based on the quality of fiscal correction and reduction in revenue deficit, Debt waivers have been awarded to 15 States to the extent of Rs.3,984.35 crore for 2005-06, to 23 States for 2006-07 to the extent of Rs. 5007.51 crore, to 22 States for 2007-08 to the extent of Rs.5129.09 crore, to 20 States Rs.5153.82 crore for 2008-09 and 8 States to the extent of Rs.2269.51 crore for 2009-10. Thus, from 2005 to 2009 States have been granted debt-waiver for an aggregate amount of Rs.21544.28 cr. and interest relief of Rs.18688.52 crore. Benefits under DCRF, interest relief on account of consolidation and debt-waiver, are subject to necessary adjustments after the Finance Accounts of States become available.

5. Plan Finance-II Division

5.1 Plan Finance – II Division is primarily concerned with matters relating to the Central Plan. In respect of development schemes and projects, the focus has been on improving the quality of development expenditure through better project formulation, emphasis on outputs, deliverables, impact assessment, projectisation (Mission approach) and convergence.

5.2 During the period from 1st January to 31st December, 2009, 51 meetings of the Expenditure Finance Committee (EFC) chaired by Secretary (Expenditure)

Table 2.4			
Sl. No.	Ministry/Department	No. of projects recommended for approval	Cost (Rs. Crore)
1.	Power	1	421.01
2.	Fertilizer	4	5280.44
3.	Coal	1	846.00
	Total	6	6547.45

considered 93 Plan Investment Proposals/Schemes of various Ministries/Departments costing Rs. 121227.42 crore. Also, 7 meetings of Public Investment Board (PIB) were held and 6 projects with a capital outlay of Rs.7087.10 crore were recommended for approval of competent authority. The Ministry/Department wise position of projects considered by PIB at Table 2.4.

5.3 Plan Finance-II Division also deals with financial restructuring of Central PSUs on the recommendations of Bureau for Restructuring of Public Sector Enterprises (BRPSE). It is also actively involved in working out modalities for financial assistance to CPSEs, quantification of I&EBR generation for preparation of budget, finalizing modernization of Plants & Equipments to ensure more efficiency in production.

5.4 At micro level, Plan Finance-II Division deals with issues relating to Food, Fertilizers and Petroleum subsidies, including their quantification and extension of assistance to the Stake holders. At micro level, the division is actively involved, along with the concerned Department/ Ministry, in shaping up future subsidy policy of the Government so as to ensure effective targeting coupled with minimum burden on the Government.

6. Staff Inspection Unit

6.1 The Staff Inspection Unit (SIU) was set up in the year 1964 with the objectives of securing economy in the staffing of Government organizations consistent with administrative efficiency and evolving performance standards and work norms. The Scientific and Technical Organizations are not within the purview of the SIU but a Committee constituted by the Head of the respective Department, with a representative from SIU as a Core Member, conducts study of such organizations.

6.2 In the changed scenario and keeping in view the Government emphasis on better governance and improved delivery of services, the role of SIU has been re-defined. The SIU has been positioned to act as catalyst in assisting the line Ministries and Autonomous Organizations in improving their organizational effectiveness. As per the expanded mandate, in addition to its existing role, SIU would now also undertake organizational analysis primarily to cover the areas of organizational systems, financial management systems, delivery systems, client-customer satisfaction, employees' concerns etc. and suggest appropriate organizational structure, re-engineering of processes, measures to ensure optimum utilization of resources and overcome the delays besides exploring the possibilities of outsourcing some of the activities with a view to achieve enhanced output/effectiveness with only the minimum essential expenditure.

6.3 During the year 2009, SIU has issued 14 final reports covering the sanctioned strength of 3795 posts. As against the sanctioned strength of 3795 posts in different organizations covered by these studies, SIU has found justification for abolition of 427 posts and creation of 373 posts resulting thereby in a total number of 54 posts as surplus.

6.4 The saving on account of abolition of posts after offsetting the additional expenditure on creation of new posts would result in an economy of Rs. 1.01 crores per annum (as per pre-revised scales of pay). In addition to final reports, provisional reports on five staffing studies with a total coverage of 2461 posts were also issued during the year.

6.5 Further, on a request received from the Rajya Sabha Secretariat, a staffing study of the Rajya Sabha Secretariat was also undertaken by the SIU during the year under report. The study was conducted in a time bound manner during the period from April to August, 2009. The study covered 1417 sanctioned posts and the study report containing the provisional manpower assessment has been sent to the Rajya Sabha Secretariat in October, 2009.

6.6 The SIU has also been associated as Core Member with two Committees constituted for assessing the manpower requirement of Scientific and Technical Organizations namely (i) Central Council for Research in Homoeopathy (CCRH), Ministry of Health & Family Welfare and (ii) Department of Information & Technology.

7. Chief Adviser Cost Office

7.1 Chief Adviser Cost (CAC) is responsible for advising the Ministries and Government Undertakings on cost accounts matters and to undertake cost investigation work on their behalf. Office of Chief Adviser Cost is one of the divisions functioning in the Department of Expenditure. It is a professional body staffed by Cost/ Chartered Accountants.

7.2 The Chief Adviser Cost office, is dealing with matters relating to costing and pricing, industry level studies for determining fair prices, studies on user charges, central excise abatement matters, cost-benefit analysis of projects, studies on cost reduction, cost efficiency, appraisal of capital intensive projects, profitability analysis and application of modern management tools evolving cost and commercial financial accounting for Ministries/Department of Government of India.

7.3 It was set up as an independent agency of the Central Government to verify the cost of production and to determine the fair selling price for Government Departments including Defence purchases in respect of the cases referred to. The role of the office was further enlarged and extended to fixing prices for a number of products covered under the Essential Commodities Act, such as, Petroleum, Steel, Coal, Cement, etc. under the Administered Price Mechanism (APM). Since cost/pricing work in the Ministries increased significantly, various other Ministries/Departments started to have their in house expertise by seeking posting of services of officers for work needing expertise in cost/commercial accounts matters. In the Post liberalization era, the office is receiving and conducting studies in synchronization with the liberalization policy of the Government in addition to the traditional areas of cost-price studies.

7.4 The Chief Adviser Cost's Office is also the cadre controlling office for the Indian Cost Accounts Service (ICoAS) and looks after training requirements of the officers for continuous up-gradation of their knowledge and skills, in addition to rendering professional guidance to the ICoAS officers working in different participating organizations.

7.5 The major areas of professional functions of the office of the Chief Adviser Cost are as under:

a. Assisting all Central Government Ministries / Departments / Organizations in solving complex Price / Cost related issues, in fixing fair prices for various services/products and rendering advice to various Ministries/Departments in cost matters.

b. Examination / Verification of claims between Government Departments / Public Sector undertakings and suppliers arising out of purchase contracts.

c. Determining prices of products and services supplied to Government, in order to enable Government Departments to negotiate the prices with the supplying organizations.

d. Unit specific as well as industry level studies for determining cost/fair prices and making recommendations for fair prices / rates for products and user charges for services, revision of these charges and also to determine reasonableness of prices charged, duty structure, etc.

e. Valuation of assets and liabilities of business taken over and shares of public sector undertakings.

f. Function as Chairman/Members of Committee constituted by Government / different Departments related to Cost/financial and Pricing matters.

g. Cost and performance audit of industrial undertaking.

h. Concurrent Internal audit of Escalations claims of urea manufacturing units determined by Fertiliser Industry Coordination Committee.

i. Subsidy detrimental and verification of claims.

j. Cost Accounting System for departmental undertakings/Autonomous bodies.

k. Time and Cost Overruns of major projects.

l. Arbitrator in resolving pricing disputes.

m. Advise on matters relating to determination of Abatement Rate for purposes of Central Excise.

7.6 During the period from January 2009 to December 2009, 74 studies/reports were completed by the Office of Chief Adviser Cost. The studies completed during the year varied widely in nature and may be broadly categorized under the following heads:

(i) Cost and Management Advice as Members of Committees

a. Report of Sub-Committee on 'Analysis of wage structure in the context of costing of various items of expenditure and profitability of Jute Mills'

b. Committee to determine deployment charges of paramilitary forces under the Ministry of Home Affairs.

c. Standing Committee on Time and Cost Overrun for restoration of revival plan of damaged power supply infrastructure covering islands/areas which were affected by Tsunami under Ministry of Power.

d. Report of the Committee on Cost Benefit Analysis for granting fiscal incentives/concessions for Power sector.

e. Report of the Price Negotiation Committee for the NE VAT Computerization project.

(ii) System Study

a. Review of costing system and Fixation of Common Hourly Rates and Overhead percentages in respect of Government of India Presses at Faridabad, Coimbatore, Chandigarh, Rashtrapati Bhawan-New Delhi, Nashik, Koratty, Gangtok, Mayapuri-New Delhi.

b. Revised Costing formula for Government of India Presses.

(iii) Fair price of goods purchased/services purchased on Single Tender basis or from limited sources

a. Fixation of Fair Price of Barrack Blankets supplied by Women's Development Organization (WDO) to various Government Ministries/Departments under the Single Tender System during the Year 2006-07 and 2007-08.

b. Fixation of Fair Price of Sponge Cloth Supplied by Association of Corporations and Apex Societies of Handloom to various Government Ministries/

Departments under the Single Tender System during the Year 2004-05 to 2007-08.

c. Fixation of Fair Price of Handloom Cotton Bed Durries Supplied by Association of Corporations and Apex Societies of Handloom to various Government Ministries/ Departments under the Single Tender System during the Year 2005-06, 2006-07 and 2007-08.

d. Fixation of fair price of Handloom Cotton Sarees supplied by Association of Corporations and Apex Societies of Handloom to various Government Ministries/ Departments under the Single Tender System during the year 2003-04 and 2004-05.

(iv) Fair selling price of products/service where Government is the Producer/Service provider as well as the user

a. Fair prices of Tear Smoke Munitions produced by Tear Smoke Unit of Border Security Force, Tekanpur, Gwalior for the year 2009-10.

b. Fixation of revised final prices for the year 2006-07 and provisional prices for the year 2007-08 of DDT 50% WDP & Malathion Technical supplied by Hindustan Insecticides limited to National Vector Borne Diseases Control Programme.

c. Determination of Fair Price of Multi Barrel Launcher and Tear Gas Gun produced by Central Workshop and Stores (CENWOSTO) of Border Security Force, Tekanpur, Gwalior for the year 2009-10.

d. Fixation of Fair Rate of Compensation for Nuclear Grade Ammonium Di-Urinate (NGADU) for the year 2008-09.

e. Vetting of Benchmark Export Prices of Tear Smoke Munitions produced by Tear Smoke Unit of Border Security Force, Tekanpur for the year 2009-10.

(v) Fixation of service charges for the services rendered by a Govt. Department/Agency on behalf of the other

a. Verification of claims under Market Intervention Scheme (MIS) for Chow-Chow in the State of Mizoram during 2008 Crop season, Orange in the State of Nagaland during crop season 2009 and 'C' grade Apples in the State of Himachal Pradesh during 2007 crop season.

b. roposals from State Governments for procurement of perishable items under Market Intervention Scheme (MIS) during 2008-09 crop season.

c. Vetting of Accounts for determining of share of loss of Central Government under Price Support Scheme (PSS) for Sunflower Seed during Kharif 2005, for Seasamum Seed for the Kharif Crop 2004 season, Soyabean during Kharif 2005 Season, Soyabean for Kharif 2006 Season.

d. Report on NAFED for PSS operation for Mustard Seed of Rabi 2001 on account of Sales Tax Liability.

e. Vetting of claim of NAFED as per audited Trading and Profit and Loss Account for the period 1st October, 2005 to 14th December 2005 on account of sale/distribution of Onion in Delhi.

(vi) Determination of Subsidy

a. Fixation of subsidy claim of Northern Railway payable by the Prime Minister's Office for catering services for the year 2008-09.

b. Working out the Subsidy Rates for the new LPG Bottling Plant at Cherlapalli, Andhra Pradesh commissioned in September, 2007.

(vii) Balance Sheet on accrual accounting principles in case of Departmental manufac turing units

Vetting of Balance Sheet and Income and Expenditure Account of Tear Smoke Unit, Border Security Force, Tekanpur (Gwalior) for the year 2008-09.

(viii) Concurrent Internal Cost Audit of Fertilizer Units.

25 Reports in respect of Concurrent Internal Audit for Verification of notional concessional rate payable under NPS-III w.r.t. various Fertilizer companies were issued during the year 2009.

(ix) Miscellaneous studies

a. Mail Rate payable to National Aviation Company of India Limited by Department of Posts for Carriage of domestic mail during the years 2004-05 to 2006-07.

b. Revision of Storage Charge Rate Payable by Food Corporation of India to Central Warehousing Corporation for the year 2004-05.

c. Evaluation study on the Consortium Bank Credit Funding to implementing agencies of Khadi and Village Industries Commission

d. Escalation formula for revision in the rates of various Medical Procedures under CGHS payable to recognized Private Hospitals

e. Vetting of prices of Ayurvedic/Unani Medicines supplied by M/s Indian Medicines Pharmaceutical Corporation Limited (IMPCL) to CGHS dispensaries during the year 2009-10

f. Existing fee structure prescribed for Special Audit under Sections 14A and 14AA of the Central Excise Act, 1944.

g. Examination of costing of SG GSCN Coaches supplied by M/s. Bharat Earth Movers Limited, Bangalore during the year 2007-08 to the Indian Railways.

h. Study for Determination of Package Rates for CGHS in respect of Coronary Artery Bypass Graft Surgery.

i. Ascertainment of Laboratory Testing Charges for Various Tests Carried Out at Central Drugs Laboratory, Central Research Institute, Kasauli.

j. Rate of CGHS Contributions payable by the Departments for the year 2006-07, 2007-08, professional rates for 2008-09 and 2009-10: Approval of Uniform Formula for Adoption of Rates.

k. Gratuity and Leave Encashment benefits entitled to erstwhile employees of Delhi unit of M/s Hindustan Insecticides Limited (HIL).

7.7 Major Committees Represented

Officers of Chief Adviser Cost Office because of their expertise in commercial accounting have also served as Chairman/Members on the following major multi-disciplinary Inter-Ministerial/Expert Committees:

a. Committee to determine the amount to be paid to Dredging Corporation of India Ltd. – Implementation of Sethusamudram Ship Channel Project – award of Dredging Contract.
b. National Pharmaceuticals Pricing Authority, Department of Chemicals & Petrochemicals
c. Board of Governors and the society of the National Institute of Financial Management (NIFM), Faridabad.
d. Advisory Committee on Abatement for Excise Duty and Service Tax – Department of Revenue
e. Governing Body of Tear Smoke Unit, BSF, Tekanpur.
f. Standing Committees set up by various Ministries/ Departments for fixation of responsibility for time and cost overrun.
g. Fertilizer Industry Coordination Committee, Department of Fertilizers.
h. Committee to consider the procurement of agricultural commodities under the Market Intervention Scheme.
i. Committee for the study of pricing/costing of services and products of Survey of India.
j. Committee to evaluate the proposal of C-DAC for comprehensive computerization of the operations in the Patent Office, Controller General of Patents, Designs & Trademarks, Department of Industrial Policy and Promotion.
k. Advisory Committee constituted for examination of draft Cost Accounting Rules framed by the Department of Company Affairs in respect of various products.
l. Standing Committee of State Secretaries of Stamps and Registration.
m. Committee for uniform costing and preparation of proforma accounts for various mints and presses.
n. Committee to examine issues relating to under recoveries of the PSU Oil Marketing Companies.
o. Committee to have in-depth study of various policies and practices outlined in the draft accounting manual for Government of India Presses.
p. Formation of Expert Committee to examine the issues relating to Stock Losses in the downstream marketing operations up to the dispatch point.- Ministry of Petroleum and Natural Gas.
q. First Meeting of the Committee on Internal Audit – to initiate the process towards framing uniformly Applicable Internal Audit Standards in Government of India. Committee on Internal Audit.
r. Constitution of Expert Accounting Committee to review the present Accounting System of Military Farms.
s. Committee under Chairmanship of AS&FA, Ministry of Information and Broadcasting on Commonwealth Youth Games 2008, Pune and Common Wealth Games 2010, Delhi.
t. Rate Structure Committee under the Chairmanship of AS&FA, Ministry of Information and Broadcasting to review the DAVP advertisement rates.
u. Tripartite Committee to study all outstanding issues and working of Jute Industry constituted by Ministry of Labour and Employment.
v. Committee to revise the rates of deployment charges for Central Police Forces/Rapid Action Force of CRPF based on update expenditure
w. Committee constituted by M/o Health and Family Welfare to propose a fee structure for procurement of work and services by Procurement Agent appointed on nomination basis
x. Committee of experts to make a cost-benefit analysis for granting fiscal incentives/ concessions for Power sector
y. Committee for fixing pricing norms for various items supplied by ISP, Nashik and SPP, Hyderabad units of SPMCIL to Department of Post.

8. Chief Controller of Accounts

The Chief Controller of Accounts (CCA) is in overall charge of the accounting organization of the Ministry, supported by two Controllers of Accounts, one Deputy Controllers of Accounts, one Assistant Controller of Accounts, 36 Senior Accounts Officers/Pay and Accounts Officers and 308 sanctioned strength of other staff members at various levels. The important functions of the O/o CCA are outlined as follows:

- CCA oversees the payments, accounting and internal audit functions of the five Departments in Ministry of Finance viz., Department of Economic Affairs, Department of Expenditure, Department of Revenue, Department of Disinvestment and Department of Financial Services.
- Another important function of the CCA is financial reporting. The monthly accounts and annual accounts for the Ministry of Finance are sent to the office of the Controller General of Accounts for consolidation.
- The Scheme of Departmentalization of Accounts envisaged a system of management accounts. CCA prepares monthly and quarterly reviews of receipts and expenditure for the information of the Secretaries of each Department. The summary statements are also uploaded on the Ministry's official website.
- Internal Audit is the responsibility of the CCA. In the Ministry of Finance, the Internal Audit Wing also undertakes the audit of all DDOs, attached and subordinate offices including Banks handling Government Schemes such as Public

Provident Fund, Special Deposit Scheme; and Senior Citizen Deposit Scheme. There are about 130 DDOs within the jurisdiction of internal audit. In the current financial year 50 audits have been undertaken.

- Internal Audit has adopted a risk based audit approach since 2007.

8.2 Centre to State Funds transfer Monitoring

A significant responsibility assigned to CCA, MoF is the release of monies to the State Governments and Union Territories with Legislatures. These include the devolution of taxes, loans and grants, investment of the small saving collections from NSSF in State Securities. The entire database relating to Ministry of Finance's transfers to the various State Govts./UTs whether they be in the form of Loans, Grants and/or Investments has been computerized. Software called Loan grants and investment (LGI) has been developed for monitoring these releases. The various reports pertaining to state and scheme wise releases and repayments generated through this software has been put on the web site of the Ministry of Finance. This has enabled the state governments and the other stakeholders to view:

- o Its entire portfolio of Ministry of Finance transfers on the website.
- o Including detailed reports on the monthly releases made to them (scheme wise / state wise).
- o Their scheduled repayments for the entire year (month wise/ loan wise).
- o Their actual repayments vis-à-vis their scheduled repayments.
- o Prepayments effected by them under the Debt Swap Scheme.
- o Their outstanding balances (rate of interest wise/ loan wise) on a year to year basis.
- o Down load, in PDF format, copies of sanctions and IG Advices.
- o Fully verified and reconciled data is available on the website application from the FY 2004-05 onwards.

8.3 Monitoring of Internal Debt

8.3.1 CCA, Ministry of Finance also accounts for the internal debt of the Government of India raised through floating of Government Securities and Bonds and reported through scrolls/clearance memo by 15 RBI branches and CAS Nagpur. All the receipts and withdrawals in the Public Accounts pertaining to Government schemes like Public Provident Fund, senior citizen scheme etc. is also accounted in this office. Software named 'Internal Debt monitoring software' has been developed for the purpose of data entry and compilation of monthly accounts which is in use since 2003-04. The various management reports generated through it can be very effective in proper estimation of budget for repayment and interest payment for various internal debt instruments. Efforts are underway to stabilize all the modules of the software before it is put on the web site of ministry of finance which will enable RBI, Budget division and this office to have online reconciliation.

8.3.2 CCA (Finance) has been entrusted the work of reconciling the outstanding balances pertaining to the Special Deposit Scheme-1975. Considerable progress has been achieved on this front and RBI and SBI have been asked to certify the final figures given by them. The reconciliation process is expected to be completed in this financial year.

8.4 Payment of pension to pensioners of certain other countries settled in India

8.4.1 CCA, Ministry of Finance is entrusted the work of reimbursement and accounting of pension being paid to foreign pensioners mainly of Sri Lanka, Burma, and Pakistan. CCA has initiated efforts to streamline the payment and reimbursement by taking up the matter with the high commission and other authorities of foreign countries.

8.4.2 In addition, there are certain specialized functions enumerated below:

- o Release and monitoring of repayment of loans to Financial Institutions
- o Account of loans to foreign governments
- o Preparation of consolidated account of total receipts and payments of all the Ministries/ Departments for CGEGIS and calculation of interest of the Savings Fund and the Insurance Fund
- o The overall supervision and superintendence of the Staff Inspection Unit (SIU) of the Government of India is the responsibility of the CCA.
- o Release and watch of repayment of loans to Banks and Financial Institutions.
- o Accounting of Loans to foreign Governments.
- o Preparation of Coinage Account.
- o Calculation of average rate of interest on Capital Outlay in Commercial Departments of Central Government.
- o Preparation of Consolidated Account of total receipts and payments of all the Ministries / Departments for Central Government Employees Group Insurance Scheme and calculation of interest on Savings Fund and Insurance Fund.
- o Making payments of all the Debt Recovery Tribunals, Debt Recovery Appellate Tribunal, Board of Industrial and Financial Reconstruction, Appellate Authority for Industrial and Financial Reconstruction, Finance commission etc.
- o Management of Guarantee Fee.

Table 2.5

Office of the Chief Controller of Accounts Principal Accounts Office (Admn.)

REPRESENTATION OF SCs, STs & OBCs

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	7	2	Nil	Nil	Done by O/o CGA, M/o Finance, D/o Expenditure									
Group B	107	11	Nil	Nil										
Group C	148	34	18	10	4	1	Nil	1	2	1	Nil	3	Nil	Nil
Group D (Excluding Safai Karamcharis)	21	4	3	2	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group D (Safai Karamcharis)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
TOTAL	**283**	**51**	**21**	**12**	**4**	**1**	**0**	**1**	**2**	**1**	**0**	**3**	**0**	**0**

Table 2.6

Office of the Chief Controller of Accounts Principal Accounts Office (Admn.)

REPRESENTATION OF SCs, STs & OBCs

Groups	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of Vacancies reserved			No. of Appointments Made				No. of Vacancies reserved			No. of Appointments Made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
A	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
B	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
C	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
D	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Note: (i) VH stands for Visually Handicapped (persons suffering from blindness or low vision).
(ii) HH stands for Hearing Handicapped (persons suffering from hearing impairment).
(iii) OH stands for Orthopaedically Handicapped (persons suffering from locomotor disability or cerbral palsy).

9. Controller General of Accounts

9.1 The Controller General of Accounts is apex accounting authority of the Central Government exercising the powers of the President under Article 150 of the Constitution for prescribing the form of accounts of the Union and State Governments on the advice of Comptroller and Auditor General of India.

9.2 Broadly, the functions entrusted to the Controller General of Accounts as per Allocation of Business are as under:-

- To formulate the policy relating to the general principles, form and procedure of accounting for the entire Central and State Governments.
- To coordinate and oversee the payment, receipts and accounting matters in the Central Civil Ministries/Departments through the set up of the Civil Accounts Organization.
- To coordinate and assist in the introduction of management accounting systems in Ministries/ Departments with a view to optimize utilization of Government resources through efficient cash management and an effective Financial Management Information System.
- To administer banking arrangements for disbursements of Government expenditures and collection of government receipts and interaction with the central bank for reconciliation of cash balances of the Union Government.

- To consolidate the monthly and annual accounts of the Central Government and put in place a robust financial reporting system in the overall endeavour toward the formulation and implementation of a sound fiscal policy by Government of India.
- To ensure Human Resource Management such as recruitment, deployment and career profile management of the requisite officers and staff both at the supervisory level and at the operational level within the Indian Civil Accounts Organization.

9.3 The office of the Controller General of Accounts is responsible for Monthly consolidation of the Union Government Accounts. A detailed analysis of the monthly trends of receipts, payments, deficit and its sources of financing are presented to the Union Finance Minister every month. The Document has over a period of time evolved into an extremely useful tool for monitoring budgetary compliance and a handy MIS reference for decision making. In consonance with the Government's policy towards transparency in public functioning, an abstract of the Union Government accounts is also released every month on the Internet. The data can be accessed at the website http://www.cga.gov.in

9.4 In tune with the development in best practices, CGA's office also prepares Provisional Accounts of the Government of India within two months of completion of the financial year. The professionalism with which these accounts are prepared is evident from the high accuracy level attained in the last few years as only marginal variations have been observed between the Provisional Accounts and final audited Annual accounts.

9.5 "Union Government Finance Accounts for the year 2008-09" and "Accounts at a Glance for the year 2008-09" will be laid in the coming Budget Session of the Parliament.

9.6 The CGA office undertakes reconciliation of Reserve Bank Deposit and Public Sector Banks Suspense, Authorization and Change of Accredited Banks for handling Government transactions i.e. Civil and Non-Civil Ministries/Departments, holding Standing Committee Meetings, APEX Committee Meetings and Private Sector Banks Meetings to review the handling of Government transactions by Banks Accredited to Civil and Non-Civil Ministries/ Departments and disposal of related matters received from different Banks/Ministries/Departments.

9.7 The CGA office audits the Pr. Accounts Offices and Pay & Accounts Offices of the Civil Ministries (350 units).The Principal Accounts Offices are to be audited once in three years and the Pay & Accounts Offices are to be audited once in five years. In addition to audit, the CGA office performs the following items of work:-

i. Annual Review on the Performance of Internal Audit of Line Ministries.

ii. Prepares a consolidated report regarding 'Re-appropriation of funds' on the recommendations contained in the 37th Report of the PAC (14th Lok Sabha) for submission to the Budget Division, Ministry of Finance.

iii. Preparation and issue of the Directory of Civil Accounts Organisation and Directory of Indian Civil Accounts Service Officers.

iv. Vetting of Internal Audit Manuals received from Internal Audit Wings of Line Ministries.

9.8 Initiatives & Achievements

i. A checklist of control points for Audit of Pay & Accounts Offices has been prepared for issue to the Internal Audit Wings of Line Ministries for use in Internal Audit of their Pay & Accounts Offices.

ii. **"Benchmark Audits"** of three Pay & Accounts Offices were conducted using the checklist of control points on pilot basis.

iii. Preparation of training material for training Officers in Risk Based/ Performance Audit using Case-Study approach.

9.9 Centre of Excellence for Internal Audit

A Centre of Excellence for Internal Audit was set up in August 2007 to reinforce the commitment to continuous management improvement and move towards a strengthened and better-positioned internal audit system. The objectives of the Centre of Excellence are as under:

- Develop into a repository of technical resource and guidance centre for advising internal audit wings of line Ministries on effective, independent and objective internal audit functions, procedures, and 'best practices'.
- Enhance the quality of internal audit so that the results of internal audit become an input into the processes of planning, project formulation and implementation.
- Provide an assurance to the management that the 'controls' in place provide adequate protection against likely 'risks'.

9.10 Initiatives & Achievements

9.10.1 Capacity Development in Internal Audit took place in the following areas:

- Planning of Scheme Audits.
- On the job learning in analysis of data collected from the field.
- Development of skills in reporting and presentation.

9.10.2 90 Officers have been trained in Risk based/ Performance Audit so far through the collaborating institutions, which are NIFM, INGAF, FMRRS and IIA.

Development of Roadmaps and Perspective Plans for Internal Audit of line Ministries have been undertaken.

9.10.3 Monitoring Cell has been actively involved in monitoring the receipt of Utilization Certificates (UCs) by the Ministries from grantee institutions. Of 191400 UCs in respect of grants released upto March 2008, 135635 UCs have been obtained as on 01.10.2009. This represents 70.86% of the number of outstanding UCs, and in terms of amount, 73.28% of the UCs.

9.11 Central Plan Schemes Monitoring System (CPSMS)

- The Finance Minister in his budget Speech (2008-09) announced the setting of the Central Plan Scheme Monitoring System towards establishment of a comprehensive Decision Support System and Management Information. The intended outcome was to generate and monitor scheme-wise and state-wise releases for the Central Plan and Centrally Sponsored Schemes.
- The Scheme is being implemented by the office of Controller General of Accounts as a Plan Scheme under the Planning Commission.
- The scheme envisages on-line tracking of funds disbursed from the Government of India under the plan schemes and also utilization of these funds at different hierarchies of implementation on a real time basis. It also plans to capture the nature of expenditure and unspent balances at various levels of implementation by establishing a link between CPSMS and the Core Banking Solution (CBS) of various participating banks which in turn, help in better fiscal management by the Government
- The CPSMS is being operated in all civil ministries. It is being implemented on the web based application developed and deployed on the CGA's accounting softwares known as COMPACT & e-lekha.
- On full implementation, the system would provide a platform on which the management at each level would be able to monitor fund utilization under various plan schemes. The system would provide customized information of fund deployment and utilization vertically under each scheme and horizontally across schemes to Finance Secretaries, Administrative Secretaries, District Collectors, and to district agencies etc. The information available on CPSMS will be used to bring efficiency, accountability and transparency.

9.12 Benefits derived from CPSMS

- It captures data on all schemes operated by central civil ministries with Budget provision on web site
- All sanctions can be tracked right from its inception in Programme Division, movement to DDO for bill submission, to PAO for payment, and to bank with cheque/Advice detail. Report on sanctions issued, sanctions settled and sanctions pending is available to users. A pendency report can also be generated from the system. The tracking of sanctions and pendency reports are very effective tools of regular monitoring.
- Sanction orders are now being generated through the system. The inbuilt "draft sanction module" reduces the data entry work, typing work and data entry related errors in preparation of sanctions.
- Sanction orders issued through CPSMS are available to beneficiary states/implementing agencies/entities & to individual to track their releases.
- Universal application of CPSMS software covering all Plan Schemes of Government of India reduces the proliferation of local software and portals running for different schemes both at Central and States level.
- It provides a common platform which can provide details of Ministry wise, Scheme-wise, State-wise and Agency-wise sanction issued and releases made. The releases & expenditure statement alongwith percentage with respect to BE, can be generated on real time basis.
- It distinguishes between releases/transfers of funds and final expenditure incurred.
- System provides comparative statement of releases made in corresponding period of previous years.
- Consolidated information is available on different grants received: from various ministries/schemes: by any NGO/autonomous body/individual.
- Details of all such agencies (including NGO's) drawing Grants from more than one Scheme/Ministry/Department can be generated.

9.13 Information Technology Initiatives

9.13.1 It has been an endeavour of Controller General of Accounts to develop systems for improved financial reporting and better payment / receipts processes by leveraging Information and Communication Technology (ICT).

9.13.2 - COMPACT (Computerised Pay & Accounts Office Project)

Developed in 2001, is an application for computerizing processes involved in payment/receipts systems and accounting in Pay & Accounts Offices (PAOs) of Government of India. Functionalities of COMPACT have been certified by Standardization Testing and Quality Certification (STQC), Department of Information Technology and software has been running successfully in various Pay and Accounts Offices. The system uses a Client - Server Architecture, has role based access and database level security with multiple user facility with Graphic User Interface for user comforts. COMPACT interfaces between the PAOs and other entities like Drawing and Disbursing Officers, Banks, Central Pension Accounting Office.

9.13.3 **e-Lekha** is a web-enabled financial management information system, which has also been designed for enabling electronic payments. It has improved efficiency and accuracy of the accounting and payments processes. It is built around the COMPACT application running at more than 300 Pay and Accounts Offices (PAOs) spread across the geographical expanse of the Country. COMPACT application provides information backbone to the 'e-Lekha' system.

9.13.4 - 'e-Lekha', operational since 2005, is being used by all Civil Ministries of the Government of India covering over 324 Pay and Accounts Offices and 47 Ministries / Departments. Non-Civil Ministries like Defence, Railways, Post & Telecom, AG Audit etc. also use e-Lekha for limited purposes of financial reporting. In this way, e-Lekha gets all the financial and accounting data from each Accounting office under Union Government across the country. Ministries can also use this system to monitor the work in various PAOs under their control for the year, month or on a daily basis.

9.13.5 **- Way ahead…**

The Controller General of Accounts in consultation with the Accounts Informatics Division of the National Informatics Centre is committed to developing systems for complete integration of functions of all tiers of the Accounting hierarchy. This will involve:

a. Enable electronic payments for all central grant transactions.
b. Integration of daily, monthly and annual accounting processes for value added reporting and monitoring mechanism;
c. Enable centralized availability of revenues and expenditure data; and recording of public account transactions;
d. Maintain and make available a centralized and on-line Chart of Accounts (COA);
e. Ensure online Budget availability (PAO/DDO-wise) for valid coding blocks as per COA elements;
f. Interface with Banking System for e-scrolls, Put through etc;
g. Capture Commitments – starting with sanctions, and followed by procurement function integration through DDO interface utility; and
h. Expenditure and Revenue Forecasting for Planning Debt Management and Budget Modeling.

9.13.6 Keeping in view the urgent need for introducing process efficiency in the payment and accounting functions in the organization, the following immediate objectives will be achieved–

a) Integrated accounting system for monthly and Annual Accounts process;
b) Centralized availability of real-time or near real-time expenditure position;
c) Centralized availability of receipt collections – tax and non-tax revenue; and
d) Monitoring of scheme-wise expenditures for ministries, including social sector ministries.

9.14 Examination Reforms

9.14.1 Availability of efficient and properly trained man power is essential to fulfill the objective of maintaining adequate standards of accounting in the Civil Ministries. With this end in view, the CGA conducts the following departmental examinations for the staff of the Central Civil Accounts Service - (i) the Assistant Accounts Officer (Civil) Examination (once every year), (ii) Departmental Confirmatory Examination for Accountants (twice a year), (iii) Limited Departmental Competitive Examination for Promotion of Matriculate Gr. D Staff as LDCs and (iv) Limited Departmental Competitive Examination for Promotion of LDCs as Accountants. The last two examinations are conducted when vacancies under the departmental promotion quota are available.

9.14.2 During the year 2009-10, the Assistant Accounts Officer (Civil) Examination was conducted in November 2009 in Delhi and 12 other centers spread across the country. Around 700 candidates have taken the Examination.

9.14.3 The first Departmental Confirmatory Examination of the year was conducted in August 2009. 103 candidates took the Examination. The second examination of the year is slated to be conducted in January-February 2010.

9.14.4 Over the years, the examinations conducted by the CGA have helped create a large pool of well trained and highly qualified accounts personnel in all the Civil Ministries of the Union Government.

9.15 The Implementation of Right to Information Act

The Right to Information Act, has been implemented in this office and all the information disclosures required under the Act has been put up on this office's website http//www.cga.nic.in. Information is being promptly supplied to the applicants. All the guidelines issued by the Central Information Commission (CIC) are being strictly followed.

9.16 Institute of Government Accounts and Finance (INGAF)

Institute of Government Accounts & Finance (INGAF) is the training arm of the Controller General of Accounts, Ministry of Finance, Government of India. Since its inception in 1992, the Institute has become an elite training center in the areas of Government Accounting, Budgeting, Public Financial Management, Expenditure Control, Internal Audit Administrative and Establishment matters.

Objective:

- To maintain the status of INGAF as the premier center of excellence, imparting training in Public Finance, Accounts and Information Technology.
- To keep abreast of latest developments in these fields and adopt modern training and research methodology.

- To continuously upgrade the skills and knowledge of all members of the Civil Accounts Organisation and other officials of Government.

Training Highlights

a. A total of 5,069 participants received training during the year.

b. Launched special programs on Risk Based Audit and Internal Controls in partnership with the IIA & FMRRS.

c. Introduced new modules in areas like the CPSMS, project financing and appraisal, outcome and gender budget, audit for plan schemes and public private partnership.

d. Increased outreach of programs to cover areas like the North East.

e. Sponsored programs on various Accounting related Reforms for 1,009 trainees from state governments / PSUs / central government ministries / departments.

f. Organized intensive coaching for JAO (Civil) aspirants.

g. Extended program orbit to include Group 'D' employees.

h. Partnered with World Bank Institute to train 100 delegates of different CIS countries in Performance Based Budgeting techniques in Uzbekistan.

i. Trained 112 participants from 43 countries extending the INGAF training orbit to 100 countries covered by the Indian Technical & Economic Cooperation (ITEC)/ Special Commonwealth African Assistance Programme (SCAAP) consortium.

j. Identified as Association of Government Accounts Organisations of Asia (AGAOA) (secretariat and a premier training institute in the SAARC region. Conducted special programs for AGAOA partners, and made seminal contributions in experience sharing programs / International conferences held at Islamabad, Colombo and New Delhi.

10. Central Pension Accounting Office

10.1 The Central Pension Accounting Office (CPAO) set up on 01.01.1990 is administering the "Scheme for Payment of Pensions to Central Government Civil pensioners by Authorised Banks". Its function include:

- Issue of Special Seal Authorities (SSAs) to Authorised Banks
- Preparation of Budget for the Pension Grant and accounting thereof
- Audit of pension payment made by Banks

10.2 The CPAO deals with pension related payment authorisation to Central Civil Pensioners, Ex-Presidents of India, Ex-Vice Presidents of India, Ex-Members of Parliament, Retired Judges of Supreme Court and High Court, All India Services Pensioners and Freedom Fighters. It also deals with the pension payment to Burma and Nepal pensioners. CPAO is also coordinating the implementation of the New Pension Scheme in the Central Civil Ministries since April 2008.

10.3 The Central Pension Accounting Office during the year carried out its role efficiently processing all pension cases. Between 1 January to 31 December 2009, this office processed 138852 pension cases (46693 pertain to new PPOs and 92159 to revision cases, including VI Central Pay Commission revision cases).

10.4 Special teams were constituted to conduct internal audit of fourteen bank branches of eight banks in the first quarter of 2009.

10.5 To implement the disbursement of additional relief to pensioners/family pensioners in disability / death cases in respect of NPS subscribers, CPAO has commenced direct disbursement of provisional pension on a monthly basis direct to the pensioners' accounts through electronic transfers.

10.6 With effect from 1 April 2008, Central Government has decided to bear the pension liability of All India Service (AIS) pensioners. These pensioners have been given the option of pension disbursement through CPAO. Wherever States have nominated the designated authorities and sent pension cases, CPAO has authorised pension to the bank selected by the pensioner.

10.7 CPAO is also implementing projects which are aimed at improving the processes relating to the pension payment. These projects include the introduction of Centralised Pension Processing Centers (CPPCs) in banks, submission of e-scrolls and e-PPO/e-authority. The CPPCs of State Bank of India and Bank of Baroda have commenced functioning from 1.9.2009 and 1.1.2010. respectively.

10.8 E-Governance activities at CPAO

10.8.1 CPAO is a fairly computerized office. Its main function is authorisation of pension to Banks, and preparation of Budget and Accounts for the Pension Grant. The number of pensioners on 31 December 2009 is 8,91,617. On receipt, the PPO (Pension Payment Order), is diarised, a unique Diary No. is assigned and referred to respective authorizations section. After data entry and verification, the Special Seal Authority (SSA) is printed, authorised and sent through the dispatch section to various banks. All the above functions are done using a central computer with terminals available in all sections. It is possible to trace any case received in CPAO at any stage of processing. The pensioner can enquire about his case any time by giving his PPO Number on telephone or through the query in the website.

10.8.2 The website of CPAO (http://cpao.nic.in) developed and launched on 8th Oct. 2001 with active technical support of NIC. This website provides information to the pensioners on the status of their cases. Recently additional information had been added to communicate extension of time required to

Table 2.7

Central Pension Accounting Office (CPAO) Representation of SCs, STs and OBCs

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	166	25	13	10	2	1	1	-	-	-	-	-	-	

Table 2.8

Representation of SCs, STs and OBCs

Groups	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of Vacancies reserved			No. of Appointments Made				No. of Vacancies reserved			No. of Appointments Made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Group A	166	-	1	1*	2	2	1	-	-	-	-	-	-	-	-	-	-	-

Position as on 31.12.2009

* Resigned (Technically) to join IRS

process pension cases in CPAO due to larger volumes caused by 6th Pay Commission related revisions. While the case is in CPAO, the pensioner can also view the internal movement of the PPO. Similarly where the same is under return, the reason for return is flashed.

10.8.3 As part of the G to G, e-governance measures, downloadable web reports were developed and introduced in 2009, for banks (list of cases dispatched to banks) and Ministries (giving PAO-wise, PPO-wise status). The website also gives the latest pension related circulars/guidelines and links to related sites.

10.8.4 A wide range of software has been developed/ implemented in this office for streamlining pension disbursement and accounting, like Pension **Authorization Retrieval & Accounting System (PARAS),** COMPACT & Database Management Software.

11. National Institute of Financial Management (NIFM)

11.1. National Institute of Financial Management has been set up with a view to establish itself as a premier knowledge-partner in the country for training, research and consultancy in the area of Finance, Accounts & Audit, Public Financial Management, HRD and IT. National Institute of Financial Management is a society registered under the Societies Registration Act 1860. Hon'ble Finance Minister, Govt. of India, heads the General Body of the Society. The Board of Governors of the NIFM Society is chaired by the Secretary, Department of Expenditure, Ministry of Finance, Government of India.

11.2 NIFM provides 44 weeks professional training to probationers of six Central Group 'A' Finance and Accounts Services. Since its inception in January 1994, NIFM has successfully trained sixteen batches of probationers of various Accounts, Audit, and Finance Services. The Institute besides, providing training to probationers conducts a two year full time residential Post Graduate Diploma in Management (Financial Management) for senior & middle level officers of Government & PSUs. The 9th batch of PGDM(FM) is in progress. NIFM also conducts various short-term Management Development Programmes and also undertake consultancy work.

11.3 NIFM Budget estimates for the year 2009-10 was Rs 1607.07 lakh and RE for 2009-10 is Rs 1686.95 lakh. The BE for the year 2010-2011 is Rs 1512.40 lakh (Capital + Revenue).

11.4 National Institute of Financial Management (NIFM) was set up in 1993 on the basis of a proposal made by Ministry of Finance, which was approved by the Union Cabinet. The Union Cabinet envisaged that NIFM would begin as a training institution for officers recruited by the Union Public Service Commission (UPSC) through the annual Civil Service Examinations and allocated to the various services responsible for managing senior and top management posts dealing with accounts and finance in the Government of India. NIFM was to develop as a Centre of Excellence in the areas of Financial Management and related disciplines, **"not only in India but also in Asia".**

11.5 Despite the legally autonomous character of the

Institute, Making the Finance Minister of Government of India, the President of the Society ensured a very close linkage with Government. For administrative purpose, there is a Governing Board chaired by the Secretary (Expenditure). The Director appointed by the Appointments Committee of the Union Cabinet is responsible for the administration and academic programmes of the Institute. It will thus be seen that the Institute has close links and direct access to Government of India.

11.6 Objectives

11.6.1 Main Objectives:

i) To establish and administer the management of the Institute.
ii) To organize and provide training and continuing professional education to Group 'A' officers of the participating Services including organization of refresher courses at senior and middle levels.
iii) To establish the Institute as a Centre of Excellence in financial management for promoting the highest standards of professional competence and practice.
iv) To undertake and promote research / consultancy studies in the fields of accounting, audit, financial and fiscal management and related subjects.
v) To promote education in financial and fiscal management for officers of the associate Services of Centre /State Governments and officers of public sector enterprises/institutions.
vi) To organize International Training Programmes and to keep abreast with progress made in the rest of the world in the area of finance and accounts, particularly in Government and public sector institutions.

11.6.2 Other Objectives

In furtherance of the main objectives set out above, the Institute shall have the following related objectives:

i) Promote learning, so that the officers of the Participating Services acquire skills and knowledge for effective discharge of their functions with special emphasis on Financial Management. Public Finance, Government Accounting and Parliamentary Financial Control.
ii) Enhance the capabilities of existing training institutions of the Participating Services, to improve their quality of training.
iii) Provide a common platform for interaction and facilitate exchange of ideas and experiences amongst officer of Participating Services.
iv) Expose officers to all aspects of the state-of-the art techniques of financial management including the use of computers.
v) Assist, interact and collaborate in promoting study of financial management with other institutions and bodies, both with the country and abroad.
vi) Undertake publication of papers, books, monog raphs, journals etc. in financial management.
vii) Establish and maintain library and information services/network.
viii) Publish and disseminate information relating to result of research and other training courses/ programmes.
ix) Provide consultancy services to government departments, public enterprises and institutions for review, improvement of their existing organizations, systems, procedures, training activities and other related subjects.
x) Award diplomas, certificates and other distinctions to persons trained and to prescribe standards of proficiency before the award of such diplomas, certificates and other distinctions.
xi) Institute and award fellowships, prizes and medals in accordance with the rules and bye-laws.
xii) Confer honorary awards and other distinctions.
xiii) Promote, organize, convene, conduct and participate in national and international seminars, conferences, workshops, training programmes and study tours.
xiv) Develop, establish, affiliate regional centers as considered necessary by the society.
xv) Establish procedures for smooth functioning of the Institute and carry out activities in matters relating to personnel, finance, administration, purchases, management of hostels and other matters.
xvi) Construct, maintain, alter, improve or develop any building or works necessary or convenient for the purpose of the society.
xvii) Do all such other acts and things either alone or in conjunction with other organizations or persons as the society may consider necessary incidental or conductive to the attainment of the objectives of the society.

11.7 Main Activities

11.7.1 Towards achievement of these objectives, NIFM provides 44 weeks' professional training to probationers of the six Central Group 'A' Finance and Accounts Services. The training covers critical areas of financial management, information technology, human resource development, quantitative techniques and project management.

11.7.2 NIFM also provides opportunity for integrated mid-career professional training to in-service officers of Central and State Governments as well as of foreign countries (especially SAARC countries) by organizing a Two-year Post Graduate Diploma in Management (Financial Management). The programme aims at providing exposure to contemporary issues of financial management and best practices in public and corporate governance.

11.7.3 Management Development Programs provide short-term training for middle level to senior level officers of Central Government, State Governments, PSUs, Autonomous Bodies and Urban Local Bodies. These courses provide opportunity for professional development, facilitate exchange of ideas, promote quality financial management, and bring together government officials and finance managers and professionals from other disciplines.

11.7.4 The Institute also offers consultancy in core areas of review of Financial Rules, conversion of cash accounts to accrual system, preparation of procurement and budgeting manuals, and review of financial management of autonomous bodies with a view to suggesting a roadmap for improving economy, efficiency and effectiveness.

11.7.5 National Institute of Financial Management is a society registered under the Societies Registration Act 1860. Hon'ble Finance Minister, Govt. of India, heads the General Body of the Society. The Board of Governors of the NIFM Society is chaired by the Secretary, Department of Expenditure, Ministry of Finance, Government of India.

11.7.6 NIFM runs three long-term programs viz. Professional Training Course for probationers; Post Graduate Diploma in Business Management (Financial Management) and Diploma in Government Accounting & Internal Audit.

11.8 Professional Training Course

11.8.1 Since inception in January 1994, NIFM has successfully trained fifteen batches of probationers of various Accounts, Audit, and Finance Services.

11.8.2 16th Professional Training Course which started in January 2009 was completed in the first week of November 2009. The break-up of the participants from various participating services is as follows :-

Table 2.9.1 Service wise break-up of probationers of 16th PTC

Service	Number
Indian Civil Accounts Service	2
Indian Defence Accounts Service	4
Indian P&T (Finance & Accounts) Service	5
Total	11

11.8.3 Training of 17th Batch of 11 probationers (list placed at Appendix – II) commenced on 5th January, 2010. The break-up of the participants from various participating services is as follows :-

Table 2.9.2 Service wise break-up of probationers of 17th PTC

Service	Number
Indian Civil Accounts Service	2
Indian Defence Accounts Service	4
Indian P&T (Finance & Accounts) Service	5
Total	11

11.8.4 **The curriculum places due emphasis on practical exercises.** It also includes study tours to select PSUs and Government organisations. The probationers are sent on a attachment with National Academy of Audit & Accounts and two weeks' Bharat Darshan. Cultural programmes, debating competitions, informal discussions and talks by experts on current affairs, are aimed at comprehensive skill development.

11.8.5 Post–Graduate Diploma in Management (Financial Management)

NIFM had been conducting MBA(Finance) Program affiliated to Maharshi Dayanand University, Rohtak, Haryana since year 2002. In 2005, a two-year Post-Graduate Diploma in Business Management (Financial Management) approved by AICTE replaced the earlier MBA(F) program. The program commenced from 24th January, 2005. However, the program had four semesters as it was earlier.

11.8.6 In view of changing requirement of the client organization together with changing landscape of informed decision making it was thought appropriate to re-visit the entire curricula of the Post Graduate Program. Accordingly, the matter of revamping the existing PGDBM(FM) was put before the Academic Advisory Committee of NIFM. The committee suggested revamping of the program by introducing trimester scheme for the program.

11.8.7 The program presently consists of five trimesters of teaching and an additional trimester of project work. In all, there are 96 credits which the participants are required to clear for award of Post Graduate Diploma. The program runs for a period of two academic years, and during the second year of training the participants are sent for an International Attachment. The participants are also given two attachments within the country respectively with two different financial institutes of repute and/or academies of national repute.

11.9 The programme is open to the following

11.9.1 Officers at middle/senior level working with the Central or State Governments, UT Governments Public Enterprises and autonomous organizations belonging to State/Central Government, or, similar participants from foreign countries, or, NIFM trainee officers of Central Finance and Accounts Services. The programme is also open for working executives from corporate sector.

11.9.2 The program fees is funded by Planning Commission for the participants sponsored by Central/State/UT Governments. The pay allowances of sponsored participants are born by their respective organizations.

11.9.3 The curriculum is designed to impart knowledge & develop skills in areas such as commercial and government accounting, financial management, public finance, budgeting, management techniques, project management and techniques used for financial decision making and MIS. An Academic Advisory Committee meets at least once every quarter and renders advice to the Director, NIFM on the following aspects of PGDBM(FM) program.

- Syllabus
- Faculty Specialization & Development
- General oversight of all academic activities.

11.10 Diploma in Government Accounting & Internal Audit

11.10.1 NIFM had started one year Diploma in Government Accounting & Internal Audit (DGA&IA) duly approved by AICTE for the officers for Accounting Services who have been inducted or likely to be inducted into Group "A" service. The course was spread over in 3 terms of 4 months each. The last term also included project work. The curriculum emphasizes more on assignments, practical exercises, study tours etc.

11.10.2 The first batch of the programme was concluded on 31st May, 2009, with a total of 31 officer trainees. The 2nd batch with 26 officers commenced from 1st June, 09. The class room teaching segment has been completed and the project work is in progress.

11.11 Management Development Programmes

11.11.1 NIFM conducts Management Development Programs (MDPs) of varying durations every year. In 2009-10, NIFM trained 728 participants in 23 programs that generated revenue of Rs. 3.38 crore.

11.11.2 Focus of the programs was on the following areas:

- Budgeting & Public Expenditure Management
- Accounting Systems & Financial Management in Government
- Procurement of Goods & Services
- Tendering & Contracting
- Public Financial Management
- Cyber Crime & Forensics
- Value Added Tax
- TDS Rules & FBT Rules
- Service Tax and Cenvat Credit Rules
- Professional Skills Development

11.11.3 In addition, International Training Programs under Technical Cooperation Scheme of Colombo Plan sponsored by Ministry of Finance are also run for Officers from different countries. In addition, various govt. departments, PSUs etc. also sponsor candidates for the specialized courses conducted by the Institute.

11.12 Special programs

(a) Executive Programme in Capital Market : The NIFM in collaboration with BSE has launched on year Weekend Executive Programme, which focuses in developing trained professionals capable of occupying positions of responsibility in stock exchange, commodity exchange, regulatory bodies, market intermediaries, banks, mutual funds and asset management companies and other similar entries covering all financial markets like cash equity derivatives, currency derivatives, commodities and foreign exchanges. The first batch of the programme commenced from July, 2009 with 16 participants. The next batch of the progrmme will commence from March, 2010 where in target is for 30 participants.

(b) Fellow Programme in Management: This is an open program to peruse Research Work to produce competent researchers, teachers and Consultants. The Program is duly approved by AICTE. The first batch of the programme commenced from July, 2009 with 5 participants.

11.13 Consultancy

11.13.1 Consultancy Assignment

During the year 2009-10, three consultancy Projects have been completed by NIFM. The consultancy projects awarded/ in progress during the year are as under:-

(i) Inventory (Moveable and Immoveable Properties) Assessment and Management of Ministry of Home Affairs, New Delhi.

(ii) Accounting System of IITs and IISc Bangalore under Ministry of Human Resources Development, New Delhi.

11.14 Other Important Events:

During the year, Workshop on "Capacity Building Programme for Accounts Officers" of Haryana Government was conducting in collaboration with Haryana Institute of Public Administration (HIPA)

11.15 Infrastructure

11.15.1 The Institute is spread over a verdant 42 acre land in Faridabad. The green area comprises a forest area and cricket and football grounds. Outdoor games facilities include courts for tennis, volley ball, badminton besides cricket and football grounds. A modern sports complex, inaugurated in September 2005, has facilities for badminton, squash, billiards, table-tennis and also houses a modern gym. NIFM conducts regular sports tournaments with the main draw being the Directors' Cup for Volley Ball.

11.15.2 Training programmes are conducted in nine air-conditioned class- rooms equipped with modern audio-visual equipments. The Conference Hall and Board Room are also used for Management Development Programmes. The fully automated library has 28,600 books & periodicals; over 115 Indian and Foreign Journals. The Library is a member of DELNET where data in respect of more than 100 libraries is available online. It uses an in-house software for cataloging besides using barcode technology. There are three state-of-the-art computer labs. All lab machines are connected through LAN. A full-fledged Server-Room is set up with five Pentium servers installed to control the overall data transfer via LAN with a thorough security system with user name and password. The Institute has 256 kbps internet connectivity to provide round the clock instant Internet access.

11.15.3 The 185 seat auditorium and the amphitheatre are venues for regular cultural programmes presented by participants of various programmes.

11.15.4 All the programmes are residential, though few Delhi-based participants of PGDBM (FM) and MDPs prefer to commute from Delhi. Participants stay in the 182 room hostel which includes 104 air-conditioned rooms, 6 VIP suites and an Executive Hostel consisting of 12 suites.

11.16 Staff Strength

11.16.1 The Institute has a total sanctioned strength of 85, which includes 28 faculty posts. 55 posts including 11 faculty posts are presently filled.

Table 2.11: Break-up of sanctioned posts and vacancies

Category	Numbers of posts		
	Sanctioned	In position	Vacant
Faculty	28	13	15
Staff	57	40	*17
Total	85	53	32

* Filled up through contractual employees

11.6.2 The facilities provided to the staff include Group Insurance Scheme and medical facilities with an in-house doctor and tie-up with local hospitals. The staff is provided with residential quarters. A 650 KVA generator system has been installed as a standby mode to ensure round the clock power and water supply in NIFM's campus.

11.6.3 A career progression scheme for Faculty and Staff has been put in place, to raise the morale and motivation levels in the Institute. The Recreation Club that has Faculty and Staff as its members regularly organizes cultural and sports activities.

11.17 Implementation of the Right to Information Act, 2005

Information that has to be provided suo-moto by the Institute (under Section 4 item (i) to (xvii) of RTI Act) have been placed on NIFM web site www.nifm.ac.in for public use. The information includes details of the organisation, functions, duties, powers and list of employees including their emoluments etc. A Central Public Information Officer has been appointed. Other relevant details like Appellate Authority, procedure to obtain the information & fees structure etc. are also placed on the website.

11.18 Promotion of Hindi

In compliance with the policy of the Department of Official Language, Ministry of Home Affairs, a Hindi Coordination Committee headed by a senior faculty member has been constituted in the Institute. The staff are sent for training of Hindi typing, noting & drafting organized by Central Translation Bureau etc. 'Hindi Week' was celebrated in NIFM from 7th September to 13th September, 09 in which various competitions such as Essays, Noting, Drafting, Dictation in Hindi language were organized in which faculty, officers, staff and training officers whole heartedly participated.

12. Use of Hindi as Official Language

12.1 Hindi Section of the Department of Expenditure ensures implementation of Official Language policy of the Government of India in the Department and carries out translation work of all the documents under Section 3(3) of the Official Language Act i.e. General Orders, Parliament Questions, various reports to be laid on the table of both the houses of the Parliament as well as Letters, Speeches, etc. of the Hon'ble Ministers.

12.2 In the Department near about 99% Officers/employees have the working knowledge/proficiency in Hindi and about 65% of Official work is being done in Hindi in the department and efforts are being made to progressively increase it. Typists/Stenographers not knowing Hindi typing/stenography are nominated on regular basis for the training of Hindi Typing and Stenography and employees who do not possess working knowledge of Hindi are imparted training in various Hindi courses viz. Prabodh/Praveen/Pragya. Hindi Workshops are organized in the Department from time to time and the employees attaining first three positions are given the Cash Awards of Rs. 1200/-, Rs. 1000/- and Rs. 800/- respectively and one consolation prize of Rs. 500/- is also given.

12.3 Meetings of the Departmental Official Language Implementation Committee are being organised regularly.

12.4 For the propagation of Hindi in the Department, Hindi Magazine "Vyay Patrika" is published regularly by Hindi Section and the authors of the articles adjudged as Ist, IInd and IIIrd were given Cash awards of Rs. 2000/-, Rs. 1500/- and Rs. 1000/- respectively and of Rs. 500/- each were given as two consolation prizes during the year. The last issue of the magazine has been circulated among all the concerned and new edition of Patrika is currently under process.

12.5 During the period under report, Hindi version of Brochure on Pay and Allowances of Central Civilian employees published and issued annually by Department's Pay and Research Unit (PRU), was rendered by Hindi Section. Furthermore, translation of departmental publications such as Outcome Budget and Flagship Programmes was also carried out.

12.6 During the year under report "Hindi Maah" (Hindi Month) was organized in the Department from 14 September, 2009 to 13 October 2009, in which 13 various competitions were organized. Many officers and employees took part in these competitions enthusiastically. These included Hindi Essay writing, Noting-Drafting, Hindi Poetry, Hindi Extempore, Dictations, Hindi Story and Poetry writing etc and apart from this, Non-Hindi speaking employees were also taken care of for whom General Hindi Comprehension competition was organized specifically. Besides this, Hindi Quiz and conference on contemporary topics were special attraction during the Hindi Month. All the winners of first, second and third positions in these competitions were awarded cash prizes of Rs.5000/-, Rs. 3000/- & Rs.2000/- respectively along with the Merit certificate and two cash prizes of Rs. 1000/- each as consolation. Alongside, during Hindi Month, a competition was organized in which employees doing their maximum work in official language Hindi during the given period of Fortnight were rewarded. Under this, two first prizes of Rs.2500/- each, three second prizes of Rs. 1500/- each, two third prizes of Rs. 1000/- each and two consolation prizes each of Rs. 750/- were disbursed along with the certificates.

12.7 Further, under Incentives Scheme for original Hindi Noting/Drafting in official work introduced by the Department of Official Language (MHA), 2 employees were awarded cash prize of Rs.1000/- each on attaining first position.

12.8 During the year 2009-10, Hindi Section inspected 7 sections and 1 attached office of the Department and important suggestions were given to solve the practical problems being faced by the employees of these sections/office while working in Hindi and short comings found were indicated.

The significant material of this Department has been uploaded in the website.

13. Computerisation in Department of Expenditure

13.1 Online Central Assistance Monitoring System

Online Central Assistance Monitoring System was developed and implemented in Department of Expenditure to enable Plan Finance-I Division to capture the recommendations made by various Ministries/Departments for release of funds against their schemes and monitor the releases vis-à-vis availability of funds.

13.2 Intranet for Plan Finance-I Division

Intranet was implemented for Plan Finance-I division to enable the officers to upload/share documents within the division.

13.3 Implementation of E-Service Book

As part of implementation of E-Service book in the department, base data was captured from the existing payroll application and data entry started for additional information in the database.

13.4 Officer of Chief Adviser (Cost)

Web site of Officer of Chief Adviser (Cost) (cac.gov.in) was launched. E-Granthalaya software was implemented to computerize issue and return of books in their library. Another system was developed to capture details of the studies conducted and enable their officers to search the details.

Department of Expenditure

Table 2.11

Representation of SCs STs, and OBCs

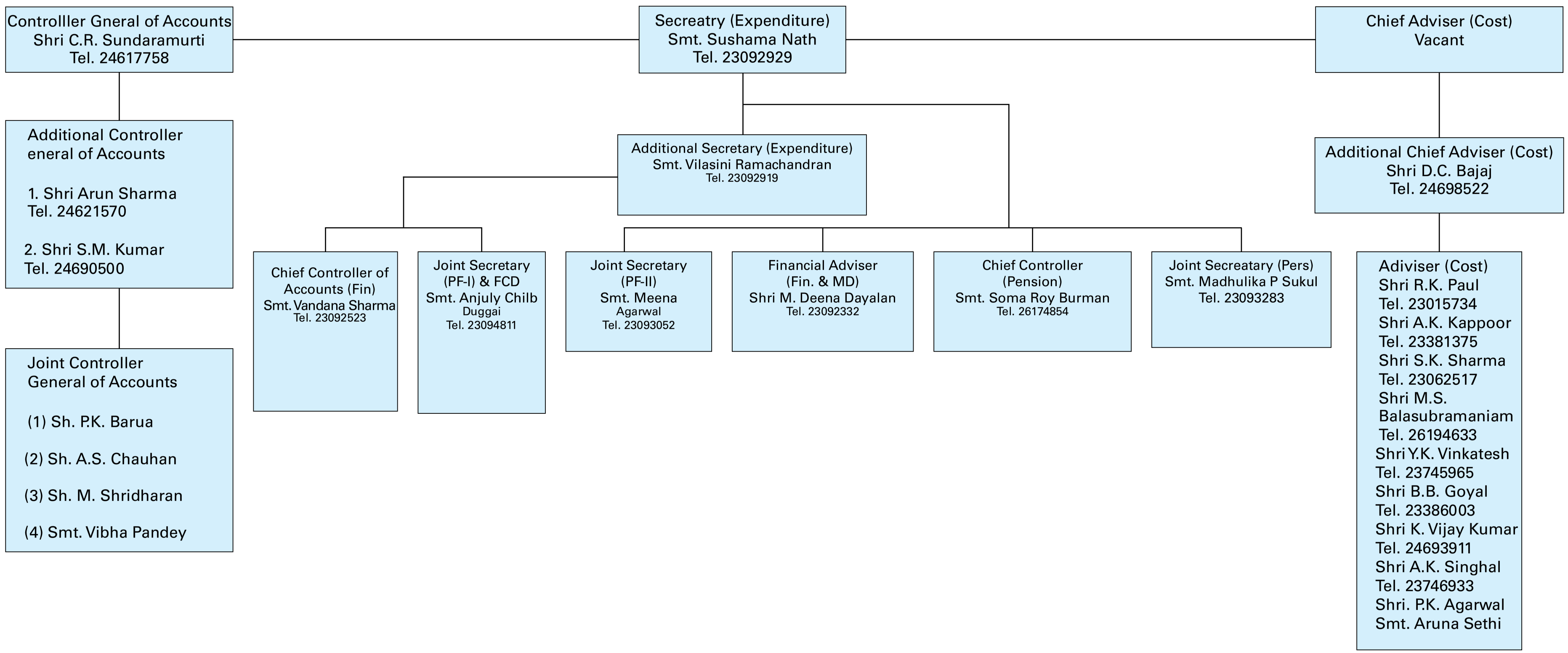
Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	66	4	1	-	-	-	-	-	-	-	-	-	-	-
Group B	194	29	6	1	-	-	-	-	-	-	-	-	-	-
Group C	131	20	8	4	-	-	-	-	9	2	1	-	-	-
Group D (Excluding Safai Karamcharis)	117	39	6	6	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	6	6	-	-	-	-	-	-	-	-	-	-	-	-
Total	514	98	21	11	-	-	-	-	9	2	1	-	-	-

Table 2.12

Representation of SCs STs, and OBCs

Group	Number of Employees				By Direct Recruitment			By Promotion				No. of Appointments made						
					No. of Vacancies reserved			No. of Appointments made				No. Vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	Total	SCs	STs	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Group A	66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	194	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	131	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D	123	1	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Organisation Chart of the Department of Expenditure



Department of Revenue

Chapter III

Department of Revenue

1. Organisation and Functions

1.1 The Department of Revenue functions under the overall direction and control of the Secretary (Revenue). It exercises control in respect of matters relating to all the Direct and Indirect Union Taxes through two statutory Boards namely, the Central Board of Direct Taxes (CBDT) and the Central Board of Excise and Customs (CBEC). Each Board is headed by a Chairman who is also ex-officio Special Secretary to the Government of India. Matters relating to the levy and collection of all Direct taxes are looked after by the CBDT whereas those relating to levy and collection of Customs and Central Excise duties, Service Tax and other Indirect taxes fall within the purview of the CBEC. The two Boards were constituted under the Central Board of Revenue Act, 1963. At present, the CBDT has six Members and the CBEC has five Members.

1. 2 The Department of Revenue administers the following Acts:

a. Income Tax Act, 1961;
b. Wealth Tax Act, 1957;
c. Expenditure Tax Act, 1987;
d. Benami Transactions (Prohibition) Act, 1988;
e. Super Profits Act, 1963;
f. Companies (Profits) Sur-tax Act, 1964;
g. Compulsory Deposit (Income Tax Payers) Scheme Act, 1974;
h. Chapter VII of Finance (No.2) Act, 2004 (Relating to Levy of Securities Transactions Tax)
i. Chapter VII of Finance Act 2005 (Relating to Banking Cash Transaction Tax)
j. Chapter V of Finance Act, 1994 (relating to Service Tax)
k. Central Excise Act, 1944 and related matters;
l. Customs Act, 1962 and related matters;
m. Medicinal and Toilet Preparations (Excise Duties) Act, 1955;
n. Central Sales Tax Act, 1956;
o. Narcotic Drugs and Psychotropic Substances Act, 1985;
p. Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988;
q. Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976;
r. Indian Stamp Act, 1899 (to the extent falling within jurisdiction of the Union);
s. Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974; and,
t. Prevention of Money Laundering Act, 2002.

The administration of the Acts mentioned at Sl.Nos.c, e, f and g is limited to the cases pertaining to the period when these laws were in force.

1. 3 The Department looks after the matters relating to the above-mentioned Acts through the following attached/subordinate offices:

a. Commissionerates/Directorates under Central Board of Excise and Customs;
b. Commissionerates/Directorates under Central Board of Direct Taxes;
c. Central Economic Intelligence Bureau;
d. Directorate of Enforcement;
e. Central Bureau of Narcotics;
f. Chief Controller of Factories;
g. Appellate Tribunal for Forfeited Property;
h. Income Tax Settlement Commission;
i. Customs and Central Excise Settlement Commission;
j. Customs, Excise and Service Tax Appellate Tribunal;
k. Authority for Advance Rulings for Income Tax;
l. Authority for Advance Rulings for Customs and Central Excise;
m. National Committee for Promotion of Social and Economic Welfare; and
n. Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 & Narcotic Drugs and Psychotropic Substances Act, 1985; and,
o. Financial Intelligence Unit, India (FIU-IND)
p. Income Tax Ombudsman
q. Appellate Tribunal under Prevention of Money Laundering Act
r. Adjudicating Authority under Prevention of Money Laundering Act.

1.4 A comparison of the collection of Direct and Indirect taxes during the financial year 2009-2010 with that during the previous financial year is given at Table 3.1

1. 5 An Organisation Chart of Department of Revenue is given at page No.212.

Table 3.1				
Sl. No.	Nature of Taxes	Amount collected during the Financial Year *(Rs.in crore)*		
		2008-09 (upto December, 08)	2009-10 (upto December, 09)	Percentage of growth over last year
1.	Corporate Income Tax	1,46,737	1,66,503	13.47%
2.	Personal Income Tax (including FBT, STT, BCTT, Other Taxes)	83,861	83,729	(-)0.15%
3.	Central Excise Duty	80,383	69,747	-13.23%
4.	Customs Duty	82,942	59,402	-28.38%
5.	Service Tax	39,354	36,785	-6.53%
	TOTAL			

2. Revenue Headquarters Administration

2.1 The Headquarters of the Department of Revenue looks after matters relating to all administration work pertaining to the Department, coordination between the two Boards (CBEC and CBDT), the administration of the Indian Stamp Act 1899 (to the extent falling within the jurisdiction of the Union), the Central Sales Tax Act 1956, the Narcotic Drugs and Psychotropic Substances Act 1985 (NDPSA), the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act 1976 (SAFEM (FOP) A), the Foreign Exchange Management Act 1999 (FEMA) and the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (COFEPOSA), and matters relating to the following attached/subordinate offices of the Department:

a) Enforcement Directorate
b) Central Economic Intelligence Bureau (CEIB)
c) Competent Authorities appointed under SAFEM (FOP) A and NDPSA
d) Chief Controller of Factories
e) Central Bureau of Narcotics
f) Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
g) Appellate Tribunal for Forfeited Property (ATFP)
h) Customs and Central Excise Settlement Commi ssion (CCESC)
i) Income Tax Settlement Commission (ITSC)
j) Authority for Advance Rulings (AAR) for Customs and Central Excise
k) Authority for Advance Rulings (AAR) for Income Tax
l) National Committee for Promotion of Social and Economic Welfare (NCPSEW)
m) Financial Intelligence Unit, India (FIU-IND)
n) Income Tax Ombudsman
o) Appellate Tribunal under Prevention of Money Laundering Act
p) Adjudicating Authority under Prevention of Money Laundering Act

The DG (CEIB) reports directly to the Revenue Secretary. The Secretary (NCPSEW) reports to the Revenue Secretary through the Chairman, CBDT.

2.2 The following items of works are also undertaken by the Headquarters:-

I. Appointment of –

a) Chairman and Members of CBEC and CBDT
b) Chairman and Members of ATFP
c) Chairman, Vice Presidents and Members of CESTAT
d) Chairmen, Vice Chairmen and Members of CCESC and ITSC
e) Chairmen and Members of AARs for Customs/ Central Excise and Income Tax
f) Director of Enforcement
g) Director General of CEIB
h) Competent Authorities (SAFEM (FOP) A and NDPSA)
i) Director (FIU-IND)
j) Income Tax Ombudsman
k) Chairperson and Member of Adjudicating Authority set up under PMLA
l) Chairperson and Member of Appellate Tribunal set up under PMLA

II. Setting up of Commissions/Committees under the Department

III. Foreign training and assignment of officers of the Department

IV. Processing of the cases of deputation of IRS/ ICCES officers to Central Government under Central Staffing Scheme or any Board/PSU etc.

V. Issue of sanction for payment of annual contribution to the Customs Cooperation Council, Brussels (Belgium) and other international agencies.

2.3 Internal Work Study Unit

Being the Nodal Agency for dissemination of Government guidelines for bringing about improvement and efficiency, cleanliness and for effecting cost economy in the administration, the Internal Work Study Unit (IWSU) of the Department of Revenue, during the year 2009-2010 continued its efforts to improve the quality of administration in the organisation under the Department of Revenue. The Unit continued to liaise with the Department of AR&PG, SIU, Department of Expenditure and the National Archives of India on the following: -

(i) Compilation and consolidation of orders/ instructions;

(ii) Review of rules & regulations and manuals;

(iii) Review of periodical reports and returns;

(iv) Records management;

(v) Monitoring the progress of disposal of VIP and other pending cases;

(vi) Annual Inspection of the sections in the Department of Revenue.

In addition to the above, the Induction Material of the Department has been updated regularly. The I.W.S.U. has initiated special steps to expand the coverage of sections/branches of the Deptt. for the purpose of O&M inspections. The progress of disposal of pending VIP/ MP references in the Department has been monitored at the level of Secretary (Revenue) and Additional Secretary (Revenue) respectively with the officers concerned in the Department. The pendency position of VIP references is compiled and circulated to MOS (Revenue) and senior officers of the Department every fortnight. This has reduced the pendency of VIP cases considerably.

3. Central Board of Excise & Customs

3.1 Organization and functions

3.1.1 Central Board of Excise & Customs (CBEC) deals with the tasks of formulation of policy concerning levy and collection of Customs and Central Excise duties, Service Tax, prevention of smuggling and evasion of duties, and all administrative matters relating to Customs, Central Excise and Service Tax formations. The Board discharges its assigned tasks with the help of its field formations namely, the Zones of Customs & Central Excise, Commissionerates of Customs, Central Excise and Service Tax and the Directorates.

3.1.2 Zones of Customs, Central Excise and Customs (Preventive)

Presently, there are twenty-three zones of Customs and Central Excise in the country located at the following places: Delhi, Chandigarh, Kolkata, Bhubaneshwar, Shillong, Lucknow, Meerut, Ranchi, Mumbai-I, Mumbai-II, Jaipur, Bhopal, Pune, Nagpur, Vadodara, Ahmedabad, Bangalore, Mysore, Kochi, Hyderabad, Vishakhapatnam, Chennai and Coimbatore. These zones are headed by Chief Commissioners.

There are eleven zones exclusively handling Customs or Customs (Preventive) headed by Chief Commissioners. These are Delhi, Mumbai-I, Mumbai-II, Kolkata, Chennai, Bangalore, Ahmedabad, Delhi Customs (Preventive), Patna Customs (Preventive), Mumbai-III Customs and Chennai Customs (Preventive).

3.1.3 Commissionerates of Central Excise

There are ninety-four Commissionerates spread across the country predominantly concerned with levy and collection of Central Excise duties and Service Tax. Some of these Commissionerates also deal with Customs and anti-smuggling work in their jurisdictions. These are organized as territorial units, usually extending to part or whole of a State or a metropolitan area.

These 94 Commissionerates are: Delhi-I, Delhi-II, Delhi-III (Gurgaon), Delhi-IV (Faridabad), Panchkula, Rohtak, Chandigarh-I, Jalandhar (Chandigarh-II w.e.f. 1.4.2009), Ludhiana, Jammu & Kashmir, Kolkata-I, Kolkata-II, Kolkata-III, Kolkata-IV, Kolkata-V, Kolkata-VI, Kolkata-VII, Bolpur, Siliguri, Haldia, Bhubaneshwar-I, Bhubaneshwar-II, Shillong, Dibrugarh, Guwahati, Kanpur, Lucknow, Allahabad, Meerut-I, Meerut-II, Ghaziabad, NOIDA, Jamshedpur, Patna, Ranchi, Mumbai-I, Mumbai-IV, Mumbai-V, Thane-I, Thane-II, Mumbai-II, Mumbai-III, Belapur, Raigad, Jaipur-I, Jaipur-II, Bhopal, Indore, Raipur, Pune-I, Pune-II, Pune-III, Goa, Aurangabad, Nasik, Nagpur, Vadodara-I, Vadodara-II, Vapi, Surat-I, Surat-II, Daman, Ahmedabad-I, Ahmedabad-II, Ahmedabad-III, Bhavnagar, Rajkot, Bangalore-I, Bangalore-II, Bangalore-III, Mysore, Mangalore, Belgaum, Kochi, Thiruvananthapuram, Kozhikode, Hyderabad-I, Hyderabad-II, Hyderabad-III, Hyderabad-IV, Tirupati, Guntur, Vishakhapatnam-I, Vishakhapatnam-II, Chennai-I, Chennai-II, Chennai-III, Chennai-IV, Pondicherry, Tiruchirapalli, Coimbatore, Salem, Madurai and Tirunelveli.

3.1.4 Commissionerates of Service Tax

Six exclusive Commissionerates of Service Tax have been functioning since 14th September, 2004 at Mumbai, Delhi, Kolkata, Chennai, Ahmedabad and Bangalore.

3.1.5 Commissionerates of Customs and Customs (Preventive)

These Commissionerates, 35 in all, are spread across the country. They have been assigned the following functions:

(a) Implementation of the provisions of the Customs Act, 1962 and the allied acts, which includes levy and collection of customs duties and enforcement functions in their earmarked jurisdictions;

(b) Surveillance of coastal and land borders to prevent smuggling activities. Marine and telecommunications wings are available with the Board to assist these Commissionerates in their anti-smuggling work and surveillance of sensitive coastline.

These 35 Commissionerates of Customs & Customs (Preventive) are: Delhi (Air Cargo-Import and General), Delhi (ICD), Delhi (Air Cargo Export), Mumbai (General), Mumbai (Export), Mumbai (Import), Nhava Sheva (Import and Mulund CFS), Nhava Sheva (Export), Mumbai Air Cargo (Import), Mumbai Air Cargo (Export), Mumbai (Airport), Pune Customs, Kolkata (Airport), Kolkata (Port), Chennai (Airport and Air (Cargo), Chennai Port (Export), Chennai Port (Import), Bangalore, Mangalore, Kochi, Ahmedabad, Kandla, Vishakhapatnam, Amritsar Customs (Preventive), Jodhpur Customs (Preventive), Delhi Customs (Preventive), Patna Customs (Preventive), Lucknow Customs (Preventive), Mumbai Customs (Preventive), Tuticorin, Tiruchirapalli, West Bengal Customs (Preventive), Kolkata, Shillong Customs (Preventive) and Jamnagar Customs (Preventive).

3.1.6 Appellate and Tax Recovery Machinery

At present, there are 54 Commissioners of Central Excise (Appeals) {including Commissioner (TAR)} and 6 Commissioners of Customs (Appeals). The appellate machinery comprising the Commissioner (Appeals) deals with appeals under the Customs Act, 1962, the Central Excise Act, 1944 and Service Tax laws against the orders passed by the officers lower in rank than the Commissioner of Customs and Central Excise.

3.1.7 Commissioner (Adjudication)

There are presently 12 posts of Commissioner (Adjudication) to decide cases having all-India ramifications and high revenue stakes. These Commissioners attend to Central Excise as well as Customs cases.

Six posts of Commissioners have been redeployed in the CBEC w.e.f. 25.04.2005 from its field formations.

3.1.8 Attached/ Subordinate Offices

In the performance of administrative and executive functions, the following attached / subordinate offices assist the Board in the reorganized set up:

1. Directorate of Central Excise Intelligence
2. Directorate of Revenue Intelligence
3. Directorate of Inspection
4. Directorate of Human Resource Development
5. National Academy of Customs, Excise and Narcotics
6. Directorate of Vigilance
7. Directorate of Systems
8. Directorate of Data Management
9. Directorate of Audit
10. Directorate of Safeguards
11. Directorate of Export Promotion
12. Directorate of Service Tax
13. Directorate of Valuation
14. Directorate of Publicity and Public Relations
15. Directorate of Logistics
16. Directorate of Legal Affairs
17. Office of the Chief Departmental Representative (CDR)
18. Central Revenues Control Laboratory (CRCL).

The functions of the Directorates, the Office of the Chief Departmental Representative and the Central Revenues Control Laboratory, in brief, are as follows:-

1. Directorate of Central Excise Intelligence

(a) To collect, collate and disseminate intelligence relating to evasion of Central Excise duties and Service Tax;

(b) To study the price structure, marketing patterns and classification of commodities vulnerable to evasion of Central Excise duties;

(c) To coordinate action with other departments like Income Tax etc. in cases involving evasion of Central Excise duties and Service Tax;

(d To investigate cases of evasion of Central Excise duties and Service Tax having inter-Commissionerate ramification;

(e) To advise the Board and the Commissionerates on the modus operandi of evasion of Central Excise duties and Service Tax and suggest appropriate remedial measures, procedures and practices in order to plug loopholes, if any.

2. Directorate of Revenue Intelligence

(a) To study and disseminate intelligence about smuggling;

(b) To identify the organized gangs of smugglers and areas vulnerable to smuggling, collection of intelligence against them and their immobilization;

(c) To maintain liaison with the intelligence and enforcement agencies in India and abroad for collection of intelligence and in-depth investigation of important cases having inter-Commissionerate and international ramification;

(d) To alert field formations for interception of suspects and contraband goods, assessment of current and likely trends in smuggling;

(e) To advise the Ministry in all matters pertaining to anti-smuggling measures and in formulating or amending laws, procedures and practices in order to plug loopholes, if any; and

(f) To attend to such other matters as may be entrusted to the Directorate by the Ministry or the Board for action/ investigation.

3. Directorate of Inspection (Customs and Central Excise)

(a) To study the working of Customs, Central Excise and Narcotics departmental machinery throughout the country and to suggest measures for improvement in its efficiency and rectification of defects as pointed out in inspection reports and by laying down procedures for their smooth functioning;

(b) To carry out inspections to determine whether the working of the field formations are as per Customs and Central Excise procedures and to make recommendations with regard to the procedural flaws, if any noticed; and

(c) To suggest measures for improvement in functioning of the field formations.

4. Directorate General of Human Resource Development

(A) Cadre Management Division

(i) Devise and design Human Resource plans congruent with goals and vision of the department;

(ii) Analysis of and proposing changes in the recruitment rules;

(iii) Preparation of charter of duties for various posts and their periodic review;

(iv) Providing support to CBEC in drawing annual direct recruitment plan;

(v) Support to CBEC in the matter of recruitment policy;

(vi) Designing of HR policies, processes and systems and aligning the CBEC's long-term goal to HR systems and processes, including proposals for diversion of posts from one functional area to another;

(vii) Maintaining Human Resource Information System for training, placement, skill up-gradation and succession planning;

(viii) Providing data support to CBEC for placement and transfer of officers;

(ix) Receiving feedback on transfer policy and transmitting the same to CBEC for further action;

(x) Providing support to CBEC in cadre review and restructuring of the department in the context of changing needs;

(xi) To assist the CBEC in preparation and maintenance of seniority list of different grades of officers;

(xii) Creation of institutional arrangement for periodic interaction with officers' associations;

(xiii) Develop manual and reference literature on administration related matters; and

(xiv) Provide support to the Board in bringing uniformity/homogeneity in the administrative practices followed by the field formations.

(B) Performance Management Division:

(i) Development of Management Information System (MIS) and Performance Management System (PMS) for capturing individual performances;

(ii) Development of performance indicators for the organization, group and individual posts based on objective goal setting taking into consideration manpower and infrastructural constraint;

(iii) Designing of a scientific appraisal system and a scheme of performance measurement etc.;

(iv) Coordinating annual performance appraisals;

(v) Linking of rewards with performance and designing appropriate reward policy;

(vi) Liaisoning with "external consultants" to develop a suitable system to track support and monitor individual performance and maintain accountability; and

(vii) Review of ACR formats.

(C) Capacity Building and Strategic Vision Division

(i) Identifying training needs for officers at all levels;

(ii) Dissemination of information regarding HRD issues;

(iii) Coordinating in service training programmes in consultation with DG, NACEN for officers of the department at service intervals (e.g. 6-9 years of service, 10-16, 17-19 and 20-30 years of service) with training institutions within and outside the country;

(iv) To assist the Ministry in development of viable models of 'Training Needs Analysis', 'Direct Trainers Skills', 'Designs for Training' etc. and nomination of officers for training based on Training Needs Analysis in consultation with DG,NACEN;

(v) Recommendation of officers for foreign training except outside training programmes being conducted at present by NACEN;

(vi) Providing support to CBEC in management of organizational relations including vertical relationships (within hierarchy) and gender relations;

(vii) Management of change for working of field formations under CBEC;

(viii) Formation of strategic vision group including nomination of retired officers and outside experts thereto;

(ix) Forecasting of future developments and suggesting changes in organization, personnel and procedure to respond to it; and

(x) To assist the Ministry in processing the requests of the officers and staff for the programmes under the Domestic Funding Scheme of the Government of India.

(D) Welfare Division

(i) Identifying and recommending welfare measures;

(ii) Processing proposals from field formations for sanction of funds by the Governing Body of the Welfare Fund;

(iii) Coordinating with Directorate of Logistics and Principal CCA's office of accounting of funds for allocation of funds between Welfare Fund and Special Equipment Fund;

(iv) Management of superannuation especially regarding psychological, emotional and financial aspects (to arrange training through NACEN and/or outside experts to psychologically preparing them for retirement and proper management of retirement benefits);

(v) To prepare and maintain details of specialization of work experience of retiring officers, and advise them about requirements of other ministries and public sector undertakings, in their respective fields; and

(vi) Dissemination of information relating to welfare schemes/ measures.

(E) Infrastructure Division:

To consider all infrastructure related issues and forward its suggestions/recommendations to the Board/concerned Directorate under the Board for further action.

5. National Academy of Customs, Excise and Narcotics

(i) To impart training to direct recruits and to arrange refresher courses for departmental officers;

(ii) To assist in formulation of training policies and to implement the policies approved by the Board by devising schemes and syllabi of studies for training of direct recruits and departmental officers; and

(iii) To arrange study tours of Customs and Excise officers from neighboring countries under the United Nations Development Programme.

6. Directorate of Vigilance

(a) To monitor the vigilance cases against the officers of Customs and Central Excise formations;

(b) To maintain proper surveillance on the officials of doubtful integrity; and

(c) To maintain close liaison with the Central Bureau of Investigation, Directorate General of Revenue Intelligence and vigilance and anti-corruption department in order to ensure that the programmes on vigilance and anti-corruption are implemented in all Customs, Central Excise, Service Tax and Narcotics formations.

7 & 8. Directorate of Systems and Directorate of Data Management

(a) Directorate of Systems

To look after all aspects of the implementation of Customs, Central Excise and Service Tax computerization projects including acquisition of hardware, development and maintenance of software, training of personnel and monitoring of expenditure budget on computerization at the central and field levels.

(b) Directorate of Data Management

(i) To collect and consolidate data and statistics pertaining to realization of revenue from indirect taxes and advise the Ministry and the Board in forecasting budget estimates; and

(ii) To collect statistics for compilation of statistical bulletins and statistical yearbook in respect of revenue, arrears, seizures, court cases, etc. pertaining to indirect taxes.

9. Directorate of Audit

(a) To provide direction for evolution and improvement of audit techniques and procedures;

(b) To ensure effective and efficient implementation of new audit system by periodic reviews;

(c) To coordinate with the external agencies as well as other formations within the Department;

(d) To suggest measures to improve tax compliance;

(e) To gauge the level of audit standards and assessees satisfaction;

(f) To evolve the policy for development of a sound database as well as enhancing the skills of the auditors with a view to making the audit effective and meaningful;

(g) To aid and advise the Board in policy formulation and to guide and provide functional directions in planning, coordination and supervision of audit at local levels;

(h) To collate and disseminate the relevant information; and

(i) To implement EA-2000 audit and related projects like risk management, CAAP audits etc.

10. Directorate of Safeguards

(a) To investigate the existence of serious injury or threat of serious injury to the domestic industry as a consequence of increased imports of an article into India;

(b) To identify the article liable for safeguard duty;

(c) To submit the findings, provisional or otherwise, to the Central Government regarding 'serious injury' OR 'threat of serious injury' to the domestic industry consequent upon increased imports of an article from the specified country.

(d) To recommend the following;

(i) The amount of duty which, if levied, would be adequate to remove the 'injury' or 'threat of injury' to the domestic industry;

(ii) The duration of levy of safeguard duty and where the period so recommended is more than a year, to recommend progressive liberalization adequate to facilitate positive adjustment; and

(e) To review the need for continuance of safeguard duty.

11. Directorate of Export Promotion

(a) To interact with the Export Promotion Councils for various categories of export to sort out the difficulties being faced by the genuine exporters;

(b) To function in close liaison with allied agencies concerned with the exports to ensure that genuine exporters get the full advantages of the export schemes without any difficulties;

(c) To monitor the performance of the field formations through monthly and quarterly returns, like duty foregone statements, drawback payment statements and quarterly drawback payment statements and to compare and compile the same to enable the Ministry to review the policy;

(d) To carry out the appraisal studies to examine the efficacy of the existing legal provisions/ rules and procedures and suggest to the Ministry about the changes to be made, if any;

(e) To conduct post-audit of the Brand Rate fixed by the concerned Commissioners and carry out physical verification of selected cases independently or with the help of the central excise formations;

(f) To conduct post-audit of the select cases of duty-free imports allowed under various Export Promotion Schemes in the customs and central excise formations; and

(g) To work in close coordination with the Board with the Customs-IV Section and FTT Section of the Board's office that deals with 100% EOUs/EPZ Units/SEZ Units and various Technology parks and the schemes relating to the export of gems and jewellery.

12. Directorate of Service Tax

(a) To monitor the collections and assessments of service tax;

(b) To study the administration of service tax in the field and to suggest measures to increase revenue collections;

(c) To undertake study of law and procedures;

(d) To form a database; and

(e) To inspect the Service Tax Cells in the Commissionerates.

13. Directorate of Valuation

(a) To assist and advise the Board in the implementation and monitoring of the working of the WTO Agreement on Customs Valuation;

(b) To build a comprehensive valuation database for internationally traded goods using past precedents, published price information or prices obtained from other authentic sources;

(c) To disseminate the price information on a continuing basis to all Customs formations for online viewing as a means of assistance for day-to-day assessments with a view to detecting and preventing under-valuation as also for enabling assessments to be finalized speedily;

(d) To monitor valuation practices at various customs formations and bring to the notice of the Board significant and emerging pricing patterns and to suggest corrective policy or other measures, where needed;

(e) To maintain liaison with the Valuation Directorates of other customs administrations and customs officers posted abroad;

(f) To study international price trends of sensitive commodities and pricing patterns of transnational corporations (e.g. transfer pricing) and Indian ventures with foreign collaborations and help evolve a system to combat planned under-valuation as well as valuation frauds; and

(g) To carry out inspection of the field formations to determine whether the valuation norms as evolved by the Directorate of Valuation are uniformly applied across the country.

14. Directorate of Publicity and Public Relations

a) To prepare, revise and publish the statutory and departmental manuals;

(b) To consolidate the instructions issued by the Board in technical and administrative matters of customs and central excise;

(c) To compile the important judgments delivered by High Courts and the Supreme Court on matters relating to indirect taxes;

(d) To update all departmental manuals through correction lists etc; and

(e) To undertake publicity with a view to educating the public about indirect taxes through brochures, posters, hoardings, radio, TV and press media.

15. Directorate of Logistics

(a) To inspect, assess and evaluate the effectiveness of the staff deployed on anti-smuggling duties in the Commissionerates and in vulnerable areas;

(b) To monitor, coordinate and evaluate the progress in cases of adjudications, prosecutions and rewards to informers and officers in various Commissionerates and to watch the progress in disposal of confiscated goods involved in prosecution cases;

(c) To plan and assess the need for staff training, equipment, vehicles, vessels, communications or other resources required for anti-smuggling work in various Commissionerates and to evaluate their operational efficiency; and

(d) To deal with the matters concerning acquisition, procurement, purchase, repair and reallocation of such equipment.

16. Directorate of Legal Affairs

(a) To function as the nodal agency to monitor the legal and judicial work of the Board;

(b) To create a data bank of all the cases decided by the various benches of the Tribunal and monitor cases effectively in order to ensure that the field formations recommend filing of appeals only in deserving cases and not on the issues already decided by the Supreme Court or High Courts and accepted by the department;

(c) To ensure that all orders of the Tribunal are examined by the field formations and timely proposal for filing appeal are sent to the Board, wherever necessary and the report about acceptance of an order is sent to the Chief Commissioner;

(d) To intimate the field formations about important decisions of the various High Courts, which are finally accepted by the Department, and about the important decisions of the Supreme Court so that unnecessary litigation work on the issues already settled is not created by the field formations;

(e) To create a database pertaining to the cases pending in various High Courts. The appellant/ respondent Commissioners are required to assist the Directorate in creating and updating the database pertaining to the High Court cases;

(f) To prepare a panel of standing counsels/ panel counsels for various High Courts on the basis of feedback received from the field formations. However, the role of the Directorate is restricted to making recommendations only and the final decision regarding approval of the panel / appointment of the Standing Counsels rests with the Ministry; and

(g) To keep an approved panel of eminent lawyers well versed with indirect Tax laws as well as administration, who may not be on the regular panel of the government but may be engaged by the department for handling important cases.

17. Office of the Chief Departmental Representative (CDR)

(a) To receive the cause list of cases from the Tribunal registry and distribute case files among Departmental Representatives (DRs) for purpose of representation before the Bench on behalf of the department;

(b) To monitor the efficient representation by DRs in all listed cases before the benches of the CESTAT;

(c) To coordinate with and call for cross-objections, clarifications and confirmations from the Commissionerates concerned;

(d) To maintain coordination with the President, CESTAT; and

(e) To exercise administrative control over DRs and attend to the administrative matters pertaining to the CDR office including its regional offices at Mumbai, Kolkata, Chennai and Bangalore.

18. Central Revenues Chemical Laboratory

To analyze samples of goods, and to render technical advice to the Board and its field formations, with regard to the nature, characteristics and composition of various goods.

3.2 Revenue collection during 2008-09 & 2009-10 and tariff changes in Indirect Taxes

3.2.1 Customs Duty

An amount of Rs. 99,850 crore was collected from Customs duties during 2008-09 which was Rs. 19,080 crore less than the Budget Estimate and Rs. 8,150 crore less than the Revised Estimate for that year. As compared to Customs revenue of Rs. 1,04,119 crore in 2007-08, the revenue from Customs Duties in 2008-09 has come down by 4.1%. This fall has been due to exemptions given in 2008-09 to items like edible oils, crude petroleum, ores and concentrates coupled with decline in growth of imports. The provisional revenue for the year 2009-10 (April-November, 2009) is Rs. 52,011 crore.

3.2.2 Central Excise Duty

Revenue collection from Central Excise duties in the year 2008-09 was Rs.1,09,343 crore vis-à-vis the Budget Estimate of Rs. 1,37,874 crore and the Revised Estimate of Rs. 1,08,359 crore. Revenue from Union Excise duties was Rs. 1,23,425 crore during 2007-08. Thus, revenue from Central Excise duties has declined in 2008-09 by 11.41%. This was due to reduction in duty rates effected in the first half of the fiscal to contain inflation; and as part of stimulus packages in the second half for reducing the tax burden on domestic industry thereby boosting demand. The provisional revenue collections for the current year (April-November, 2009) is at Rs. 61,020 crore (excluding cesses administered by Departments other than Department of Revenue).

3.2.3 Service Tax

Service Tax collection during 2008-09 was Rs. 60,702 crore as against the Budget Estimate of Rs. 64,460 crore and Revised Estimate of Rs. 65,000 crore. Revenue from Service Tax was Rs. 51,301 crore during 2007-08. Thus, revenue from Service Tax has shown a growth of 18.33% in 2008-09 in spite of reduction of rate of Service Tax from 12% to 10% announced in the interim Budget on 24.2.2009. The provisional revenue for the year 2009-10 (April-November, 2009) is at Rs. 32,793 crore. Yearwise trends of revenue collection from indirect taxes are shown in Table 3.8. A pictorial graph chart showing the trend is at Table 3.2.

3.3 Changes in Budget 2009-10

3.3.1 Customs

The peak rate of Customs Duty on non-agricultural products, which was reduced to 10% in 2007-08 and continued in 2008-09, was retained at 10% in budget 2009-10 announced on 06.07.2009. The other major ad valorem rates of 5% and 7.5% were also retained. However, some sector specific changes in the rates of duty were made as follows:

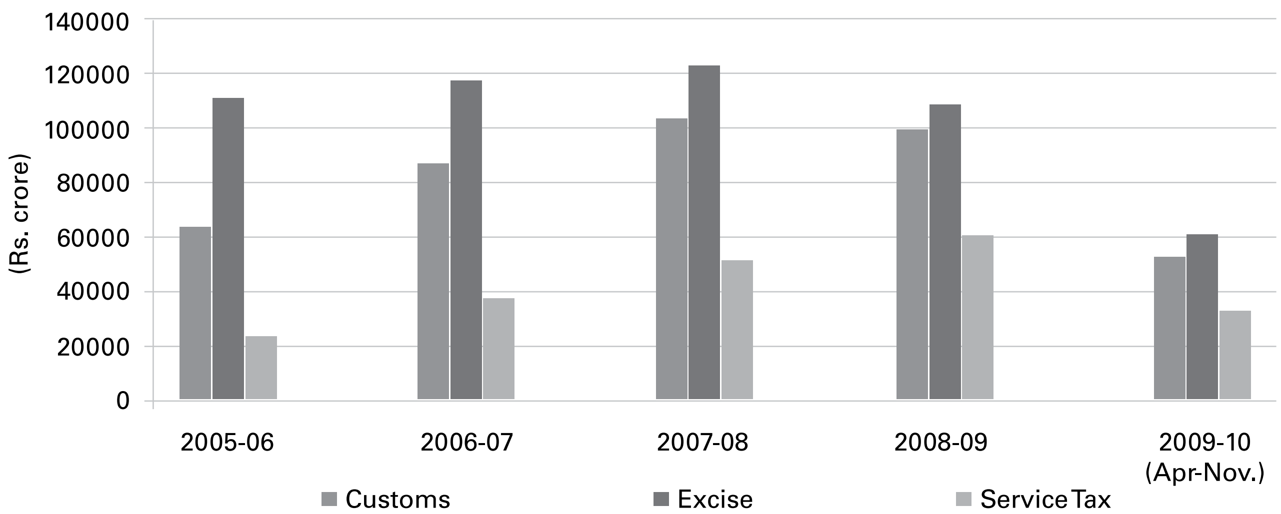
A. Capital Goods

The concessional rate of Basic Customs Duty of 5% on specified machinery for tea, coffee and rubber

Table 3.2

Year wise trends of revenue collection from indirect taxes are shown in the chart below:

Year-wise trends of Indirect tax collection



plantations, which was earlier available upto 30.04.2009, was restored for one more year i.e. upto 06.07.2010. Basic Customs Duty on 'mechanical harvester' for coffee plantation was reduced from 7.5% to 5%. Such harvesters were also exempted from CVD by way of Excise Duty exemption. On permanent magnets for manufacture of PM synchronous generators of more then 500 KW for use in wind operated electricity generators, the Basic Customs Duty was reduced from 7.5% to 5%.

B. Export Promotion

Full exemption from Customs Duty available to specified raw materials/inputs imported by manufacturer-exporters of sports goods was extended to five more items. Similarly, full exemption from Customs Duty available to specified raw materials and equipment imported by manufacturer-exporters of leather goods, textile products, and footwear industry was extended to some additional items. The Basic Customs Duty on unworked corals was also reduced from 5% to Nil.

C. Electronic Hardware

Full exemption from Basic Customs Duty available to set-top boxes was withdrawn and Basic Customs Duty of 5% was reimposed. Basic Customs Duty on LCD panels for manufacture of LCD televisions was reduced from 10% to 5%. Full exemption from 4% special CVD on parts for manufacture of mobile phones and accessories was reintroduced for one year i.e. upto 6.7.2010.

D. Health Care

Basic Customs Duty on nine specified drugs and bulk drugs for their manufacture, and one vaccine was reduced from 10% to 5%. CVD on these items was also exempted by virtue of full exemption from Excise Duty. Also, the Basic Customs Duty on Patent Ductus Arteriosus/Atrial Septal Defect occlusion devices was reduced from 7.5% to 5% with Nil CVD by way of Excise Duty exemption. Similarly, Basic Customs Duty on Artificial Heart (left ventricular assist device) was reduced from 7.5% to 5%. This device attracts Nil excise duty/CVD.

E. Textiles

Basic Customs Duty on cotton waste and wool waste was reduced from 15% to 10%.

F. Information Technology Software

On packaged or canned software, CVD exemption has been provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions. This portion of the value is leviable to Service Tax as 'Information Technology Software Service'.

G. Precious Metals

Customs Duty on serially numbered gold bars (other than tola bars) and gold coins was increased from Rs. 100 per 10 gm to Rs. 200 per 10 gm. On other forms of gold, the Customs Duty was increased from Rs. 250 per 10 gm to Rs. 500 per 10 gm. Customs Duty on silver was increased from Rs. 500 per Kg to Rs. 1,000 per Kg.

H. Miscellaneous

- Basic Customs Duty on rock phosphate was reduced from 5% to 2%.
- CVD exemption on Aerial Passenger Ropeway Project Projects was withdrawn. Consequently,

such projects attract applicable CVD.

- Basic Customs Duty exemption for 'concrete batching plants of capacity 50 cum per hour or more' was withdrawn. Such plants thus attract 7.5% basic duty.
- Basic Customs Duty on inflatable rafts, snow-skis, water skis, surf-boats, sail-boards and other water sports equipment was fully exempted.
- Basic Customs Duty on bio-diesel was reduced from 7.5% to 2.5%.

3.3.2 Central Excise

The robust growth momentum of the Indian economy since 2003-04 could be ascribed in great measure to the resurgence of the manufacturing sector and this was facilitated to a large extent by the rationalization of excise duties. As a consequence of changes in the ad valorem rates of Central Excise Duty for non-petroleum products on 24th February, 2009, a dual rate structure with rates of 4% and 8% ad valorem was put in place. This rate structure for non-petroleum products has been retained in Budget 2009-10.

However, the rate of duty on several items attracting 4% was restored to 8%. Among the important sectors/ items where such increase has occurred are ceramic tiles manufactureed in a factory not using electricity for firing the inkl; plywood, flush doors and articles of wood; writing ink and other ink used in writing instruments; zip fasteners; MP3/MP4 or MPEG4 players etc. Consequent upon increase in Excise Duty rate from 4% to 8%, abatement rates were revised suitably on items covered under retail sale price (RSP) based assessment.

On the other hand, the 4% rate was retained on mass consumption and essential items, such as,

- Sugar confectionary, biscuits with retail price exceeding Rs. 100/Kg, cakes and pastries, sherbets, scented supari etc.
- Paraxylene
- Drugs and pharmaceutical products
- Certain varieties of paper, paperboard and articles made therefrom;
- Footwear of RSP exceeding Rs. 250 but not exceeding Rs. 750 per pair
- Pressure cookers
- Power driven pumps for handling water
- Water filtration/purification equipment
- Specified textile machinery
- Compact Fluorescent Lamps and vacuum and gas filled bulbs of retail price not exceeding Rs. 20 per bulb, and
- Medical equipment.

The sector specific duty changes are as under:

Textiles

- The scheme of optional Excise Duty of 4% for pure cotton has been restored.
- The rate of duty on manmade fibre and yarn was enhanced from 4% to 8% on mandatory basis. Beyond the fibre/yarn stage, the optional levy of 8% ad valorem was restored (instead of pre-budget rate of 4%). Similarly, textile items manufactured from natural fibre other than cotton such as silk, wool, flax, etc was to bear an optional levy of 8% ad valorem instead of 4% beyond the fiber stage. The enhanced rate of 8% also apply to blended fabrics and products.
- Corresponding changes in the rates of duty applicable to Export Oriented Units (EOU) using only indigenous raw materials when they make clearances of textiles items into the Domestic Tariff Area (DTA) were also made.
- Excise duty on some important textiles intermediates viz., Polyester chips, Di-methyl Terephthalate (DMT), Pure Terephthalic Acid (PTA), and Acrylonitrile was also enhanced from 4% to 8% ad valorem.

Petroleum

- The ad valorem component of Excise Duty on petrol, intended for sale with a brand name, was converted into a specific rate. Consequently, such petrol now attracts total Excise Duty of Rs.14.50 per litre instead of '6% + Rs.13 per litre'.
- Similarly, the ad valorem component of Excise Duty on diesel, intended for sale with a brand name, was converted into a specific rate. Consequently, such diesel now attracts total Excise Duty of Rs.4.75 per litre instead of '6% + Rs.3.25 per litre'.
- Exemption from Basic Excise Duty, Additional Duty of Excise and special additional Duty of Excise was provided to High speed diesel oil blended with bio-diesels, up to 20% by volume, provided both HSD and bio-diesel have paid the appropriate duty of excise.
- Excise Duty rate on special boiling point spirits and Naphtha was reduced to 14%.

Automobiles

- Excise duty on large cars/utility vehicles, having engine capacity exceeding 1999cc, was reduced from '20% + Rs.20,000 per unit' to '20% + Rs.15,000 per unit'.
- Excise duty on petrol driven trucks/lorries was reduced from 20% to 8%. Excise duty on chassis of such truck/lorries was also reduced from '20% + Rs.10,000' per chassis to '8% + Rs.10,000' per chassis.

Small Scale Industries (SSI) exemption

- There was no change either in the exemption limit or the eligibility limit for the small scale exemption.

- The brand name restriction was relaxed in respect of printed laminated rolls. As a consequence, manufacturers of printed laminated rolls bearing the brand name of another person and fulfilling the conditions of the notification was made entitled to full exemption from Excise Duty for their first clearances of this item (for home consumption) not exceeding Rs.150 lakh during the remaining part of this financial year i.e. 2009-10.

Other changes/reliefs

- Full exemption from Eexcise Duty has been provided to goods falling under Chapter 68 manufactured at the site of construction for use in construction work at such site.
- Full exemption from Excise Duty has been provided to tops manufactured from duty paid tow of manmade fibre using the tow-to-top process under specified conditions.
- Articles of jewellery on which brand name or trade name is indelibly affixed or embossed (branded jewellery), have been fully exempted from Excise Duty.
- Full exemption has also been provided to EVA compound manufactured on job-work basis for further manufacture of footwear.
- Partial exemption from Excise Duty has been provided to packaged or canned software so that the duty payable on that portion of the value which represents the consideration for the transfer of the right to use such software is exempted.
- Recorded smart card and tags were exempted from Excise Duty. A condition has been added to this exemption so as to make it available only if the manufacturer has not availed of Cenvat credit of the duty paid on inputs for these goods.

3.3.3 Service tax

The rate of Service Tax at 10% [reduced from 12% on 24.02.2009] was retained.

Broadening the Tax Base

The following four new services were brought under the Service Tax net:

- Service provided in relation to transport of coastal goods and goods through National Waterways and Inland Water
- Service provided in relation to transport of goods by rail (for the time being, Service Tax on this service has been kept in abeyance)
- Cosmetic and plastic surgery service undertaken to preserve or enhance physical appearance or beauty
- Legal consultancy service provided by a business entity to another business entity.
- Relief to Exporters:
- Two taxable services, namely, 'Transport of goods by road' and 'Commission paid to foreign agents' were exempted from the levy of Service Tax, if the exporter is liable to pay Service Tax on reverse charge basis.
- In respect of other taxable services, a new revamped and trust-based refund scheme was notified w.e.f. 07.07.2009. Under the new scheme, refund is granted to the exporters within one month without any pre-audit based on self-certification or certification by the chartered accountant. A simplified format has been prescribed to file the refund claims. The condition for filing the refund claims once in a quarter has been dispensed with and the time period for filing the refund claim has been increased to one year from the date of export.
- 'Terminal Handling Charges' is added to the list of services eligible for refund.
- Services provided for transport of export goods through national waterway, inland water and coastal shipping were included in the list of services eligible for refund of Service Tax.

Other relief measures

- Exemption from Service Tax has been provided to inter-State or intra-State transportation of passengers in a vehicle bearing 'Contract carriage permit', with specified conditions.
- Federation of Indian Export Promotion Organization (FIEO) and other specified export promotion councils have been exempted from the levy of Service Tax under the 'Club or association service'. The exemption is valid till 31.03.2010.
- Exemption from Service Tax leviable under 'Banking and other financial services' or under 'Foreign exchange broking service' has been provided to inter-bank purchase and sale of foreign currency between scheduled banks.
- Service provided in relation to transport of goods by rail has been exempted from Service Tax.
- Service provided or to be provided in relation to management, maintenance or repair of roads has been exempted from Service Tax.
- Service tax exemption has been provided on taxable service provided in relation to transport of specified goods through national waterway, inland water and coastal shipping.
- Sub-brokers have been excluded from the definition of 'stock-broker'. As a consequence, sub-brokers will be outside the purview of Service Tax.

3.4 Major Post-Budget 2009-10 changes:

3.4.1 Customs Duty

- Nil rate of Basic Customs Duty on import of raw sugar, earlier available upto 01.08.2009, has been extended upto 31.12.2010. Import of white/refined sugar (upto 10 lakh metric tonne) at Nil rate has been extended upto 31.03.2010.

- Semi or wholly milled rice was fully exempted from Basic Customs Duty till 30.09.2010.

3.4.2 Service Tax

- Service Tax exemption has been provided on business auxiliary services provided in the manufacture of pharmaceutical products, medicines, perfumery, cosmetics or toilet preparations containing alcohol, which are charged to Excise Duty under Medicinal and Toilet Preparations (Excise Duties) Act, 1955.
- Partial exemption from Service Tax has been provided to the job workers providing business auxiliary service to the brand owners of alcoholic beverages to the extent of Service Tax leviable on inputs (i.e. raw materials and packing materials) used in the manufacture of such alcoholic beverages.
- Service Tax exemption has been provided to canals built under works contract, including EPC projects, provided they are not used for commercial purposes.
- Specified processes undertaken during the course of manufacture of parts of cycle or sewing machines have been exempted from Service Tax under Business Auxiliary Service.

3.5 Trade Facilitation Initiatives & Other Important Measures

Steps taken in Indirect Tax administration towards this end are as under:

3.5.1 Customs

Handling of Cargo in Customs Areas Regulations, 2009 was prescribed in order to provide for the manner in which the imported goods/ export goods shall be received, stored, delivered or otherwise handled in a customs area.

These Regulations have been framed by the Department in pursuance of the recommendations of the Public Accounts Committee (PAC), and consequent to the amendment of the Customs Act, 1962 (sub - section (2) to section 141 of the Customs Act, 1962). The salient features of the regulations are given below:

(i) The regulations are applicable to all 'Customs Cargo Service Providers' (CCSPs) that is to say all persons operating in a customs area and engaged in the handling of import/export goods. These include the Custodians holding custody of import / export goods and handling such goods and all persons working on behalf of such custodians such as fork lift or material handling equipment operators, etc. It also covers consolidators/ break bulk agents and other persons handling imported / export goods in any capacity in a customs area.

(ii) The regulations provide for various responsibilities and conditions for different kinds of CCSPs. One set of conditions prescribed would apply to the CCSPs who desire to be approved as custodians of imported / export cargo and thus handle goods in customs areas. The other set of conditions apply to those persons who only provide certain services on their own or on behalf of the custodians referred above.

(iii) These regulations also provide for safety and security, responsibility for pilferage of goods under custody of CCSP, disposal of uncleared, unclaimed or abandoned goods within the prescribed time limit, requirement for publishing or display of the schedule of charges for the activities undertaken in respect of imported/ export goods.

These requirement and responsibilities on CCSPs have been specified with the overall objective of expeditious clearance of goods, reduction of dwell time, transaction cost to the import/export trade and to safeguard Government revenue.

Facilitation Measures for Air Travellers

In the interest of the Indian citizens going abroad especially to the Middle-East countries, instructions were issued to put up display boards / notice boards at prominent places in airports / seaports indicating items banned in these countries like Khas Khas (Poppy seeds), 'Indian Pan and derivative' to avoid criminal prosecution of Indian nationals visiting Middle-East countries.

Guidelines on Inland Container Depots (ICDs)/ Container Freight Stations (CFSs)

For uniformity in practice and to expedite clearance of imported / export goods, the CBEC has issued guidelines to be followed by Inland Container Depots (ICDs) and Container Freight Stations (CFSs). The guidelines are also intended to enhance compliance with and to remove the deficiency in the procedures prescribed for import/ export of goods, provisions of the Customs Act, 1962, and the rules and regulations made thereunder.

Enhancement of monetary powers of adjudication

CBEC has reviewed the monetary limits prescribed for adjudication of cases by Additional / Joint Commissioners of Customs and the Board enhanced the powers of adjudication of these officers, to enable speedier settlement of disputes.

Customs duty refund

(i) The Board has clarified issues relating to refund of 4% Special Additional Duty of Customs to the importers subject to fulfillment of requisite conditions. Further, the Board has also directed the Customs field formations for setting up of necessary administrative arrangements for proper sanction of 4% SAD refund claims in time.

(ii) Board has prescribed the procedure for enhancing transparency of refund claims. Accordingly, pre-audit of refund claims are to be conducted by the Assistant / Deputy Commissioner (Audit), in the Commissionerate Headquarters Office, who would pass an order-in-original in respect of such refund claims. It was also provided that such orders-in-original passed in this regard would be subjected to review by the Commissioner concerned.

Clarification on Customs Tariff related Matters

(i) In order to properly implement the duty exemption benefit on import of edible oils, the Board clarified that the term 'crude' used in the Serial No.33A of the Notification No.21/2002 dated 1.3.2002 is intended to cover all edible oils which have not been subjected to any process of refining. It has also been clarified that the condition of edible grade of oil has to be certified by testing it in terms of the standards of quality specified for such goods in terms of Appendix B to the Prevention of Food Adulteration Rules, 1955.

(ii) On the issue of classification of line and mobile/ cellular phones and for the assessment of additional duty of customs, it was clarified by the Board that subsequent to changes made in the Harmonized System of Nomenclature (HSN) in 2007, the First Schedule to the Customs Tariff Act, 1975 was also revised for consequential changes and accordingly, the present entry 'telephone sets' under heading 8517 covers both 'line telephones' as well as 'cellular / mobile phones'.

3.5.2 Central Excise

(i) Rule 24 A was inserted in the Central Excise Rules, 2002 vide Notification no. 17/2009 CE(NT) dated 7.7.2009, to lay down a time limit of 30 days from the date of issue of the Show Cause Notice, to return the un-relied upon documents to the assessee.

(ii) Notification No. 23/2009-CE(NT) dated 25.09.2009 issued under rule 19 of the Central Excise Rules, 2002, exempts the supplies made by an Advance Authorisation holder to a manufacturer holding another Advance Authorization from excise duty, provided such manufacturer, in turn, supplies the product(s) to an ultimate exporter, in terms of para 8.3(c) of the Foreign Trade Policy.

(iii) Notification No. 26/2009-CE(NT) dated 18.11.2009 was issued to exempt handmade biris, matches manufactured in non-mechanised sector and RCC pipes assessees from filing the annual installed capacity statement viz., ER-7 return.

(iv) Circular No. 569/6/2001-CX dated 09.02.2001 which lays down the Special Procedure for Removal of Liquid Gases-Pass-out System, was amended vide Circular No. 894/14/2009-CX dated 20th August, 2009 to empower the AC/DC to waive the requirement of pre-authentication of the pass-out documents by the departmental officers for a period of one year at a time, after satisfying that the internal control system followed by the assessee is reasonable and adequate to ensure determination of correct quantity of liquid gases sold to customer.

(v) Board's Circular No. 581/18/2001-CX dated 29.06.01 was amended vide Circular no. 900/20/2009-CX dated 6.10.2009 to permit an exporter to bring in duty paid packing material required for packaging other material to the export warehouse under Rule 20 of the Central Excise Rules, subject to maintenance of proper account of such goods and no export benefit claim shall be made on such material.

3.5.3 Service Tax

(i) Circular No. 116/10/2009-ST dated 15.9.2009 clarifying that the canal system built by the Government for non-commercial purpose will not be chargeable to Service Tax was issued.

(ii) It has been clarified vide Circular No. 117/11/2009-ST dated 30.10.2009 that Service Tax is not chargeable on the services provided in respect of tour undertaken for carrying out Haj and Umrah Pilgrimage in Saudi Arabia by Indian pilgrims considering these as export of service, provided they fulfil the other conditions of export as provided in Export of Service Rules.

3.6 Measures initiated to enhance compliance with Customs Law

3.6.1 Customs examination norms

Norms for examination of goods were prescribed in consultation with Director General of Foreign Trade (DGFT) and Ministry of Commerce so that the exports involving claim of export incentives/ benefits under various schemes such as Served from India Scheme (SFIS), Vishesh Krishi and Gram Udyog Yojana (VKGUY), Focus Market Scheme (FMS), Focus Product Scheme (FPS), High-Tech Products Export Promotion Scheme (HTPEPS), Export and Trading House Status is subject to appropriate verification by Customs authorities. However, where no such benefit is claimed such exports would continue to be cleared by customs without any examination except where there is specific intelligence or information requiring verification.

3.6.2 Implementation of Phytosanitary requirements

In order to comply with the phytosanitary standards of ISPM No. 15 instructions were issued to Customs field formations to verify whether the export goods packed with raw or solid wood packaging material comply with the ISPM No. 15 or are accompanied by a phytosanitary certificate with the treatment endorsed issued by the agencies which are accredited / certified by Department of Agriculture & Cooperation. In case of non-compliance, such cases would be referred to the Plant Quarantine authorities for proper treatment of export goods before their release by Customs.

3.6.3 Implementation of Hazardous Waste (Management, Handling and Transboundary) Rules, 2008.

Customs Commissionerates were instructed to designate nodal officers at appropriate level not below the rank of Assistant Commissioner / Deputy Commissioner for effective coordination and proper implementation of the aforesaid Rules for timely interaction with the State / Central Pollution Control Board on matters relating to testing of samples, import or export matters relating to hazardous waste.

3.6.4 Implementation of the amendments introduced in the 'Cigarettes and other Tobacco Products (Packaging and Labelling) Rules, 2008

Instructions were issued by the Board that in terms of Import Policy Note No.21 of Chapter 1A of the General Notes regarding Import Policy issued by the DGFT, Customs shall implement the requirement of display of the specified health warning, pictorial representation of ill effects of tobacco use and health message on imported cigarettes and other tobacco products. These measures are intended for public awareness and are components of specified health warning.

De-centralized system of internal audit of bills of entry was introduced by abolishing the existing system of sending documents pertaining to various minor ports and foreign post offices to major Customs Houses like Mumbai, Cochin etc., for audit. Further, it was clarified that at Customs Houses where the EDI System has become operational, there is no need for sending the Bills of Entry outstation for audit as the concurrent audit/post audit in such cases is done at the respective Customs House itself. In remaining cases, the Commissioners, in whose jurisdiction such minor ports/ Foreign Post Offices / ICDs fall, were instructed to make necessary arrangement to ensure that the audit related work is undertaken within the Commissionerate itself.

3.7 Drawback Division

The Duty Drawback Scheme is intended to neutralize the duties of Customs and Central Excise suffered on the inputs used in the manufacture of export products. Duty drawback enables the Indian exports to be competitive in the international market.

The drawback rates are revised taking into account the changes effected in the duties of Customs & Central Excise and fixed on the basis of data furnished by the Export Promotion Councils / Associations / Export Organizations.

The drawback rates are determined on the basis of certain broad parameters including inter-alia, prevailing prices of inputs, standard input / output norms (SION) published by DGFT, share of imports in the total consumption of inputs and the applied rates of duty.

3.7.1 Salient features of the Drawback rates, 2009-10

The Ministry has introduced the following new entries in the present Drawback Schedule:-

a) Gold and silver jewellery (711301 & 711302);

b) Rounder's bat wooden (sports goods) (95069963);

c) Bells, gongs, statuettes, ornaments, picture frames etc. of Aluminium and Iron & Steel (830603 & 830604) ;

d) Leather Safety Footwear with protective metal toe (640311);

e) Jars, perfume bottles, candle plate/Coasters, votive, lotion bottle/soap dish, ornamental spheres/ stars/ bells made of glass (70139991);

f) Lanterns/ lamps predominantly of glass (940506).

2. The new entries have been created to give a boost to exports of gold & silver jewellery and also to minimize disputes in classification of artware/handicraft items. The drawback rates and caps for all other items, except the above, have been retained for the present.

3.7.2 Implementation of changes introduced vide Foreign Trade Policy

The Foreign Trade Policy (FTP), 2009-2014 was announced by the DGFT on 27.08.2009. Several new schemes have been introduced in the FTP. Under Status Holder Incentive Scheme (SHIS), Status Holders (Star Trading House, Trading House etc.) are entitled to incentive scrip @1% of FOB value of export of goods of certain specified sectors made during 2009-10 and during 2010-11. Under Agri-Infrastructure Incentive Scrip (AIIS), scrip will be issued against exports of agricultural exports for import of specified capital goods. Zero duty Export Promotion Capital Goods (EPCG) Scheme which allows import of capital goods at zero duty has also been introduced. All imports of capital goods under this scheme have to be completed within 9 months from the date of issue of the authorization.

Besides introduction of these new schemes, the scope of some existing schemes has been widened. The exporters of the marine sector have been allowed to import 36 additional items as specified against the scrips issued to them under Target Plus Scheme (TPS) and Duty Free Credit Entitlement Scheme (DFCE). Under the Duty Free Import Authorization Scheme (DFIA), now the duty free replenishments imported under the scheme cannot be transferred to the units located in areas, which are availing the area specific exemptions of Central Excise Duty.

Important changes have also been made in the Advance Authorization, Advance Authorization for Annual requirement and Advance Authorisation for deemed export schemes. Para 4.5 of the Handbook of Procedures (Vol.I) provides that the duty free material imported or procured against an authorization can be taken to the project site. The period to re-export the defective and unfit for use materials imported under the advance authorization scheme has been lowered from the existing period of three years to six months, which is extendable, by a maximum period of six more months by the Jurisdictional Commissioner of Customs.

There have been no significant changes in other schemes viz. Served From India Scheme (SFIS), Vishesh Krishi and Gram Udyog Yojana (VKGUY), Focus Market Scheme (FMS), Focus Product Scheme (FPS), Duty Free Import Authorization (DFIA) Scheme and DEPE Scheme. The Hi-Tech Products Export Promotion Scheme (HTPEPS) has been deleted in the new Policy.

Some miscellaneous changes have also been made in the FTP. The jurisdictional Commissioners have been empowered, in cases of exigency, to permit imports and exports under all EP schemes through any other seaport, airport, ICD, or LCS in their jurisdiction even if the said port / ICD etc. has not been specifically mentioned in the concerned EP notification. Also, the number of duty free commercial / gem & jewellery samples has been increased from the existing limit of 15 to 50 pieces without changing the value limits prescribed in the notification No. 154/94-Cus dated 13.7.94 as amended.

To cater to the aforesaid and to implement the above provisions of the Policy and the Handbook, the Ministry has issued notifications Nos.91/09-Cus to 103/09-Cus all dated 11.9.09, 104/09-Cus & 105/09-Cus both dated 14.9.09, 109/09-Cus dated 24.9.09, 23/09-CE(NT) dated 25.9.09 and 112/09-Cus dated 29.9.2009.

3.8 International Customs Division

A Memorandum of Understanding on Administrative Assistance was signed between United Kingdom of Great Britain and Northern Ireland and Republic of India during November 2009 for co-operation and mutual assistance in Customs matters.

Customs Tariff (Determination of Origin of Goods under the Preferential Trade Agreement between the Governments of MERCOSUR Member States comprising the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Republica Oriental del Uruguay and the Republic of India) Rules, 2009 were notified effective from 01.06.2009 for implementing the Preferential Trade Agreement between India and MERCOSUR Member States.

India-Singapore Trade Agreement (Safeguard Measures) Rules, 2009 were notified effective from 12th May 2009 applicable to Safeguard measures under the Comprehensive Economic Co-operation Agreement between the Republic of India and the Republic of Singapore.

3.9 Public Accounts Committee Section

3.9.1 Central Excise and Service Tax

The observation of Audit, in respect of Central Excise and Service tax matters, made in Audit Report No. 20CA of 2009-10 (Compliance Audit) and Audit Report No. PA24 of 2009-10 (Performance Audit) were dealt with. The Compliance Audit Report contains the Draft Audit Paras (DAPs) which have been converted into audit para while the Performance Audit Report contains the System Review Paras.

3.9.1.2 During the year 2007-08, 370 Draft Audit Paras (DAPs) were received and replied. Out of these 370 DAPs, as many as 314 DAPs were converted into Audit Paras (APs). The ATN/comments in 72 Audit paras have been sent to the C&AG while the rests are under consideration.

3.9.1.3 During the current financial year, 250 DAPs have been received (80 in respect of Central Excise & 170 in respect of Service Tax) from the C&AG and the replies in 77 DAPs have been sent to the C&AG so far.

3.9.1.4 The Action Taken Note (ATN) on the Review on "Service Tax on business auxiliary services" and on the Review on "Excise duty on iron and steel and articles on iron and steel" pertaining to Chapter 1 and 2 of the Audit Report No. PA24 of 2009-10 (Performance Audit) is under consideration.

3.9.1.5 The Action Taken Note on the recommendations contained in the 79th report on the PAC (14th Lok Sabha) on Action taken on 57th Report (14th Lok Shabha) on "Undervaluation due to adoption of lower mutually agreed price" was sent to Lok Sabha Secretariat and Audit.

3.9.1.6 Apart from the above, during the year 2009-10, vigorous efforts were made to furnish further replies to the pending Audit Paras relating to current year as well as earlier years. As many as 177 Audit paras, out of a total of 320, which relate to the period prior to 2006-07, were got settled. In addition, in 91 audit paras pertaining to the period prior to the year 2007-08, replies have been sent to the C&AG for settlement.

3.9.2 Customs

The observation of Comptroller General of Audit (C&AG), in respect of Customs matters, made in C&AG Audit Report of 2009-10, Compliance Audit and Performance Audit are handled in the Customs Audit Section. The Compliance Audit Report (referred above) contains the Draft Audit Paras (DAPs) which have been converted to Audit Paras. The Performance Audit Report (referred above) contains the System Review Paras.

3.9.2.2 During the year 2007-08 (C&AG Report for the period ending March, 2008), 28 Audit Paras (APs) relating to export promotion duty exemption schemes vide chapter XV and 92 Audit Paras relating to various issues relating to Customs in Chapters XIV, XVI, XVII & XVIII were received. These pertain to issues such as incorrect assessment of customs duty, classification, availment of exemption, non-levy / short levy of additional duty of Customs, irregular availment of drawback etc. The ATN / Comments in 27 Audit Paras (other than drawback) have been sent to the C&AG and the rests are under consideration.

3.9.2.3 During the financial year 2008-09 (C&AG Audit for the period ending March, 2009), 121 DAPs have been received from the C&AG. On examination, it was found that 27 DAPs relate to action to be taken by the Directorate General of Foreign Trade in the Ministry of Commerce & Industry and hence, the same have been transferred to them. The replies in respect of 16 DAPs have already been sent to the C&AG so far.

3.9.2.4 The Action Taken Note (ATN) on the Review on "Indian Customs Electronic Data Interchange System (ICES)" pertaining to Chapter 3 of the Audit Report No. PA24 of 2009-10 (Performance Audit) is being examined separately by the Directorate General of Systems and Data Management for sending necessary report to the Audit. Further, on another Review on "Project Imports", the procedures relating to the Scheme and the recommendations are under review and necessary report will be sent to Audit accordingly.

3.10 Anti-Smuggling Unit

3.10.1 Acquisition of Anti-Smuggling equipments and marine vessels

The Cabinet Committee on Economic Affairs (CCEA) on 22.2.2007 approved the proposal of the CBEC for acquisition of 109 vessels (24-Cat-I, 22-Cat-II, 30-Cat-IIIA and 33-Cat-IIIB) to replace the existing vessels which had become old and unserviceable. Orders were placed earlier for 24 nos. of Category I vessels, 30 nos. of Category IIIA vessels, 33 nos. of Category IIIB vessels and 22 nos. of Category II vessels, based on the costs arrived at after Global Tender on the lowest bidder (L1). Category wise details of delivery upto December, 2009 all the vessels delivered up to September 2009 are as follows:

Category I Vessels:

The first 15 vessels have been delivered up to December, 2009 and placed at the disposal of concerned field formations under CBEC for further deployments.The subsequent vessels will be delivered as per the scheduled time frame i.e. an average of one vessel per month from Johor Bahru and Port Klang, Malaysia.

Category II Vessels:

The delivery of the first vessel is likely to commence from January, 2010. The management of M/s Al Dhaen Craft, Bahrain has been requested to advance the deliveries. The vessels are to delivered at the rate of one vessel per month.

Category IIIA & III B Vessels:

All the 63 vessels (30 in Category IIIA & 33 in Category IIIB) have been delivered by July, 2009 and placed at the disposal of concerned field formations under CBEC for further deployments.

3.10.2 Mobile Gamma Scanners:

The GNIT No.01/2009 has been retendered on 12.01.2009 for procurement of 3 Mobile Gamma Ray Scanners. The order for retendering of Global tender for procurement of 3 Mobile Gamma Ray Scanners was approved by Hon'ble FM on 12.11.2008. The pre-bid meeting was held on 4.2.2009. The technical bid of the bidders was opened on 3.3.2009. The meeting of the Tender Evaluation Committee (TEC) was held on 6.3.2009 and 30.09.2009 to consider the technical evaluation of the eligible bidders. The price bids have been opened on 07.12.2009 for two technically qualified bidders and are under examination by TEC for final recommendations.

3.10.3 Fixed X-ray scanners:

The GNIT No.6/2008 has been floated on 16.11.2008 for procurement of 4 fixed X-ray Scanners. The pre-bid meeting was held on 22.01.2009. The tender was opened on 23.03.2009. The meeting of the Tender Evaluation Committee (TEC) was also held on 27.3.2009 to consider the technical bids of five bidders. Further, technical clarifications as sought from the bidders have been received and are under examination in consultation with BARC. The final recommendations of the TEC are expected to be shortly received.

Order will be placed on appraisal of Commercial bids and acceptance of the lowest bid.

3.10.4 Procurement of 87 nos. of X-Ray Baggage Inspection System (XBIS) for installation at Airports, Air Cargo Complexes, Sea Ports/ICDs, LCSs, FPOs and CFSs/UB Centres

Expenditure sanction has been accorded for Rs.24,94,22,168/- for purchase of 87 X-ray Baggage Inspection Systems (XBISs) on 09.01.2009 for installation at Airports, Air Cargo Complexes, Sea Ports/ICDs, LCSs, FPOs and CFSs/UB Centres.

3.10.5 Anti Smuggling & Anti Evasion

The Performance in the area of anti-smuggling and anti-evasion audit are as under:

Seizure Cases

(Outright smuggling cases)		*(Value Rs.in crore)*
YEAR	**ALL INDIA (Including DRI)**	**DRI**
2007-2008	1021.07	634.70
2008-2009	1721.01	824.94
2009-10 (upto Sept,09)	768.44	232.31

Customs Duty Evasion Cases

(Figures based on show cause notice issued) *(Value Rs.in crore)*		
Year	**All india (Including DRI)**	**DRI**
2007-2008	1221.76	1073.58
2008-2009	2128.23	1715.08
2009-10 (upto Sept,09)	1060.25	891.11

Duty Realised on All India Basis & DRI (Value Rs.in crore)		
YEAR	ALL INDIA (Including DRI)	DRI
2007-2008	338.47	249.02
2008-2009	674.06	354.81
2009-10(upto Sept,09)	**88.12**	**61.84**

Audit and Anti Evasion performance for the last financial year and during the current financial year

Anti Evasion

Year	Number of cases booked	Amount involved (Rs. in crore)
2007-08	5907	4568.86
2008-09	5370	**7735.83**

Audit

Year	No. of audit objections	Amount involved (Rs. in crore)	Amount recovered (Rs. in crore)
2007-08	64060	5046.89	894.94
2008-09	71903	7503.72	1522.49
2009-10 (upto Sep 2009)	29175	3559.41	581.58

3.11 Judicial Cell

The Judicial Cell of CBEC assists the office of Member (L&J) in examining and filing of Departmental appeals in Supreme Court against CESTAT Orders, and also presenting the departmental cases before the High Power Committee COD w.r.t. departmental disputes with PSUs. and also to defend departmental interest on appeals filed by the PSUs. The following tasks / work have also been undertaken by the Judicial Cell.

Conscious efforts have been made to upgrade the quality of departmental appeals at all Appellate forum. The thrust area has been to overcome volumes and concentrate on sustainability of department's cases by better examination and analysis of the appeal proposals.

Sincere efforts have been made to reduce the time taken in filing of Civil Appeals (CA). These efforts have led to prompt and timely filing of Civil Appeals before the Supreme Court.

Performance During the Year 2007-08, 2008-09 & 2009-10

3.11.1 Departmental Appeals:

(Given at Table 3.3 and 3.4)

Year	Number of Civil Appeal proposal received	Number of Civil Appeal Filed	Number of Cases where CESTAT Order Accepted
2007-08	411	280	131
2008-09	311	234	77
2009-10 (April'09 to Nov.09)	142	115	27

Table 3.3

(A) Processing of COD Proposals:

Year	Opening Balance	Number of Proposal Received	Total	Number of Proposals Disposed off	Closing Balance
2007-08	43	122	165	114	51
2008-09	67	212	279	187	92
2009-10 (April'09 to Nov.'09)	92	155	247	113	134

Table 3.4

(B) Progress in COD Meetings: (B) Progress in COD Meetings:

Year	Number of Meeting	PSU Cases (including deferred cases)	Depart-mental Cases (including deferred cases)	PSU Cases Allowed	PSU Cases Not Allowed	Depart-mental Cases Allowed	Depart-mental Cases Not Allowed
2007-08	22	468	137	296	172	36	101
2008-09	27	546	190	381	106	75	60
2009-10 (April'09 to Nov.'09)	17	326	88	238	73	34	44

3.11.2 Departmental Disputes with PSUs:

3.12 Legal Cell

The Legal Cell in CBEC is primarily responsible for handling litigation arising out of High Court's orders in respect of Customs, Central Excise and Service Tax matters before the Supreme Court.

3.12.2 The year-wise information regarding the number of proposals received for filing of the Special Leave Petitions before the Supreme Court and the number of SLPs filed is as follows:

Performance during the year 2006-07, 2007-08, 2008-09, and 2009-10 (upto November, 2009)

Year	No. of SLPs received	No. of SLPs filed	No. of cases where High Court Orders accepted.
2006-07	317	220	97
2007-08	310	185	125
2008-09	356	305	51
2009-10 (April 2009 to November 2009)	182*	85	50

* 47 under process.

3.12.3 The number of cases pending before the Supreme Court, High Court, CESTAT and Commissioner (Appeals) as on 30.9.2009 are given below at Table 3.5

Legal Cell is also concerned with formalising the panel of Advocates/ Special Counsels for the department for representation before High Courts/Tribunals etc.

3.13 Publicity

(A) Highlights of the performance and achievements during the year (2009-10);

Publicity

The Directorate of Publicity & Public Relations of CBEC planned and executed a massive multi-media drive to enhance public awareness about Service Tax, Central Excise and Customs. Multi-media advertisements with educative messages and also containing information on important Central Excise, Service Tax and Customs Schemes / provisions & amendments were widely publicized.

Electronic Media

(i) The Directorate of Publicity & Public Relations produced a 25-minute film titled 'Guardians of Economic Frontiers' on the Indian Customs. This film was placed for telecast on the popular English News Channels NDTV 24x7 and CNN-IBN during March '09. The film received tremendous response and was repeated by the channels during April '09.

(ii) The Directorate produced two TV Commercials in Hindi and English. The first TV Commercial 'STRP' (45-Seconds) pertains to Service Tax Return Preparer Scheme and the second TV Commercial 'Pay In Time' (30-Seconds) informs tax payers about their responsibility to deposit their tax dues and file returns by the due date (s).

These TV Commercials were placed for telecast on Hindi News Channels.

(iii) The film 'Guardians of Economic Frontiers" on Indian Customs, produced in English, was telecast, during the month of October, 2009 on News 24, ETV UP & ETV Rajasthan channels with Hindi dubbing and on 7 Vernacular language channels (Bangla, Gujarati, Kannada, Marathi, Oriya, Telugu and Urdu) of ETV Network with dubbed versions.

(iv) The Directorate produced a 30-seconder TV Commercial 'ACES' on the centralized, web & workflow based software application programme launched by CBEC for the taxpayer's information & guidance. The TV Commercial was placed for telecast on DD National during India-Australia One Day International Cricket Series, 2009 during November, 2009.

(v) The above TV Commercial was also placed for telecast on TV.

(vi) The Directorate also produced a 60-seconder TV Commercial 'Service Tax -USTD' on service tax with Ustad Amjad Ali Khan, renowned Sarod Player in Hindi with the message of role of Service Tax & its contribution to overall development of the nation. It was telecast on various channels in the month of December, 2009.

Table 3.5

Pendency of cases at various judicial fora as on 30.9.2009

Sl. No.	Appellate forum	Total No. of Deptt. Appeals	Total amount involved in Deptt. Appeals (Rs. in Crore)	Total No. of Party's Appeals	Total amount involved in Party's Appeals (Rs. in Crore)	Grand Total No. of Appeals	Grand Total Amount involved (Rs. in Crore)
1.	Supreme Court	1888	5525.56	604	788.35	2492	6313.91
2.	High Court	7406	5126.21	7222	4857.99	14628	9984.2
3.	CESTAT	13569	7699.79	22399	23029.45	35968	30729.24
4.	Commissioner (Appeals)	2464	528.17	17457	3610.17	19921	4138.34

Print Media

(i)	(a)	No. of Hindi advertisements	10
	(b)	No. of Newspapers	72
(ii)	(a)	No. of English advertisements	12
	(b)	No. of Newspapers	49
(iii)	(a)	No. of Regional language advertisements (with Assamese, Bangla, Gujarati, Kannada, Malayalam, Marathi, Oriya, Punjabi, Tamil and Telugu, Urdu in the broad media plan)	12
	(b)	No. of Newspapers	63

Electronic Media

(a)	No. of Hindi advertisement films	4
	1. 'STRP' (45-seconds) 2. 'Pay in Time' (30-seconds) 3. 'ACES' (30-seconds) 4. 'Service Tax -USTD' (60-seconds)	
(b)	No. of Hindi Channels on which placed	6
(c)	No. of English Channels on which placed	5
(d)	No. of Business Channels on which placed	5
(e)	No. of Regional Channels on which placed	9

Miscellaneous

An outdoor publicity campaign was mounted (in Delhi) on 11 locations containing educative messages on Central Excise and Service Tax during the month of July, 2009.

Publications

(i) Immediately after the presentation of the Union Budget for 2008-2009, Budget Bulletins were printed overnight and sent by air-courier to field formations. Central Excise and Customs Tariffs were updated, printed and sent through special messengers to field formations to ensure uninterrupted tax collection. Notifications/ Circulars relating to Central Excise, Customs and Service Tax were published and sent to field formations and subscribers and also sold to trade and public on a day-to-day basis. Apart from regular monthly publications eg CBEC Digest, ICE Trade Digest, the Directorate brought out Service Tax Scrutiny Manual, Brochures, Folders and CDs on ACES for distribution to the field formations. The Directorate also published a book on the Chief Commissioners' Conference, 2009. Besides, printing of Guide for Travellers and Sampark 2010 is in process.

(B) Performance/achievements up to the last year (2008-09);

During the year 2008-09, this Directorate publicized Service Tax through print, electronic and outdoor media. A large number of new service providers took registration resulting in higher Service Tax collection. The Service Tax campaign through print and electronic media was also responsible for increase in the Service Tax base and tax collection. The Directorate undertook wide publicity to enhance public awareness about Service Tax and Central Excise and encourage voluntary tax compliance through print and electronic media as per details below:

(i)	(a)	No. of Hindi advertisements	18
	(b)	No. of Newspapers	45
(ii)	(a)	No. of English advertisements	19
	(b)	No. of Newspapers	56
(iii)	(a)	No. of Regional language advertisements (Assamese, Bangla, Gujarati, Kannada, Malayalam, Marathi, Oriya, Punjabi, Tamil and Telugu)	11
	(b)	No. of Newspapers	13

Television

(i) The Directorate made a film on the Indian Customs with a view to acquaint the public with the unknown facets of the department and marking its contribution in the country's growth. This 25-minute film titled 'Guardians of Economic Frontiers' was placed for telecast on topmost English News Channels during March, 2009 and received encouraging response.

(ii)	(a)	No. of Hindi advertisement films	5
		1. 'Avoid Penalty' (30-second) 2. 'Progress & Taxes' (30-second) 3. 'DRS' (45-second) 4. 'E-PAYMENT' (35-second) 5. '31 MARCH 2009' (20-second)	
	(b)	No. of Hindi Channels on which placed	6
	(c)	No. of English Channels on which placed	4
	(d)	No. of Business Channels on which placed	5
	(e)	No. of Regional Channels on which placed	11
(iii)	(a)	Television Scrolls on Service Tax Dispute Resolution Scheme No. of Hindi Channels on which placed	4
	(b)	No. of English Channels on which placed	3
	(c)	No. of Business Channels on which placed	4
	(d)	No. of Regional Channels on which placed	10

Radio

(i) Two Radio Spots 'Why Do I Pay' (30-secs) and 'Fifty Lakh' (35-secs) were produced & placed for broadcast during Febury.-March, 2009

(a) No. of frequencies for which placed

[All India Radio National Hook-Up and Red FM frequencies in Delhi, Kolkata and Mumbai]

Outdoor Media

(i)	Panels / Gantries	11 places

Publications

Notifications/Circulars relating to Central Excise, Customs and Service Tax were published and sent to field formations and subscribers and also sold to trade and public on a day-to-day basis. Monthly publications eg CBEC Digest, ICE Trade Digest, updated editions of Traveller's Handbook and Sampark were printed and sent to field formations. Various manuals relating to indirect tax were also printed.

3.14 Directorate general of inspection

3.13.1 Charter of Duties

The main functions of the Directorate General of Inspection are as follows:-

- To study the working of the Customs, Central Excise Departmental machinery throughout the country
- To suggest measures for improvement of its efficiency and rectification of important defects in it through inspection and by laying down procedures for smooth functioning
- To carry out Inspection to determine whether the working of the field formation are as per Customs and Central Excise procedures and to make recommendations in respect to the procedural flaws, if any noticed
- To suggest measures for improvement in functioning of the field formations
- Nodal office for implementation of Official Language Policy of Government.

3.14.2 Organizational Structure

The Director General of Inspection is head of the Department having all India jurisdiction, supervising and controlling the functions of the Regional Units located at Mumbai, Chennai, Kolkata, Delhi and Hyderabad.

Each Regional Unit is headed by one Additional Director General who is the head of the department. However, the Regional Unit of Hyderabad, is headed by an officer in the rank of Addl. Director reporting to ADG, SRU, Chennai. At the headquarters office, the ADG(Admn.) has been delegated the powers of Head of the Department. He also looks after Official Languages Section , Nepal Rebate and Bhutan refund section. Further ADG , HQ(C.Ex) is also incharge of (Customs) at the Hqrs. and looks after inspection of the field formations. Certain Customs inspections are also allocated to regional Units by HQ Customs. The regional offices conduct the Central Excise and Customs inspection in their respective jurisdictions. The Director General of Inspection is the Cadre Controlling Authority of Group B, C and D for the Directorates General of Inspection. Vigilance, Housing and Welfare, Export Promotion, Office of the CDR, Directorate of Legal Affairs, Audit, Safeguards and Directorate of General, Humane Resources Development.

All ADGs are assisted by Additional Directors/Joint Directors/Deputy Directors and Assistant Director.

3.14.3 Working

This Directorate was constituted in 1939, as part of the Board's office for conducting periodical inspections and for advising the Board on technical questions and on standardization of organization and procedure in the Customs Houses and the Central Excise Collectorates. It was separated from the Board on 1st April, 1946 and given the status of an attached office.

3.14.4 Highlights of performance

No. of Inspections of COMMISSIONERATES conducted by DGICCE & RUs are at Table 3.6.

3.14.5 Special Assignments / Studies under taken

3.14.5.1 Central Excise

1. Review on provisional assessment
2. Preparation of Proposal for restructuring of Directorate of Legal Affairs and Directorate of Inspection
3. Study of demands, present status and realization of Central Excise duty/penalty confirmed by means of adjudication orders in cases where duty involved is Rs. one crore and above
4. Monitoring of performance in Monthly Technical Reports (MTR) with special emphasis on Pendency in key areas.
5. The Directorate monitors the disposal of pending adjudication cases. A special Cell has been created in the Directorate for the purpose and separate report regarding adjudication cases pending beyond the time limit stipulated in section 11A (2 A) of Central Excise Act and cases involving revenue more than Rs. one crore is prepared and is submitted along with MTR. The Directorate identifies the Commissionerates with higher pendency of adjudication cases and Directorate is advised the Chief Commissioners to ensure that cases pending beyond period stipulated in Section 11A(2A) are adjudicated quickly.

6. In the month of October, 2009 this Directorate had made special efforts to compile the cases involving pendency of arrears of revenue on different accounts as on 31.10.09. A total number of 38851 cases , amounting to Rs. 2481188 (amt. in lakhs), have been noticed. Out of these, 9259 cases involving an amount of Rs.870392 (Amt. in lakhs) and 2460 cases having amount of Rs.47249 (Amt. in lakhs) have been noticed as cases under persuasive action and under certificate action respectively. On the Customs side 12096 cases involving amount of Rs 6104 (amt in lakhs) have been identified as recoverable areas as on 31.10.2009. Matter has been taken up with respective zonal Chief Commissioners having higher pendency requesting them to make special efforts to recover these dues.

7. As directed by the Board, this Directorate conducted a study of activities of the cigarette manufacturing units to assess the effectiveness of the physical control, situated in Bhopal, Chandigarh, Lucknow and Vizag zones.

3.14.5.2 Customs

1. Monitoring of Export Promotion schemes.
2. Monitoring of performance in Monthly Technical report (MTR)
3. Study on the cases of Adjudication in the categories of a) Pending more than one year (b) where amount involved is more than Rs. One Crore, (c) where the amount is more than Rs. One Crore and case is pending for more than one year. Monthly Report submitted
4. Conducted a systems study on Prosecutions and report submitted along with draft Circular submitted.
5. Approval of holding exhibition of ATA Carnet.

3.14.5.3 Administration/Establishment

1. Training for Group 'D' non-matriculate staff as per the directions of NACEN has been completed.
2. Recruitment of sepoys undertaken.
3. On implementation of Sixth Pay Commission recommendations, all pay fixation in respect of Group 'A' 'B' 'C' & 'D' and pensioner cases after January, 2006 has been done and the 2nd installment of arrears of 60% has been released
4. DPC for the posts of SIO, Inspector, Gr-I, Sepoy and Driver Gr-II was held and promotions in these grades were made.
5. Written examination for Customs House Agents was conducted .

3.14.5.4 Hindi / Official Language.

1. Conducted 10 Inspections during (1.4.09 to 30.11.09) of field formations with respect to implementation of Official Language(OL) Policy. Another 18 inspections are scheduled till March, 2010.
2. 1 Meeting (1.4.09 to 30.11.09) of 3rd Sub-committee of Parliamentary Committee on OL attended by Addl. Director General (Admn.). Another 18 inspections are scheduled till March, 2010.
3. Meetings of OLIC of Department of Revenue were attended.
4. In the above cited meetings performance regarding Hindi work was spoken high of.

3.14.6 Nepal Rebate Section

I. This Directorate is dealing with payment of rebate to Nepal Government and refund of duty to Bhutan Government Every month cheque is given to Nepal Government in this regard.

Table 3.6

No. of Inspections of COMMISSIONERATES conducted by DGICCE & RUs

Formation	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (1.4.09 to 30.11.09)
DGICCE (C.Excise) (special study)	18	19	19	16	19+3	8
DGICCE (Customs)	1	10	15	6	12	7
NRU Cus-1	-	-	17	7	08	6
ERU	1	-	12	14+3 (special study)	13	5 Cus-2
CRU	4	1	7	11	10	5
SRU	5	2	18	12+4 (special study)	12	9 Cus-3
WRU	11	-	10	13	18	9
TOTAL	**40**	**32**	**98**	**79**	**92**	**55**

Nepal Government has appreciated the regularity of this Directorate in processing their claims and taking required action. Similarly refund to Bhutan Government is paid every year. Refund cheque this year has already been sent to Bhutan Government and no claim of Bhutan Government is pending with this Directorate.

3.14.7 Nepal Rebate Sanctioned by DGICE, New Delhi

S. No.	Year	Total amount (Rs.)	No. of invoices processed
1.	2004-05	1,28,09,71,495	53427
2.	2005-06	96,63,46,688	40769
3.	2006-07	1,70,31,97,397	54607
4.	2007-08	1,77,78,88,830	48927
5.	2008-09	1,86,69,71,356	38348
6	2009 -10 (1.4.09 to 30.11.09)	1,00,86,09,653	27276

3.14.8 Refund of excise Duty Given to Royal Govt. of Bhutan

Year 2005 (for the year 2002)

Amount claimed Rs. 60,78,07,582/-

Amount finalized Rs. 51,00,88,512/-

Year 2006 (for the year 2003)

Amount claimed Rs. 90,07,63,887/-

Amount finalised Rs. 62,55,71,543/-

Year 2007 (for the year 2004)

Amount claimed Rs. 92,24,03,487/-

Amount finalised Rs. 72,51,52,173/-

Year 2008 (for the year 2005)

Amount claimed Rs. 1,03,10,80,789, 98

Amount finalised Rs. 90,03,40,484 ,37

Year 2009 (for the year 2006)

Amount claimed Rs.1,13,19,82,387/

Amount finalized Rs.1,06,64,24,320/-

3.15 Director General of Systems

3.15.1 E-Governance

a) The e-governance projects already implemented and those under implementation by the CBEC are in line with the proposed vision of the National e-Governance plan. Most of the projects undertaken by CBEC have targeted the business users such as importers and exporters, manufacturers and service providers. In these initiatives, the department is guided by the following principles:

- Citizen-centric delivery of services through "single window" interface.
- Providing services on an "anytime, anywhere" basis.
- Ushering in Transparency and Accountability.
- Simplification of Procedures.
- Reduction in Transaction Costs.
- Minimization of manual interface.
- Encouraging voluntary compliance.
- Synergy between various Tax Systems.

Efforts are being made to make the Department's services available over the internet and through various service centers. Integrated service delivery is also being attempted by integrating processes, cutting across diverse field formations under CBEC and also by integrating with partner agencies such as Banks, Airlines, Custodians, CONCOR, etc.

b) Details of Completed Activities / Projects

Sl. No.	Activity	Brief Account
1.	Online registration of Central Excise Assessees	To enable the taxpayer to register online as Central Excise Assessee On the website www.aces.gov.in
2.	Online registration of Service Tax Assessees	To enable the taxpayer to register online as Service Tax Assessee On the website www.aces.gov.in [Currently available to users in 104 Commssionerates.
3.	Online filing of Central Excise Claims, Intimations & Permissions	To enable the taxpayer to file online Claims, Intimations & Permissions On the website www.aces.gov.in [Currently available to users in 104 Commissionerates]
4.	Online filing of Central Excise Returns	To enable the taxpayer to file their Central Excise Returns with CBEC over the Internet. On the website www.aces.gov.in [Currently available to users in 104 Commissionerates.]

5.	Online filing of Service Tax Returns	To enable the taxpayer to file their Service Tax Returns with CBEC over the Internet. On the website www.aces.gov.in [Currently available to users in 104 Commissionerates.
6.	e-payment of Central Excise Duty	To enable the tax payer to make online e–payment by directing the user to the EASIEST website of NSDL or to the website of assessee's preferred bank. On the website www.aces.gov.in
7.	Online registration with ACES	To enable the tax payer to register online for transacting electronically with the Central Excise or Service Tax Department through ACES. [Currently available to users in 104 Commissionerates.] On the website www.aces.gov.in
8.	Online registration of Non – Assessee with ACES	To enable Non – Assessees such as Merchant exporters to register with ACES to transact with the Department On the website www.aces.gov.in [Currently available to users in 104 Commissionerates.]
9.	Online training on ACES	To enable assessees, non–assessees & other users to be familiar with the ACES through online tutorials (Learning Management Software), User Manuals and FAQs. On the website www.aces.gov.in
10.	Web-viewing and Web-tracking of status of Central Excise / Service Tax documents	To enable tax payer & users to view or to ascertain the status of their Central Excise / Service Tax documents filed through ACES On the website www.aces.gov.in
11.	Service Desk facility for ACES	To provide the users the facility of Service Desk to solve their problems in using ACES by calling national toll free No.1800-425-4251 (on working days between 9 AM to 7 PM) or by sending e-mails to aces.servicedesk@icegate.gov.in. [As on 10.11.2009 8205 calls were received out of which 8061 have been resolved.]
12.	Electronic credit of Duty Drawback	To enable the taxpayer to receive electronic credit of the amount due directly into his account with any bank. This is enabled in the Indian Customs EDI System ICES Exports.
13.	Dissemination of information relating to the indirect taxes through web.	To enable the taxpayers to obtain up to date information relating to Customs, Central Excise & Service Tax laws, forms, etc through internet. On the websites www.cbec.gov.in & www.aces.gov.in
14.	IEC status with ICEGATE	To enable the taxpayer to ascertain on the Internet whether his IEC (Importer/Exporter Code) issued by DGFT has been received at ICEGATE. On the website www.icegate.gov.in
15.	Online verification of DEPB licences	To enable online transmission of Shipping bills to DGFT and receipt and verification of DEPB licences from DGFT thus doing away with the manual verification of DEPB licences. On the website www.icegate.gov.in
16.	Online verification of DES / EPCG Licences	To enable online receipt of DES/EPCG Licences from DGFT and thus doing away with the manual verification of these licences. The relevant SBs and Bill of Entries are also transmitted to DGFT for issuance of EODC by DGFT. On the website www.icegate.gov.in
17.	Online registration with ICEGATE	To enable the taxpayer and other trading partners to register online for transacting electronically with the department. On the website www.icegate.gov.in

18.	Online filing of Customs documents	To enable taxpayers to file their Customs documents over the Internet. During January 2009 to November 2009 98.35% of the import documents and 97.72% of the export documentation were processed electronically at automated locations. About 9.5 million documents were handled on EDI in ICES locations during the said period out of which about 3.76 million documents were filed through ICEGATE. On the website www.icegate.gov.in . Facility of payment of duty on EPCG scheme imports from DEPB/ reward scheme scrips has been provided in ICES application. Presently only proprietary flat file message formats are accepted on ICEGATE. In ICEGATE Upgrade project, schemas for XML & UN-EDIFACT message formats are also being developed. ICEGATE was also upgraded to conform to the Centralized architecture of the ICES 1.5 which enabled the filing of the documents for the ICES 1.5 locations Online. (Dadri – 5 Locations and Ballabgarh)
		In addition, the upgraded ICEGATE also allows filing of the Amendments and Query Reply Messages Online through ICEGATE for ICES 1.5 locations and also gives the facility to take the printout of the 1st Copy of the Bill of Entry and the Challan for Duty payment at the Service Centre as well as at the user's preferred location such as house / office.
19.	Web Tracking of status of Customs documents	To enable the taxpayers to ascertain status of their Customs documents on the website www.icegate.gov.in . In ICEGATE upgrade project, the document tracking system (DTS 1.0 and DTS 1.5) is improved i.e. it is faster and more search options facilities are being added. ICEGATE launched the Advanced module of Tracking at ICES 1.0 and 1.5 ICEGATE also launched Inquiry Module for Service Centre users for ICES 1.5 locations
20.	Helpline facility for ICEGATE transactions	To provide a Helpline for problems faced by taxpayers in transacting with the department through ICEGATE. The Helpdesk is functional round the clock.
21.	Transshipment module	To enable online transmission of SMTP portion of IGM from automated gateway ports to automated ICDs ICEGATE launched SMTP IGM routing for ICES 1.5 locations automatically.
22.	e-payment of Customs Duty	To enable importers to make online e–payment by directing the user to the website of authorised bank through the website www.icegate.gov.in
23.	EASIEST	The Electronic Accounting System in Excise and Service Tax (EASIEST) project was launched in March 2007 and made operational in all Central Excise and Service Tax Commissionerates from April, 2007. The objective is to make available accurate tax payment data from banks for revenue and tax payer accounting. Under this system, data through all modes of payment including e-payment is captured by banks in the agreed format and uploaded in electronic form and made available to the Department. For improving data quality of Internet payments the EASIEST e-payment portal was developed. This is a web based feature which interfaces with the e-payment portals of the tax collecting banks. It is operational since November 2008. The various validations of the challans are done at this level before forwarding it to the bank's site for the financial transaction. As on 14/12/09, 26 banks out of the authorised 28 banks have got linked with this portal. Since April 1st 2009 to Dec 10 2009 around 30 lakh challans have been uploaded by the banks and in around 96% of the challans the assessee code is valid. 94% of the revenue in Central Excise and 66% of revenue in Service tax is through e-payment.

		Outcomes of the project 1. With the implementation of EASIEST, it has become possible to ascertain the gross revenue collection figures for Central Excise and Service Tax on a daily basis by the senior management in CBEC. Web based MIS have been developed to monitor the tax collection. 2. Capture of the unique Assessee code in EASIEST data enables accounting of the tax paid by each taxpayer. 3. Automation in Central Excise and Service Tax (ACES) project has automated the workflow in the Central Excise and Service Tax Commissionerates. The data from EASIEST will be used by the ACES application and will assist in system verification of tax payment.
		4. As part of the EASIEST project, the taxpayer is able to verify the status of tax payment over internet. This not only increases transparency but also provides a sense of confidence in the taxpayer that the taxes paid are correctly credited. Resources available on the websites for taxpayers • Link to the helpdesk (http://exciseandservicetax.nic.in/sermon) to handle queries • easiest-cbec@nic.in has been created to handle queries of the taxpayers and banks • Frequently Asked Questions (FAQs) on EASIEST on http// cbec.gov.in • Facility for online verification of tax payment status on https://cbec.nsdl.com. • Facility for verification of assessee registration details like name, address, and location code' using the link 'Assessee Code Based Search on https://cbec.nsdl.com EASIEST MIS Reports The EASIEST MIS are web based reports which can be used to monitor the tax collection as well as quality of data. The reports are user friendly and simple to use and can be exported to excel or printed and are sortable. The following broad categories of reports are available for EASIEST are 1. EASIEST Collection reports which show collections based on the challan data of Central Excise Duty and Service Tax uploaded by banks. The types of report under this category are:

Report	Information Available	Levels
Summary Report	• Gross collection amount • Accounting code wise breakup • current and previous yeatr figures and growth percentage thereof	• All India
Chief Commissionerwise collection Report	• Excise and Service Tax collection • Accounting code wise breakup • current and previous year figures and growth percentage thereof	• All India • Chief Commissioner • Commissioner

<table>
<tr><td></td><td></td><td>Top Assessee Report Top 25/50/100/500/1000 taxpayers for selected period</td><td>• Payments by Top taxpayers
• Major Accounting code wise top tax payers
• Minor account codewise and servicewise top taxpayers
• e-payment and physical payments</td><td>• All India
• Chief Commissioner
• Commissioner (Division and range)</td></tr>
<tr><td></td><td></td><td>e-payment Report</td><td>• e-payment and physical payments
• Accounting code wise breakup
•The % of e-payment as compared to physical payment.</td><td>• All India
• Chief Commissioner
• Commissioner</td></tr>
<tr><td></td><td></td><td colspan="3">2. EASIEST Coverage reports are for monitoring data quality and show the coverage of EASIEST data in terms of funds and bank branches. The types of report under this category are:
• Fund Settlement Statistics Report
• Branch Coverage Statistics Report
3. EASIEST Deficiency reports are based on the error records uploaded by banks and give details branch wise of the various kinds of errors rectified.
4. Invalid assessee code report is for monitoring data quality and gives details bank wise of the invalid assessee codes for all India, Chief Commissionerate and Commissionerate during a month.</td></tr>
</table>

c) The details of on-going Projects in brief are as under:

c) The details of on-going Projects in brief are as under:

S. No.	On- Going Projects	Brief Account
1.	Automation of Central Excise and Service Tax (ACES)	ACES is a centrally-hosted, web-based and workflow-based software application to automate the entire business processes relating to Central Excise and Service Tax that includes online registration, online filing and processing of returns, claims, intimations and permissions, filing and processing of excise related export documents, dispute resolution , audit etc.
2.	Augmentation of Computer infrastructure within the department	To set up an All India Wide Area Network linking 20,000 users in 539 buildings to the National Data Centre, Data Replication and DR Site. This would link CBEC officers with the national data centre and disaster recovery site. The Wide Area Network (WAN) has been implemented by BSNL at 506 sites of CBEC. With this the WAN Project has been completed except for sites facing shifting or other force majeure issues. Helpdesks have been provisioned to address user complaints on WAN and LAN issues. Additional WAN locations also being included.
3.	System Integration	Equipment has been installed and commissioned and the system acceptance milestone has been achieved, i.e. software applications for customs and central excise and service tax have been ported and are running from the three national data centres. Personnel have been deployed for extending Facility Management support for five years.

		A Network Operations Centre (NOC) has been set up for providing support for applications users and pro-active monitoring of the infrastructure. A helpdesk is in operation for infrastructure and applications support for operations and resolution of the end user problems. A Single Sign-on (SSO) application has also been configured and rolled out for providing policy based access for CBEC's officers to different applications. SSO ids have been created for about 19,000 officers. The mail messaging solution has been made online from Data Center to provide official mail accounts to 20,000 officers.
4.	Local Area Network	Local Area Network Connectivity has already been provided to CBEC users in 1056 buildings with requisite IT hardware such as Thin Clients, Network Printers, Print Servers, and Scanners etc. Using LAN, the Commissionerates Customs Houses, Directorates, Divisions, ICDs, Land Customs Stations and the Central Excise/Service Tax Ranges will be able to securely connect/ access the central computing facility. With this the LAN Project has been completed except for sites facing shifting or other force majeure issues. Helpdesks have been provisioned to address user complaints on LAN issues.
5.	Data Warehouse (DW)	CBEC's DW project aims at a consolidated national perspective of CBEC's data (using PAN based identifiers) for informed policy making & decision support and to provide a source of clean and consistent data for analytical reporting. The first set of analytical reports on Central Excise and Service Tax collections (EASIEST data) have been developed and hosted on ICEGATE, using the 'best-of-breed' Business Intelligence software tools. These reports show, inter-alia, the following: • Minor account head wise, assessee-wise, Commissionerate & division-wise Central Excise collections, • Minor Account head wise (service-wise), assessee wise, Commissionerate & Division-wise Service Tax collections • Top services based on collections • Top taxpayers based on collections • Comparative collections with percentage deviations, and • a 360 degree view of the collections from a taxpayer across Central Excise and Service Tax Data mining reports, using text mining software tools, have also been prepared for the Directorate General of Valuation (DGoV). More reports for intelligence agencies, policy wings and field formations are under development, based on returns data from the new online Central Excise & Service Tax system, ACES. The analytical reports using Customs data from the new Customs system, ICES 1.5, are also under development. Visual depictions of summary information (dashboards) related to Key Performance Indicators are also under preparation for CBEC's senior management and are expected to be ready shortly. Additionally, the DW project team has also been working on the Seamless Data Exchange Initiative of the Department of Revenue, wherein reports giving a 360 degree view of a taxpayer across Income Tax, Service Tax, Central Excise, Customs and State VAT are under development as a prototype, using one year's data from CBEC, CBDT and the State of Maharashtra. These prototype reports are expected to be ready by January 2010.
6.	e-payment of Customs duties	E-payment of Customs Duties has been introduced at all Customs locations through various banks except at two locations. At most Customs locations, importers now have the option to pay Customs duty through more than one bank. The facility will be implemented in the remaining 2 locations as soon as the banks at the location are ready.

7.	Electronic Data Interchange (EDI)	EDI had been accepted widely as the means of interface between business partners and Government agencies. Indian Customs EDI System featuring online assessment, duty payment and clearance procedure covers 34 major Customs locations accounting for over 85% of the country's international trade. More than 6.0 million documents are processed annually online. User friendly features include service centres, touch screen kiosks, SMS enquiry and other web based facilities. Presently it is running on Version 1.0 on stand alone servers. The Customs EDI system is being up upgraded to Version 1.5 on central server which was installed at Delhi and disaster recovery at Chennai. So far 7 sites (5 sites of Dadri + Ballabgarh, Rajsina Jaipur ICD) and one more site i.e., ICD Patparganj may also migrate during December 2009 and 16 new sites have been rolled out in Version 1.5 and another 10 sites will rollout by 31st December 2009 on the new infrastructure, i.e. from the Data Centre, and the new WAN / LAN.
8.	Advance Passenger Information System (APIS)	The project aims at passenger facilitation coupled with more effective control on passenger movement at International Airports. This is being developed in co-ordination with the Ministry of Home affairs. Consultations have been held with MHA, Ministry of Civil Aviation and Airlines Operators to finalize flow of information about passengers. NIC has been asked to prepare SRS. The system when put in operation is likely to benefit large number of passengers in Customs clearance at the airports.
9.	Large Tax Payer Units (LTU)	Large Tax Payer Units have been set up at various centres in the country in order to provide a single window facilitation for Large Tax Payer Units in their interaction with Central Excise, Service Tax and Income Tax and are currently operational at Bengaluru, Chennai and Delhi and Mumbai and LTU clients can transact business with the department on www.aces.gov.in. This office has set also up a website at www.ltu.gov.in

As against 23 automated Customs locations during 2003-04 with 87% of the import and export declarations filed and processed in EDI system, during the period January 2009 to November 2009 the processing has increased to 97 % covering 40 major Customs locations. However, further EDI coverage of the remaining Customs locations will now be undertaken under the Consolidation Project. Presently, this project is under execution and is being supervised by the Empowered Committee set up in the Ministry of Finance.

The figures indicated in the Table 3.7 indicate that there has been a steep rise in filing customs documents through ICEGATE since its introduction in 2004 and also substantial reduction in filing of manual documents:

The projects of CBEC have also helped in making the process of assessment of goods transparent due to the following features:-

(a) Document status information through use of Tele-enquiry system, Touch Screen Kiosks, SMS, display of Document status on TV monitors and on local web sites leading to greater transparency in the monitoring of shipments by trade.

(b) Transparency engendered through Document Tracking, Status Query and Help Desks at ICEGATE.

(c) Information dissemination through departmental Website: www.cbec.gov.in, www.icegate.gov.in, www.aces.gov.in & www.ltu.gov.in

Further, the following major initiatives have also been taken for upgradation of systems and moving towards e-mode:

3.16 Risk Management Systems (RMS)

Customs Risk Management System wins Prime Minister's Award

Director General of Systems and Data Management has been presented the Prime Minister's Award for Excellence in Public Administration, for the year 2007-2008 for the initiative "Implementation of Risk Management Systems in Customs" on the occasion of Civil Services Day 2009 (21st of April 2009).

The Risk Management System (RMS) is operational in 23 major Customs ports/airports covering about 85% of India's international trade. It has revolutionized the customs import clearance process by cutting down the clearance times drastically. Instead of routine assessment and examination of all cargo, only selected consignments are being taken up for scrutiny and examination. The major feature of the Risk Management System, balancing trade facilitation with border control functions, has been widely appreciated by the trade and the customs administrations of other countries. Due to the introduction of RMS, the importers have greatly benefited by way of reduction in dwell time and transaction costs, which has improved their competitiveness. There has also been considerable reduction in the need for physical interaction between importers and Customs officers.

Table 3.7						
Year	Bills of Entry			Shipping Bills		
	EDI	Through ICEGATE	Manual	EDI	Through ICEGATE	Manual
2004-05	17,66,674	8,25,159	1,58,013	29,58,490	14,63,286	3,55,318
2005-06	20,64,382	9,04,841	1,09,180	33,84,867	17,09,585	2,49,547
2006-07	23,36,919	21,14,975	71,301	37,22,998	24,22,457	2,06,635
2007-08	27,04,158	23,73,062	90,680	40,81,719	30,21,756	2,33,440
2008-09	26,39,010	15,02,923	77,630	42,06,708	29,21,691	1,87,069
January 09 to November 09	22,83,013	13,02,166	60,255	34,45,555	24,65,339	1,37,733

Clearances without assessment and examination and the facility of direct delivery of cargo have been given to eligible Accredited Clients of Customs. Importers today are able to plan their logistics and supply chain as per global standards and follows "Just in time" principles. Due to these efforts, the Indian Customs have been able to provide higher standards of service to the trading community. Thanks to the Risk Management System, the Indian Customs have been able to provide higher standards of service to the trading community.

Due to the RMS, Indian Customs have collected Rs. 248.37 crore from January,2008 to March,2008 besides a revenue of Rs. 2363.22 crore in Financial year 2008-2009 (viz. from April 2008 to March 2009).

Implementation of RMS in Export Promotion Scheme

Risk Management System in Export Promotion Schemes, covering about 21 such schemes, has been implemented at all 23 EDI locations as of now and the RMD officers have been in constant touch with the field formations to ensure effective and hassle-free implementation and operation in respect of above EDI locations.

RMS Training Programmes

The Risk Management Division has been in the forefront of training customs officers of various countries. Delegates from Kenya, South Africa, Bhutan, Brazil, Uganda and Maldives have been trained by the Risk Management Division in Risk Management System. In addition, the RMD officers have visited many customs field formations in the country and imparted on the job training to the customs officers. The RMD officers have also actively associated in the RMS training programmes of NACEN, Faridabad, Mumbai and Kanpur.

RMS application on Central Server

The RMS application, currently on the server located at the RMD, Mumbai, has been successfully migrated to a new environment on the central server and ported at the data centre as part of the consolidation project.

A brand new version of the Risk Management System with improved functions and features has been developed. Every feature of the new RMS has been tested in detail by the RMD officers.

Export RMS

The Risk Management System for Exports has been developed and its testing under development environment has been successfully completed. Certain changes in the ICES have been proposed to successfully roll out the application and the NIC has been working on this. Once the NIC is ready with the proposed changes, the Risk Management System for Exports can be implemented after carrying out pre-production testing.

RMS for Courier Clearances

Risk Management System for courier clearances is being developed and will be ready for implementation once the courier clearances go online.

ARTS for enforcement of IPR provisions

ARTS (Automated Recording and Targeting System) module of IPR, which has been implemented in the early 2008, has been further fine-tuned and made more user-friendly.

The Centralised Bond Management module of ARTS is ready and waiting for the Board's approval for testing and implementation.

IGM based Container Scanning

A module for IGM based selection of containers for scanning on arrival at JNPT, Nhava Sheva has been developed by the Risk management Division and successfully implemented.

Accredited Clients Programme (ACP)

The Central Board of Excise & Customs (CBEC) has decided to introduce Risk Management based solution as the Risk Management System(RMS) with the "Accredited Client's Programme"(ACP) as its major component. The objective of the programme is to grant assured facilitation to importers who have demonstrated capacity and willingness to comply with the laws Customs department is required to implement. With the implementation of the Risk Management System, this programme has replaced all existing schemes for facilitation in the sites where RMS is implemented. The Risk Management based solution as the Risk Management System(RMS) with the "Accredited Client's Programme"(ACP) has been implemented for the import cargo clearance in the country w.e.f. November,2005 vide Board's circular No. 42/2005-Cus. dated 24.11.2005 issued vide F.No. 450/66/2005-Cus IV.

The objective of the Risk Management System(RMS) is to enable the department to strike an appropriate balance between trade facilitation and enforcement. Under the RMS, Bills of Entry filed by importers in the Indian Customs EDI System(ICES) are processed for risk and a large number of consignments are allowed clearance based on the importer's self assessment without examination, after checking the marks and numbers on the packages or in the case of Full Container Load(FCL Cargo), the container numbers and seals, and after taking over the relevant documents from the importers. Other consignments are routinely going for Appraisement or Examination or both depending on the evaluation of risk by the RMS.

Upon introduction of RMS, Concurrent Audit has been replaced by Post Clearance Audit for all importers. Post Clearance Audit is being carried out on Bills of Entry selected by the Risk Management System.

Importers registered by the department as "Accredited Clients" under the Accredited Clients Programme(ACP) form a separate category to which assured facilitation is being provided. Except for a small percentage of consignments selected on a random basis by the RMS, or cases where specific intelligence is available or where a specifically observed pattern of non-compliance is required to be addressed, the Accredited Clients are being allowed clearance on the basis of self assessment i.e. as a matter of course, clearance is being allowed on the basis of the importer's declarations, and without examination of goods. Further, this benefit has been made available only to the registered Accredited Clients at all the ports in the country where EDI and the RMS are operational. There are 23 such Customs Stations at present. This measure has certainly brought about drastic reduction in the dwell time of cargo and transaction costs for such importers.

For qualifying for the ACP, the applications have to satisfy any one of the criteria set out at para 7 of the Board's Circular No. 42/2005-Cus. Dated 24.11.2005. Further, the accreditation is being granted for a period of one year at a time and is renewable thereafter upon a review of the compliance record of the Accredited Client.

The importers who have been granted the status of Accredited Clients are required to maintain high levels of compliance. It will be closely monitored by the Risk Management Division in co-ordination with the Commissioners of Customs and where compliance levels fall, the importer will first be informed for improvement. In case of persistence non-compliance, the importer may be deregistered under the Accredited Client's Programme.

The Accredited Client Programme(ACP) is a major element of the Risk Management strategy of the department whereby certain importers are identified as highly compliant who have been titled as ACP Client/s and are given assured facilitation by the Risk Management System(RMS). Thus, the ACP has been designed to provide recognition and the incentive of facilitation to clients who maintain high levels of compliance. Total number of ACP Clients during the years 2006-2007, 2007-2008 and 2008-2009 have been 227, 318 and 352 respectively.

There are 193 ACP Clients as on the 16th December 2009.

In a nutshell:

- The RMS Project has been implemented at 23 ICES locations, and is working successfully.
- The import and import PCA modules have been successfully commissioned in these locations.
- Container selection by IGM module is working at Nhava-Sheva Custom House.
- Export and Export PCA module have been ported to data centre and UAT is in progress.
- IFU has given the approval for development of Centralized Application of RMS imports and work on that application is in progress. In this process, porting of NRM to Data Centre was completed.

EDI for Express Cargo clearance (courier clearance) is already developed. Once the Ministry's approval is granted, the same will be rolled out. The RMS prototype is also developed. Once the EDI is implemented, RMS in Express Cargo will also be implemented.

Conclusion

Necessary steps are being taken to sensitize the staff as well as the members of Trade and Industry to the automation programmes. The steps include :

(a) Publicity by the Directorate of Publicity and Public Relations through print and electronic media;

(b) Issue of detailed Public Notices, Trade Notices by the Commissionerates giving details of procedures for the benefit of the trade and industry on e-governance; and

(c) Organizing workshops and seminars by the Department as well as the trade organizations to sensitize the members of trade and industry regarding automation of procedures in Customs, Central Excise and Service Tax.

Table 3.8

Year Wise Trend of Indirect Tax Revenue Collection

Sl No	Head	2005-2006	2006-2007	2007-2008	2008-2009	2009-10 (April-November) (P)
1	2	4	5	6	7	8
I	CUSTOMS					
	BE	53182	77066	98770	118930	98000
	RE	64215	81800	100766	108000	
	Actuals	65067	86327	104119	99850	52011
	% achievement of BE	122.3	112	105.4	84.0	53.07
	% achievement of RE	101.3	105.5	103.3	92.5	
	% growth over last year	12.9	32.7	20.6	-4.1	-31.2
II	UNION EXCISE					
	BE	121533	119000	130220	137874	105000*
	RE	112000	117266	127947	108359	
	Actuals	111226	117613	123425	109343	61020
	% achievement of BE	91.5	98.8	94.8	79.3	58.11
	% achievement of RE	99.3	100.3	96.5	100.9	
	% growth over last year	12.2	5.7	4.9	-11.4	-17.4
III	SERVICE TAX					
	BE	17500	34500	50200	64460	65000
	RE	23000	38169	50603	65000	
	Actuals	23055	37598	51301	60702	32793
	% achievement of BE	131.7	109	102.2	94.17	50.45
	% achievement of RE	100.2	98.5	101.4	93.39	
	% growth over last year	62.4	63.1	36.4	18.33	-6.6
IV	INDIRECT TAX					
	BE	192215	230566	279190	320000	268000
	RE	199215	237235	279316	280000	
	Actuals	199348	241538	278845	269895	145823
	% achievement of BE	103.7	104.8	99.9	84.34	54.41
	% achievement of RE	100.1	101.8	99.8	96.39	
	% growth over last year	16.6	21.2	15.4	-3.21	-21.0

(P)- Provisional

Excluding cesses administered by
Departments other than D/ORevenue. Pending matter

3.17 Sevottam

Taking into account the large public interface and to improve the quality of public services, CBEC has been identified as one of the organizations to implement the Quality Management System for Public Services based on Indian Standard IS: 15700 : 2005. SEVOTTAM enables the implementing organizations to undertake a systematic, credible and authenticated self-assessment for citizen-centric service delivery.

CBEC has set up an "Implementation Committee" with Directorate General of Inspection (DGI) as its Chairman to carry out the task of "SEVOTTAM" implementation in CBEC. The Citizens' Charter, a key component of 'Sevottam' was revised and circulated to field formations and industry and trade organisations.

Extensive training programmes of officers at all levels to sensitize them to the 'Sevottam' scheme were organised. A training module on Sevottam has been prepared by DG(NACEN) for this purpose. NACEN has conducted various training programmes on Sevottam. A Seminar-cum-workshop on Sevottam scheme was also orgainsed by NACEN. They have trained the trainers for providing further training to the staff on Sevottam scheme. Regional Training Institutes are also conducting training programmes on Sevottam for field staff.

Seven step Model for Citizen Centricity

1. Define services and identify your clients

The Citizens' Charter, revised in terms of the requirem ents of IS 15700: 2005 (Quality Management System – Requirements for Services Quality by Public Service Organizations) has been prepared and issued in

December, 2008. The same has been disseminated to all the field formations for adherence and also sent to trade bodies and associations for information.

2. Set standards and norms for each service

The services and standards have been set out indicating specific time norms for each service in the Charter.

3. Develop capability to meet the set standards

CBEC has set up a Core Group/Implementation Committee with Director General Inspection (DGI) as its Chairman to carry out the task of 'Sevottam' implementation. Phase-wise activities are being undertaken with the help of Consultant appointed by DARPG, for the implementation of Sevottam in CBEC in a time bound manner by June, 2010.

Four formations have been identified for rolling out the "Sevottam" Scheme in its Pilot phase. This shall be gradually extended to all other Central Excise and Customs Zones and the Directorates, building upon the experience gained in the Pilot phase. A team led by DGI has been visiting Metro Cities to hold interactive sessions with senior Officers of the Department to spread awareness and familiarize them with SEVOTTAM & CPGRAMS modules.

4. Perform to achieve the standards

The field formations are required to act in accordance with the standards as laid out in the revised Citizens' Charter. Pilot Commissionerates have also been asked to list out their services in detail and adhere strictly to the specified time norms and standards.

5. Monitor Performance against the set standards

CBEC has adopted the Centralized Public Grievance Redress and Monitoring System(CPGRAMS) developed by the Department of Administrative Reforms & Public Grievance (DARPG) to monitor public grievances and judge CBEC's performance against set standards. Further, Pilot formations will be monitored specifically for service delivery capability to meet the set standards. The progress on meeting the standards is being monitored by the Implementation Committee.

6&7. Evaluate impact through an independent mechanism & continuous improvement based on monitoring and evaluation –

M/s TCS (Tata Consultancy Service) will be evaluating the performance of the CBEC's pilot formations and suggest steps for continuous improvement. These steps shall be replicated at other locations as SEVOTTAM is implemented in a phased manner.

3.18 Grievance Redressal Machinery

For prompt and effective redressal of grievances (which is a key requirement of Sevottam), the Centralized Public Grievance Redress and Monitoring System (CPGRAMS) is a standardized web-based solution. This has been adopted by CBEC in recognition of the right of every citizen to seek redress of their grievance in a convenient and effective manner. The system enables citizens to lodge grievances and check progress of redress from any internet facility anywhere and is an effective tool in the hands of the Ministry/Department to monitor the status of processing of grievances. 66 subordinate offices at the level of the Chief Commissioners & Directors General, and over 200 sub-subordinate offices at the level of the Commissioners have been created in CBEC to speed up the redressal of grievances. The references received under CPGRAM are addressed on priority.

During the year 2008-09 (upto 31-12-2009), 438 grievances were received of which over 80% were redressed during the said period. Of these, approximately 50% of grievances were disposed within a month as provided in the Citizens' Charter. Interim replies are sent wherever the grievances could not be resolved with the stipulated one month.

Measures aimed at improvement in systemic practices have also been initiated on the basis of the grievances received on the portal. Feedback was also provided to DARPG so as to make the system user-friendly besides further strengthening the monitoring mechanism.

The CBEC and its field formations have regular interface with a wide cross-section of the public, namely, passengers at the international airports, importers, exporters, Central Excise and Service Tax assessees. Representations/complaints to the Board and its field offices primarily emanate from the aforesaid categories of the public as also from the staff and officers of the Department. The Board has an elaborate system of dealing with such complaints/ representations. Commissioner (Publicity) has been nominated as the Public Grievance officer for CBEC. At the Commissionerate level, there is a Public Grievance Committee, which has been directed to meet regularly to dispose specific representations from the trade. All the Executive Commissioners have been directed to hold regular Open House meetings with the representatives of the trade to discuss issues of mutual interest and utilize this forum to pursue matters of common interest with the Board for early solution. Further, each Commissionerate has nominated, one 'Public Grievance Officer' in the Commissionerate as well as in the lower field formations to attend to any grievance from the trade, as provided in the Citizens' Charter.

3.19 Gender Issues/Empowerment of Women

A committee on sexual harassment has been constituted in each Commissionerate/Directorate on the recommendations of Supreme Court and a National Commission for Women to look after the complaints of women.

Initially, Directorate of Logistics has been taking certain specific initiatives for empowerment/welfare of women. Now, the work has been entrusted to Directorate of Human Resource Development. The Directorate had been sanctioning ex-gratia financial assistance to the wives of employees who died while in service, in consideration of their poor financial condition. An ex-gratia amount of Rs.10,00,000/- was sanctioned from Welfare Fund to the wife of Shri Narbadeshwar Singh, Assistant Commissioner, who was shot dead by anti-social element while performing anti-evasion duties.

The cash award scheme, 2007 for rewarding meritorious students based on 10^{th} & 12th Board examination results has been made gender sensitive by lowering the eligibility percentage and increasing the award amount for the girl child.

3.20 Activities undertaken for Disability Sector, SCs & STs and other Weaker Section of Society

The policy of reservation for SCs/STs/OBCs and disabled persons in Government employment (direct recruitment as well as promotion) has been followed in letter and spirit. Representations of SCs/STs/OBCs and disabled persons in CBEC are attended on priority and their grievances are sorted out.

During the year 2008-09, special recruitment drive was launched in the field formations for filling up of backlog reserved vacancies for SCs, STs and OBCs. The process of recruitment is in progress. Similarly, in compliance of direction of Court of Chief Commissioner for persons with disabilities no. of vacancies available in identified posts in Group 'B' 'C' & 'D' have been identified by the Cadre Controlling Authorities in field formations for clearing the backlog reservation for physically handicapped persons.

4. Central Board of Direct Taxes

4.1 Organisation and Functions

The Central Board of Direct Taxes (CBDT), created by the Central Boards of Revenue Act 1963, is the apex body entrusted with the responsibility of administering direct tax laws in India. The CBDT consists of a Chairman and six Members. It is the cadre controlling authority for the Income Tax Department.

In its functioning, the CBDT is assisted by the following Directorates:

(i) Directorate General of Income Tax (Administration)
a) Directorate of Income Tax (PR,PP&OL)
b) Directorate of Income Tax (Recovery)
c) Directorate of Income Tax (Income Tax & Audit)
d) Directorate of Income Tax (TDS)
(ii) Directorate General of Income Tax (Systems)
a) Directorate of Systems
b) Directorate of Infrastructure
c) Directorate of Income Tax (O&MS)
(iii) Directorate General of Business Process Re-engineering(BPR)
(iv) Directorate General of Income Tax (Legal & Research)
(v) Directorate General of Income Tax(Training)
(vi) Directorate General of Income Tax(HRD)
(vii) Directorate General of Income Tax(Vigilance)

4.1.1 Various Chief Commissioners of Income Tax stationed all over the country supervise collection of direct taxes and provide taxpayer services. Directors General of Income Tax (Investigation) supervise the investigation machinery, which is tasked to curb tax evasion and unearth unaccounted money. DGIT (Exemptions) supervise the work of exemption and DGIT (International Taxation) supervise the work in the field of International Tax and transfer pricing. Chief Commissioners of Income Tax / Directors General of Income Tax are assisted by Commissioners of Income Tax / Directors of Income Tax within their jurisdictions. Commissioners of Income Tax also perform appellate functions, adjudicating disputes between taxpayers and assessing officers. The Income Tax department has presence in 530 cities and towns across India. With a taxpayer base of around 3.3 crore, the Income Tax department interfaces with almost every urban ftamily in the country.

4.1.2 With modern information technology as a key driver, the CBDT is implementing a comprehensive computerization programme in the Income Tax Department. The programme is aimed to establish a taxpayer friendly regime, increase the tax-base, improve supervision and generate more revenue for the Government. Details of the computerization programme being implemented by the Income Tax department are given under the chapter e-governance.

4.2 Direct Tax Collections

Revenue collection from Direct Taxes has been growing consistently for the last five years. The Direct Tax Collections as a percentage of GDP has grown from 2.68% in F.Y. 1998-99 to 6.27% in F.Y. 2008-09. As a result of improved tax administration and better tax compliance direct tax collection is displaying positive trends.

An amount of Rs 3,33,818 crore (provisional) has been collected up to 31st March'09 at a growth rate of around 6.9% over previous year's corresponding collection of Rs 3,12,213 crore. During the span of last five years, the collection has more than trebled. During 2003-04, the direct taxes collection was Rs 1,05,088 crore and for the year 2008-09, the direct taxes collection has reached Rs 3,33,818 crore (provisional).

The collection from TDS till 31st March'09 is Rs 1,30,172 crore which is at a very healthy growth rate of around 25% over corresponding figure last year. This has been made possible largely due to the revamping of the TDS administration through training and educating the senior management and D.D.Os of other departments and PSUs.

The performance on the Direct Taxes front is commendable considering the fact that the cost of collection has decreased from 1.44% in the year 2001-02 to 0.67% in 2008-09 being one of the lowest in the world i.e the Department spends only 67 paisa for each 100 rupees collected.

Table 3.9

BUDGET ESTIMATE AND ACTUAL COLLECTION OF DIRECT TAXES DURING THE FINANCIAL YEARS 2006-07, 2007-08 & 2008-09. (Rs. In Crore)

	2006-07		2007-08		2008-09	
Taxes	Budget Estimates	Collection	Budget Estimates	Collection	Budget Estimates	Collection
Corporate Income-tax	1,33,010	1,44,318	1,68,401	1,92,911	2,26,361	2,13,395
*Personal Income Tax	77,409	85,550	98,774	1,18,915	1,38,314	1,20,004
Other	265	316	315	387	325	419
Total	210684	230184	2,67,490	3,12,213	3,65,000	3,33,818

Note: - *Personal Income Tax collection includes collection under Security Transaction Tax, Fringe Benefit Tax and Banking Cash Transaction Tax.

Collection figures for 2008-09 are provisional.

Table 3.10

ARREAR & CURRENT DEMAND OF CORPOARATE INCOME TAX AND PERSONAL INCOME TAX FOR F.Y. 2007-08 AND F.Y. 2008-09). (Rs in Crore)

	Financial Year 2007-08	Financial Year 2008-09
A. Total Outstanding Demand	1,30732	2,13,648
B. Reason-wise Analysis		
1. Amount not fallen due	6,459	12,372
2. Amount difficult to recover including, amounts stayed by I.T. Authorities, Courts etc.	1,09,744	1,87,575
C. Net Collectible Demand (A-B)	14,529	13,701

Note: - *Personal Income Tax collection includes collection under Security Transaction Tax, Fringe Benefit Tax and Banking Cash Transaction Tax.

Collection figures for 2008-09 are provisional.

The Department has collected Rs 10,016 crore from arrear demand during 2008-09 at a growth rate of 10.42% against a corresponding collection of Rs 9,071 crore last year.In current demands, the collection for 2008-09 stands at Rs 21,226 crore in 2008-09 mb, at a growth rate of 11.1%. Arrear demand amounting to Rs. 25,667 crore has been liquidated pursuant to orders of appellate authorities, the courts and through rectification petitions.

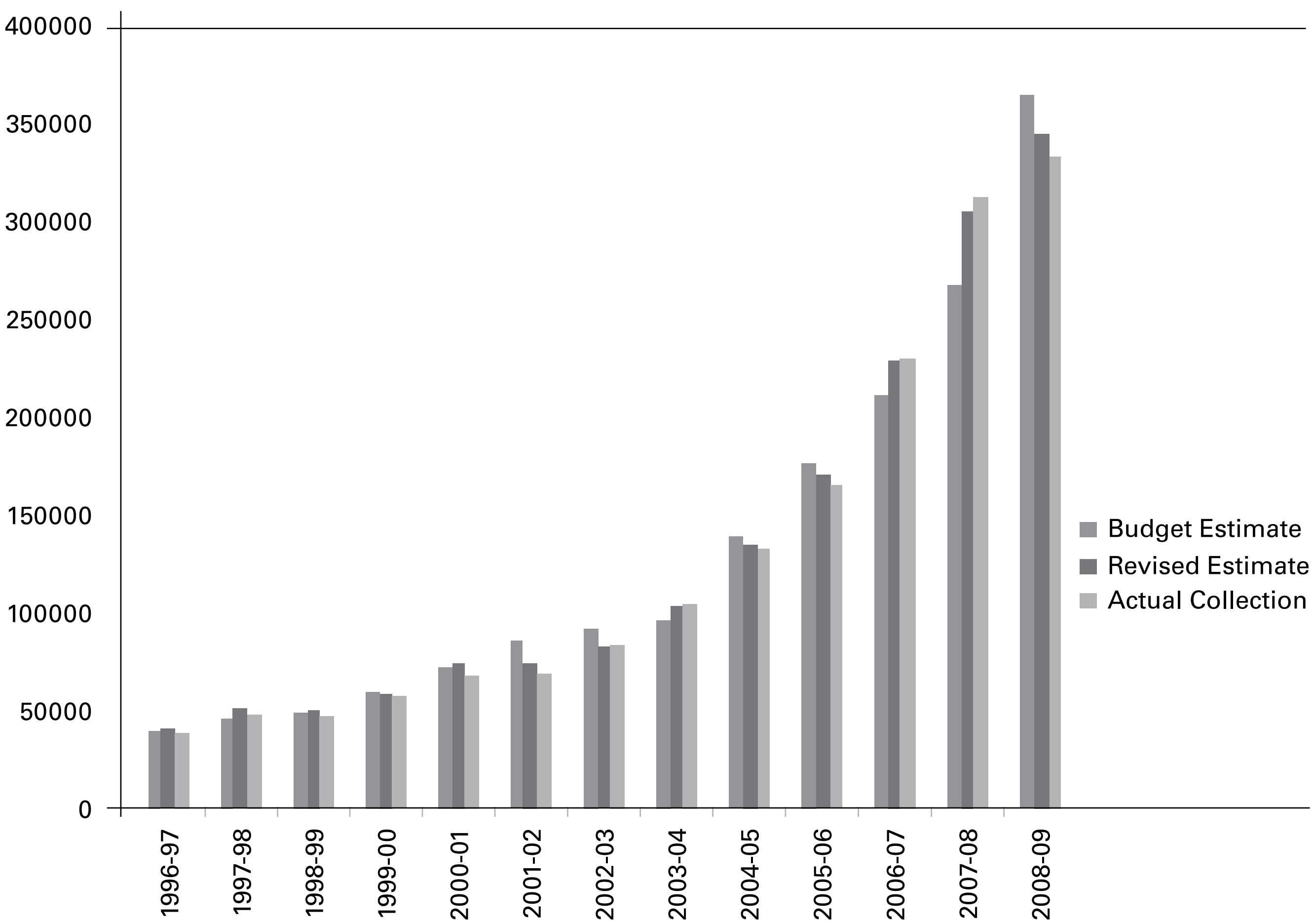
Table 3.11 BE-RE-Actual Collection

Financial Year	Budget Estimates	Revised Estimates	Actual Collections	Growth Rate of Actual Collns over last year	%age of Budget Estimates Achieved	%age of Revised Achieved
1996-97	39004	40163	38895	15.88%	99.72%	96.84%
1997-98	45710	51260	48280	24.13%	105.62%	94.19%
1998-99	48855	49854	46600	-3.48%	95.38%	93.47%
1999-00	59235	58074	57959	24.38%	97.85%	99.80%
2000-01	72105	74467	68305	17.85%	94.73%	91.73%
2001-02	85275	73972	69198	1.31%	81.15%	93.55%
2002-03	91585	82445	83088	20.07%	90.72%	100.78%
2003-04	95714	103400	105088	26.48%	109.79%	101.63%
2004-05	139510	134194	132771	26.34%	95.17%	98.94%
2005-06	177077	170077	165208	24.43%	93.30%	97.14%
2006-07	210684	229272	230181	39.33%	109.25%	100.40%
2007-08	267490	304760	312213	35.64%	116.72%	102.45%
2008-09 *	365000	345000	333818	6.92%	91.46%	96.76%

*The figures of 2008-09 are provisional

The following graphs give an indication of buoyancy in direct tax revenues over last 10 years vis-a-vis the Budget Estimate and Revised Estimates and also reflect comparative data which indicate decreasing cost of collection and increasing share of Direct Tax collections to GDP:-

Graph- 1- BE-RE-Actual Collection



Graph-2 Growth in Direct taxes

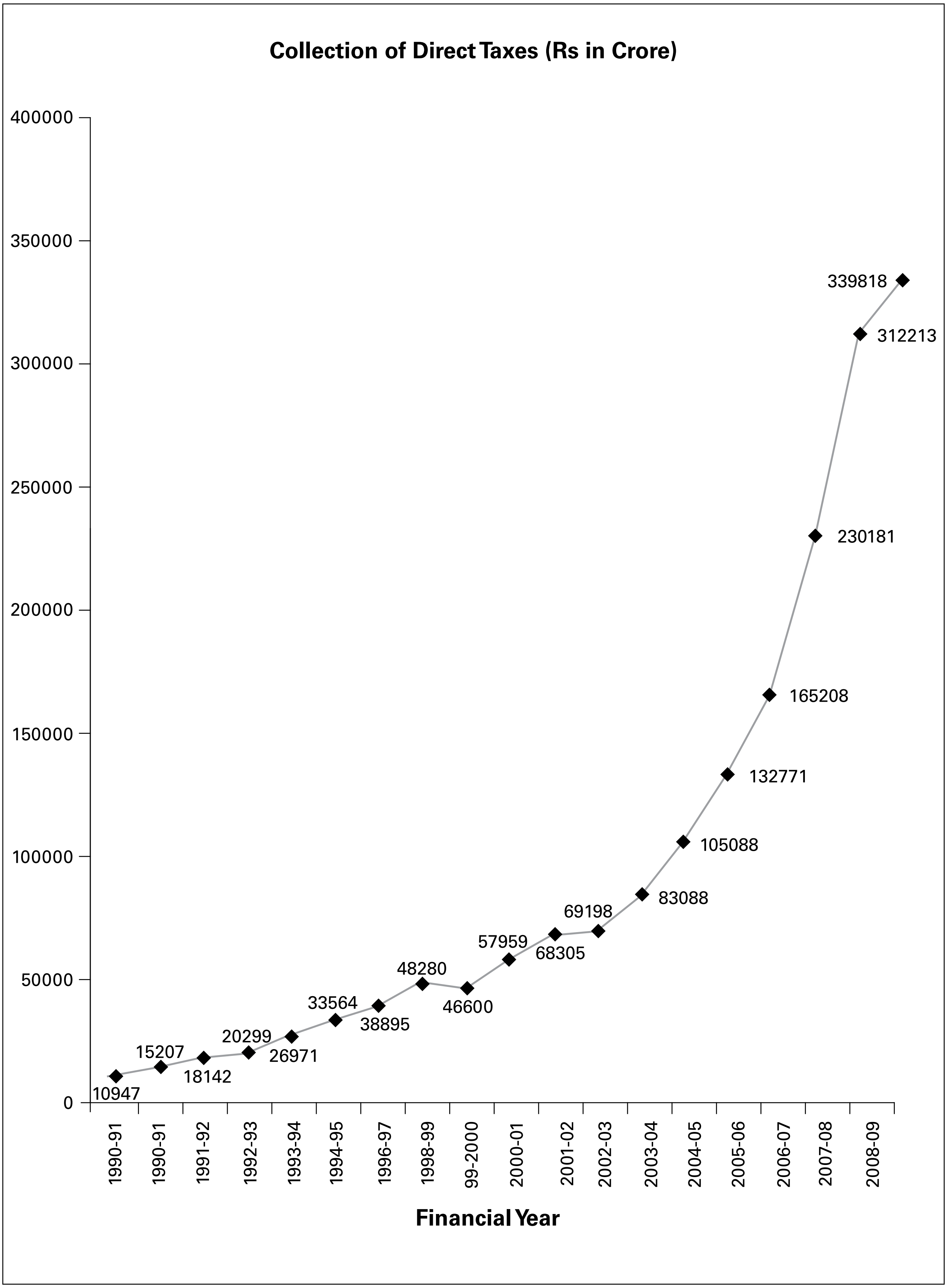


Table 3.12 : Cost of collection

Financial year	Total collections (Rs. Crores)	Total expenditure (revenue) (Rs. Crores)	Exp as % of collection
1998-99	46,600	852	1.83%
1999-00	57,959	894	1.54%
2000-01	68,305	929	1.36%
2001-02	69,198	933	1.35%
2002-03	83,088	984	1.18%
2003-04	105,088	1050	1.00%
2004-05	132,771	1138	0.86%
2005-06	165,208	1194	0.72%
2006-07	230,181	1348	0.59%
2007-08	312,213	1687	0.54%
*2008-09	333,818	2247	0.67%

* Figures of 2008-09 are provisional

Graph 3 Cost of Collection

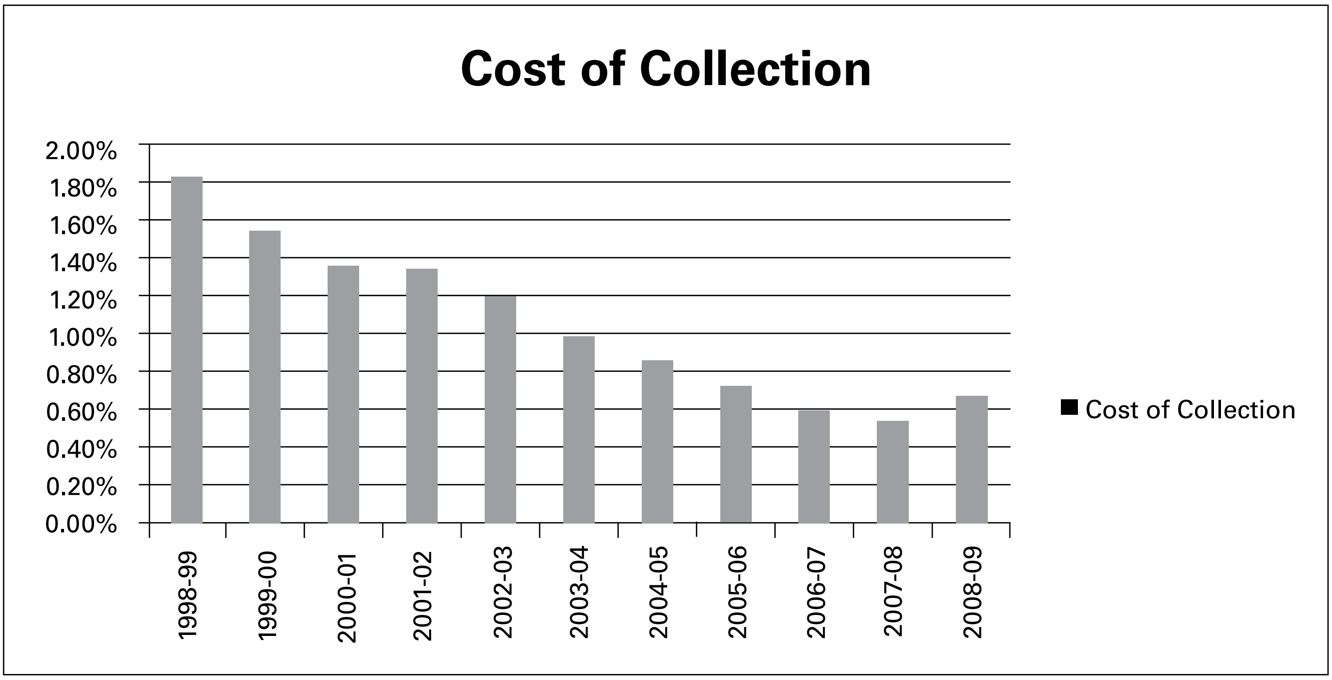


Table 3.13 Direct TAX-GDP Ratio

Financial Year	Net collections of direct taxes	GDP at current market prices	Direct tax-gdp ratio	GDP Growth rate	Tax Growth Rate	Buoyancy Factor
	(Rs.crore)	(Rs.crore)				
1990-91	10947	568674	1.93%			
1991-92	15207	653117	2.33%	14.85%	38.91%	2.62
1992-93	18142	748367	2.42%	14.58%	19.30%	1.32
1993-94	20299	859220	2.36%	14.81%	11.89%	0.80
1994-95	26971	1012770	2.66%	17.87%	32.87%	1.84
1995-96	33564	1188012	2.83%	17.30%	24.44%	1.41
1996-97	38895	1368208	2.84%	15.17%	15.88%	1.05

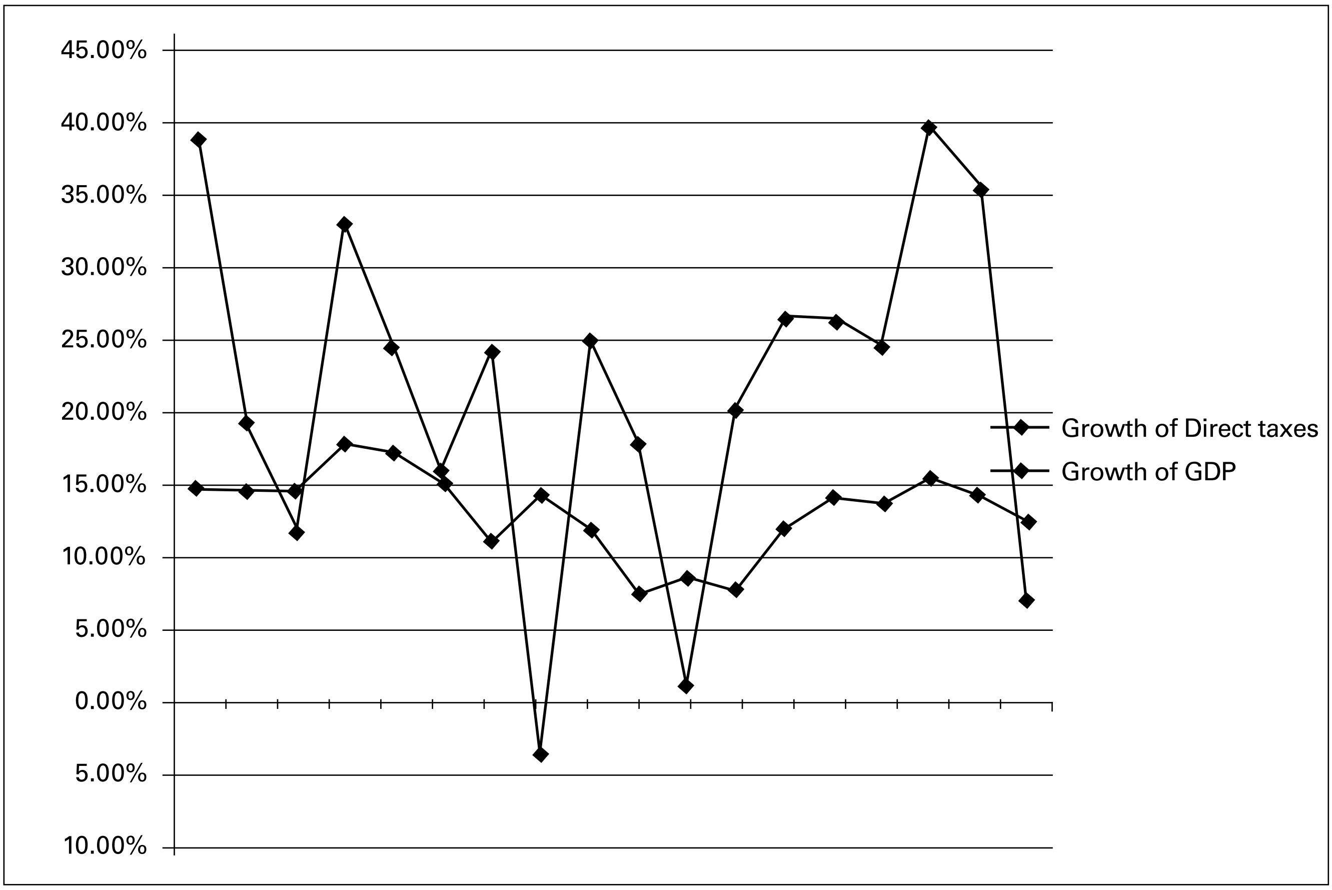
1997-98	48280	1522547	3.17%	11.28%	24.13%	2.14
1998-99	46600	1740985	2.68%	14.35%	-3.48%	-0.24
99-2000	57959	1952035	2.97%	12.12%	24.38%	2.01
2000-01	68305	2102376	3.25%	7.70%	17.85%	2.32
2001-02	69198	2281058	3.03%	8.50%	1.31%	0.15
2002-03	83088	2458084	3.38%	7.76%	20.07%	2.59
2003-04	105088	2754621	3.81%	12.06%	26.48%	2.19
2004-05	132771	3149412	4.22%	14.33%	26.34%	1.84
2005-06	165208	3580344	4.61%	13.68%	24.43%	1.79
2006-07	230181	4129173	5.57%	15.33%	39.33%	2.57
2007-08	312213	4723400	6.61%	14.39%	35.64%	2.48
**2008-09	333818	5321753	6.27%	12.67%	6.92%	0.55

** Figures of 2008-09 are provisional, GDP for 2008-09 are based on Advance Estimates

GDP for 2007-08 is based on Revised Estimates

It is seen that during the span of last five years the Direct Taxes-GDP ratio has risen from 3.81% to 6.27%. In fact the contribution from Direct Taxes to the Central Kitty is at present more than 55% of the total tax revenue collected.

GRAPH-4 Growth in Direct Taxes and growth in GDP



During the current year (2009-10), up to December'09 the Income Tax Department has collected Rs 2,50,232 crore at a growth rate of 8.51%, achieving 67.63% of the Budget Estimate of Rs 3,70,000 crore for 2009-10. The collection from Corporate tax up to Dec'09 stands at Rs 1,66,503 crore at a growth of 13.47%, the collection from Personal Income tax (including STT, FBT, BCTT) stands at Rs 83,178 crore at a growth of -0.4% and the collection from Other Taxes stands at Rs 551 crore at a growth of 63.6%.

4.2.1 Augmentation of Tax Collection and new initiatives

The Income Tax Department has taken the following steps to maintain the momentum of tax collection.

All CCITs/DGITs have been advised to take up more Surveys with a view to detect undisclosed income, lower and non-deduction of tax at source(TDS)

- Tax machinery is being made more tax payer friendly by expeditious issues of refunds, response to the grievance of the tax payers etc.
- Identification of cases involving substantial amount of arrears which are pending before Commissioners (Appeals), ITAT and Settlement Commission and asking these authorities to dispose off such appeals expeditiously.
- Monitoring of advance tax payments of top taxpayers by the senior officers of the Department.
- Further computerization of the Departmental business processes and databases for linking of information and reporting of high value transactions to the tax authorities
- Quoting of PAN being made mandatory in most of the financial transactions.
- Multi-media campaign to encourage voluntary compliance of tax laws.
- New Directorate onTDS was created to particularly prioritise on collection from TDS/TCS etc with emphasis on surveys, inspections etc.
- Operation Sampark was launched in Aug-Sept 2009 to make contact with the Govt. DDOs to sensitise them about TDS matters.

4.2.2. New initiatives

(i) Knowledge Management: The conceptual framework on knowledge management was discussed in the 24th Annual Conference of Chief Commissioners of Income Tax and Director Generals of Income Tax on 9th June, 2008. A National Committee was set up to collect orders from field formations after getting them evaluated from Regional Committees headed by Chief Commissioner of Income Tax with DIT (O&MS) as the Nodal Agency. After exhaustive evaluation the compilation was prepared and the book 'Let us Share' containing best practices and orders was released by Shri S.S.Palanimanickam, Minister of State for Revenue, on 4th February, 2009. This is the first time that an attempt has been made to create an institutional memory by capturing the excellent work done in the Income Tax Department. The compilation begins with a section on Best Practices. This section documents various practices, initiatives and innovations experimented by the department both at the national and the regional levels successfully. The other sections capture the various facets of the work of the department in a summary form. The focus has been on a particular issue rather than the whole order.The second volume of "Let us Share – A compilation of best practices and orders" was released on 28th April 2009 through a video conference. The contributors to the volume have been awarded certificates of merit.

(ii)Sevottam:- Sevottam was officially launched in the Income Tax Department in October 2007 as part of PMO's initiative and Income Tax department was one of the ten departments selected for fast tract implementation of Sevottam. It was initially started at two locations, CR Building, Mumbai and at Udaipur in October 2007. On the basis of experiences gained during the period of one year, the functionalities of Sevottam were substantially modified before implementing the project in the three new locations. The concept of Sevottam has been crystallized and the same is being implemented on a pilot basis Pune, Kochi and Chandigarh . All the three Aayakar Seva Kendras are now filing applications for certification under IS: 15700.

(iii)E-filing of Income Tax Returns:- .The Income Tax Act has with effect from 1-04-2008 has made e-filing of returns compulsory for the tax payers with turnover of Rs.40 lacs (cases liable to furnish audit report u/s 44AB).This is in addition to all corporate assesses who have to compulsorily e-file their returns of income w.e.f. 24.7.2006. E-Filing for all I-T returns for AY 2009-10 commenced from June 2009. In FY 2008-09, nearly 48.30 lakh e-returns were received, which shows the enthusiastic response of taxpayers towards e-filing of I-T returns of the e-returns filed, nearly 70% have been filed voluntarily by taxpayers indicating the broader acceptance of the convenience of e-filing. Electronic return filing before or after regular office hours (9am to 6pm) is another indicator of taxpayer convenience. More than 27% of all e-returns have been filed beyond office hours, indicating its utility. Though use of digital signature was optional, over 40% of corporate returns and 10% overall have been filed using digital signature, making the entire return filing process completely paperless in such cases. The Department has also launched Web Services at national website www.incometaxindia.gov.in by which E-Return intermediaries would be able to directly / remotely upload taxpayer returns without having to login to the E-Filing website and taxpayers would receive the acknowledgement over email.

(iv) Centralized Processing Center (CPC) for Income Tax Returns: This initiative is to enable Centralized Processing of all Income tax returns at a single location. The CPC at Bangalore has gone live and started delivering output since 9th October 2009. CPC at Bangalore would process paper and e-returns without any interface with taxpayers in a jurisdiction free manner using a partially outsourced model.The CPC would initially process transactions for all e-filed Income Tax Returns (ITRs) and physical ITRs for Bangalore. The CPC would enable the Department to cope with rapid growth in the number of taxpayers and consequently the volume of work for employees. It would allow the Department to bring in more efficient processes and modern citizen services offered by the best Tax Administrations across the globe.

(v) e-Payment: With effect from 1st April, 2008, e-payment of direct taxes has been made mandatory for all Companies and 44AB cases. e-payment can be made using net banking account of the taxpayer or any other account. E-payment facility has been now extended by 30 out of 32 agency banks which are now facilitating e-payment. In F.Y. 2009-10, an amount of Rs. 2,26,706.01 crores came through e-payment. This is more than 73 % of the total gross direct tax collection of Rs. 2,93,269.86 crores made during 01.04.2009 to 07.01.2010.. The number of e-payment challans for the F.Y. 2009-10 was 70,50,351 which was approximately 36.85% of the total number of tax payment challans (1,91,29,467) for the year.

4.3 Annual Conference

The 25th Annual Conference of Chief Commissioners and Directors General of Income Tax was held on 11th and 12th August 2009 .The same was inaugurated by the Finance Minister Shri Pranab Mukherjee and was attended by MOSF(R) Shri S.S.Palanimanickam, MOSF (E,B & I) Shri Namo Narain Meena, Revenue Secretary Shri P.V.Bhide , Secretary (Economic Affairs & Financial Services) Shri Ashok Chawla , Secretary (Expenditure) Smt. Sushama Nath along with other dignitaries. In his Key note address the Finance Minister appreciated the efforts of the Department in collecting the direct tax and expected that the Department should be responsive to the grievance of taxpayer and these should be quickly redressed. The Finance Minister also laid down a great emphasis upon satisfaction of workforce in the organization.

The main areas of discussions in the Conference were revenue collection, processing of Returns, Quality assessment ,manpower issues, Use of Modern Technologies in Investigation and Financial Management The valedictory address was delivered by the Minister of State for Finance (Revenue) Shri S.S. Palanimanickam on 12th August 2009.

4.4 Direct Taxes Advisory Committees

With a view to encouraging mutual understanding between taxpayers and Income Tax Officers and to advise the Government on measures for removing difficulties of general nature pertaining to Direct Taxes a Central Direct Taxes Advisory Committee (CDTAC) at Delhi and 61 Regional Direct Taxes Advisory Committees (RDTACs) exist at important stations. Representative of trade and professional associations are also nominated to these committees. The term of these Committees is two years from the date of their constitution.

The Union Finance Minister is the Chairman of the Central Direct Taxes Advisory Committee. The official Members are Secretary (Revenue), Chairman, CBDT and Member (Revenue), CBDT. The non-official Members include four Members of Parliament: two from each House and representatives of Commerce and Industry like, FICCI, ASSOCHAM etc., lawyers and other professionals.

4.4.1 Media Center: The Media Center, set up in the CBDT in August 2006, disseminates information of public value relating to direct taxes through the print and electronic media. During the year, about 35 press releases were issued to bring different important decisions and tax issues to the public notice and to highlight different achievements of the Income Tax department. As a result of regular interface with the media, a more realistic and positive image of the department could be projected.

4.5 Measures to combat tax evasion:

The Government continuously strives to check tax evasion and the growth of unaccounted wealth by systematic survey operations, search and seizure operations and other enquiries .For carrying out the aforesaid work, the field units of the Investigation Wing are headed by 14 Directors General of Income Tax, stationed at Delhi, Kolkata, Chennai, Mumbai, Ahmedabad, Lucknow, Bangalore, Hyderabad, Kochi, Pune, Jaipur, Patna, Chandigarh and Bhopal. Their functions include investigating cases and verification of information pertaining to financial transactions.

The figures pertaining to the Searches for the period Financial Year 2008-2009 are at Table 3.14

4.6 Widening of tax base, Assessment and Refunds

4.6.1 Widening of the Tax Base:

Statistics showing the number of assesses over the last 7 years is as follows:-

S. No.	Financial year	Total number of assesses as on 31st March of F.Y.
1	2003-04	301.78
2	2004-05	308.08
3	2005-06	315.57
4.	2006-07	319.26
5.	2007-08	326.87
6	2008-09	333.98
7	2009-10 (upto November, 2009)	335.79

Table 3.14

Period	No. of warrants executed	Value of assets Seized *(Rs. in crore)*			
		Cash	Jewellery	Other assets	Total (Rs. in crore)
From 01.04.2009 to 31.12.2009	2282	197.02	99.85	305.47	602.34

Source CAP-II

4.6.2 Disposal of refund claims: After processing of returns. The number of refunds granted is as follows:-

S. No.	Financial Year	No. of refunds encashed
1.	2007-08	48.77
2	2008-09	45.50
3	2009-10 (upto November, 2009)	33.67

Source: DGIT(Systems)

4.6.3 Condonation of delay in filling claims:

Refund claims are required to be filed within one year from the end of the Assessment Year to which the claim pertains. The Board has been given power u/s 119(2)(b) of the Income Tax Act, 1961 to condone the delay if it considers desirable or expedient to do so far avoiding genuine hardship in any case. In view of Board's Instruction No. 13/2006, the power has been delegated to field formations for refund claim below Rs. 50 lakhs and hence, very few refunds are pending at the Board level.

4.6.4 Valuation Cell

Valuation Cells have statutory powers in respect of the following

i) Determining the value of properties for purpose of Wealth Tax, Capital Gains and Gift-Tax Act.

ii) Valuation Cell is also often requested by the Assessing Officers to Assess the cost of construction of property.

The Valuation Cell had disposed 2195 cases out of 3263 cases during the F.Y. 2008-09. During the current F.Y. 2009-10 (upto September, 2009), 517 cases were disposed out of 1750 cases.

4.7 Judicial Work

The ITJ Section of CBDT deals with matters of litigation in various High Courts pertaining to writ petitions/ other litigations of Direct Taxes, filing of reference in cases of Central Government Public Sector Undertaking/Other Government Departments before Committee on Disputes(COD), appointment of Standing Counsels/Special Counsels and Prosecution Counsels etc. for representing cases before High Courts and other Courts. Besides it also deals with monitoring of disposal of appeals by the CITs(A), norms thereof and representation of cases by the Departmental representatives before ITAT.

3. The number of appeals filed by the Department during FY 2008-09 has shown a marginal decline (except before SC) as indicated below:

Particulars	During FY 2008-09	During FY 2007-08
ITAT	17,831	20,022
HC	9,251	10,968
SC	1,172	762

4. The disposal of appeals by CITs(A) is as mentioned below which has improved by 4% over the previous year.

No. of cases referred during 2008-09	No. of cases referred during 2007-08
66,351	63,645

5. The statistics of COD references made during the year 2008-09 is

No. of cases referred during 2008-09	No. of cases referred during 2007-08
290	319

6. During the FY 2008-09 the Statistics of engage ment of Standing Counsels, Prosecution Counsels and Special Counsels is as under:

Category of Counsels	2008-09	2007-08
Standing Counsel	24	26
Prosecution Counsel	08	06
Special Counsel	20	37

7. In order to reduce litigation Inst No. 5/2008 dt 15th May, 2008-regarding monetary limit for filing of appeals, was issued. This instruction has been issued u/s 268(A)(1) of Income Tax Act, 1961 requiring the courts also to take cognisance of the said instruction, besides the officers of the department.

Inst no. 13/2008 dt 18 September, 2008 regarding work allocation of CIT(DR) and Jr. (DR) was issued. In order to improve departmental representation, reimbursement of expenses to CIT(Dr.) has been sectioned vide OM dt. 7th May 2008. Creation of a Judicial Reference system(JRS) has been envisaged and notified vide Board's OM dt 03.12.2008. The JRS is aimed at creation of repository of database of reported and unreported judgments of ITAT/HC/SC, a search engine and data base for tracking of appeals. The DIT(L&R) has been designated as the nodal authority for further implementation of the JRS.

4.8 Legislative Measures

4.8.1 Highlights of the performance and achievements during the year 2009-10 alongwith action taken on the Budget 2009-10 announcements

A. Changes in tax rates

1. The basic exemption limit has been increased from Rs. 1,50,000/- to Rs. 1,60,000/-.

2. The exemption limit for every woman resident in India and below the age of sixty-five years has been raised from Rs. 1,80,000/- to Rs. 1,90,000/-.

3. The basic exemption limit for every individual resident, who is of the age of sixty-five years or more, has been raised from Rs. 2,25,000/- to Rs. 2,40,000/-.

4. The rates for deduction of income-tax at source during the financial year 2009-10 from certain incomes other than "Salaries" have been specified in Part II of the First Schedule to the Bill. The rates for persons not resident in India, including companies other than domestic companies, are the same as those specified in Part II of the First Schedule to the Finance Act, 2008, for the purposes of deduction of income-tax at source during the financial year 2008-2009. For resident tax payers, some of the rates have been reduced in order to converge most rates to 10 per cent.

5. The amount of tax so deducted in the case of every company other than a domestic company shall continue to be increased by a surcharge at the rate of two and one-half per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees. Levy of surcharge has been withdrawn on deductions in all other cases.

6. "Education Cess on Income-tax" and "Secondary and Higher Education Cess on income-tax" shall continue to be levied for the purposes of Union at the rate of two per cent. and one per cent. respectively of income-tax only in the cases of persons not resident in India, including companies other than domestic companies and in the cases of deductions on payment of salary

B. Other major changes

Amendment	Rationale for Amendment
Amendment to include certain activities within the ambit of provisions relating to 'charitable purpose' in the Income Tax Act. The amendment is applicable with retrospective effect from 1st April, 2009 and will accordingly apply in respect of assessment year 2009-2010 and subsequent years.	For the purposes of the Income-tax Act, "charitable purpose" has been defined in section 2(15) of the Income–tax Act to include (a) relief of the poor, (b) education, (c) medical relief and, (d) the advancement of any other object of general public utility. However, the "advancement of any other object of general public utility" shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity. Now the clause 15 of section 2 has been amended so as to separately list the preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest so that they would be excluded from the applicability of the aforesaid conditions which are applicable to the "advancement of any other object of general public utility".
Definition of the term "manufacture"	A number of tax concessions under the Income-tax Act are provided for encouraging manufacture of articles or things. However, the term "manufacture" has not been defined in the statute. Therefore, it has been the subject matter of dispute and resultant judicial review in a number of cases. In order to remove any kind of ambiguity which may still persist in this regard, a new clause (29BA)has been inserted in section 2 so as to provide that 'manufacture', with all its grammatical variations, shall mean a change in a non-living physical object or article or thing,— (a) resulting in transformation of the object or article or thing into a new and distinct object or article or thing having a different name, character and use; or (b) bringing into existence of a new object or article or thing with a different chemical composition or integral structure.

Power to issue Zero Coupon Bonds	With a view to empower the scheduled bank including nationalized bank to issue zero coupon bonds to source their long term funds, the clause (48) of section 2 has been amended so as to include the scheduled banks as an eligible person to issue zero coupon bonds. These amendments will take effect from 1st April, 2009.
Compensation received on voluntary retirement or termination of service under a scheme of voluntary separation- amendment of sections 10(10C) and 89	Very often, a person receives arrears or advance of salary due to him. Since arrears and advance salary is liable to tax, the total income (including such arrears and advance) is assessed at a rate higher than that at which it would otherwise have been assessed if the total income did not include arrears and advance of salary. In other words, arrears and advance salary result in bracket creeping and higher tax burden. With the view to mitigating this excess burden, the provisions of section 89 of the Income-tax Act provide for backward spread of the arrears and forward spread of the advance. Under the voluntary retirement scheme, the retiree employee receives lump-sum amount in respect of his balance period of service. Such amount are in the nature of advance salary. Clause (10C) of section 10 provides for an exemption of Rs. 5 lakhs in respect of such amount. This exemption is provided to mitigate the hardship on account of bracket creeping as a result of the receipt of the amount in lump-sum upon voluntary retirement. However, some tax payers have claimed both the benefit under clause (10C) of section 10 and section 89. The courts have also upheld their claims. With the view to preventing the claim of double benefit, a proviso has been inserted in section 89 to provide that no relief shall be granted in respect of any amount received or receivable by an assessee on his voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in case of a public sector company referred to in sub-clause (i) of clause (10C) of section 10, a scheme of voluntary separation, if an exemption in respect of such voluntary retirement or termination of his service or voluntary separation has been claimed by the assessee under clause (10C) of section 10 in respect of such, or any other, assessment year. Correspondingly, a third proviso has also been inserted to clause (10C) of section 10 to provide that where any relief has been allowed to any assessee under section 89 for any assessment year in respect of any amount received or receivable on his voluntary retirement or termination of service or voluntary separation, no exemption under cluase (10C) of section 10 shall be allowed to him in relation to such, or any other, assessment year.
Extension of time limit for filing applications for tax exemption under section 10(23C). The provision will be applicable from the financial year 2008-2009 and subsequent years.	Under the existing provisions of Clause (23C) of section 10, any institution (having receipts of more than rupees one crore) has to make an application for seeking exemption at any time during the financial year for which the exemption is sought. In practice, an eligible institution has to anticipate its annual recei pts to decide whether the application for exemption is

	required to be filed or not. This has often led to avoidable hardship. In order to mitigate this hardship the time limit for filing such application to the 30th day of September in the succeeding financial year is extended which is incidentally the last date to get the books of the institutions audited.
Amendment to section 10(23D) of the Income Tax Act, 1961- Incorporating "Other Public Sector Banks" under the expression "Public Sector Bank". This amendment is applicable from 1st April, 2010 and will, accordingly, apply in relation to assessment year 2010-2011and subsequent assessment years.	The expression "public sector banks" has been defined in the explanation to section 10(23D). Reserve Bank of India has categorized a new sub-group called "other public sector banks". The Central Government holds more than 51% shareholding in IDBI Bank Limited which has been categorized under "other public sector banks" by RBI. Since "other public sector banks", has not been included in the expression "public sector banks" as defined in the Explanation to section 10(23D), The relevant provisions of the Income-tax Act, 1961 has been amended to do so.
Extension of sunset clause for units in free trade zone under section 10A and for export oriented **undertakings under section 10B**	Under the existing provisions, the deductions under section 10A and section 10B of the Income Tax Act are available only upto the assessment year 2010-11. Sections 10A and 10B have been amended to extend the tax benefit under both these sections by one year i.e., the deduction will be available upto assessment year 2011-12.
Clarification regarding computation of exempted profits in the case of units in Special Economic Zones (SEZs)- amendment of section 10-AA(7)	Under sub-section (7) of section 10AA of the Income-tax Act, the exempted profit of a SEZ unit is the profit derived from the export of articles or things or services and same is required to be calculated as under: "the profit derived from the export of articles or things or services (including computer software) shall be the amount which bears to the profits of the business of the undertaking, being the Unit, the same proportion as the export turnover in respect of such articles or things or services bears to the total turnover of the business carried on by the assessee." Simply stated, it means that the exempted profit of the SEZ unit is equal to $\frac{\text{Profits of business of unit x export turnover of the unit}}{\text{Total turnover of business carried on by the assessee}}$ This method of computation of the profits of business with reference to the total turnover of the assessee is perceived to be discriminatory in so far as those assessees are concerned who were having multiple units in both the SEZ and the domestic tariff area (DTA) vis-a-vis those assessees who were having units in only the SEZ. With a view to removing the anomaly, the provisions of sub-section (7) of section 10AA of the Income Tax Act have been amended so as to provide that the deduction under section 10AA shall be computed with reference to the total turnover of the undertaking. This amendment will take effect from the 1st day of April, 2010 and will accordingly, apply to assessment year 2010-11 and subsequent assessment years.
The term "block of assets" has been defined in clause (11) of section 2 and in Explanation 3 to sub-section (1) of section 32 of the Income-tax Act. However, these definitions are not identical and therefore they are subject to misuse. Accordingly, it has been provided to amend Explanation 3 of sub-section (1) of Section	The amendment is clarificatory in nature as the term "block of assets" is defined at two different places.

32 of the Income-tax Act so as to delete the definition of "block of assets" provided therein. Consequently, "block of assets" will derive its meaning only from clause (11) of section 2. **The amendments are effective from the 1st day of April, 2010 and will, accordingly, apply in relation to assessment year 2010-11 and subsequent years.**	
Clause (ii) of sub-section (1) of section 32 provides that depreciation is to be allowed and computed at the prescribed percentage on the written down value (WDV) of any block of assets. Sub-clause (b) of clause (6) of section 43 provides that WDV in the case of assets acquired before the previous year shall be computed by taking the actual cost to the assessee less all depreciation "actually allowed" to him under the Income-tax Act. **Rules 7A, 7B and 8 of the Income tax Rules, 1962, deal with the computation of composite income where income is derived in part from agricultural operations and in part from business chargeable to tax under the Income tax Act, 1961 under the head "Profits & Gains of Business". These rules prescribe the method of computation in the case of manufacture of rubber, coffee and tea. In such cases, the income which is brought to tax as "business income" is a prescribed fixed percentage of the composite income.** **An amendment in the above section has been made to provide that in the cases of composite income, notwithstanding that the assessee was not required to compute a part of his income for the purposes of Income-tax Act for any previous year, depreciation shall be computed as if the total composite income of the assessee is chargeable under the Income-tax Act and such depreciation shall be deemed to have been "actually allowed" to the assessee.** **The amendment will take effect from the 1st April, 2010 and will, accordingly, apply in relation to assessment year 2010-11 and subsequent years.**	The Hon'ble Supreme Court in the case of CIT Vs. Doom Dooma India Ltd (222 CTR 105) has held that in view of the language employed in sub-clause (b) of clause (6) of section 43 regarding depreciation "actually allowed", where any income is partially agricultural and partially chargeable to tax under the Income tax Act, 1961 under the head "Profits & Gains of Business", the depreciation deducted in arriving at the taxable income alone could be taken into account for computing the WDV in the subsequent year and not the entire depreciation taken into account for arriving at the composite income. For instance Rule 8 prescribes the taxability of income from the manufacture of tea. Under the said rule, income derived from the sale of tea grown and manufactured by seller shall be computed as if it were income derived from business, and 40% of such income shall be deemed to be income liable to tax. In many cases, it is noticed that since only 40% of the total income is chargeable to income-tax, only 40% of the total depreciation is considered for determining the W.D.V. of assets, in the subsequent year. The above interpretation is not in accordance with the legislative intent. WDV is required to be computed by deducting the full depreciation attributable to composite income. The ambiguity in this case has arisen on account of the interpretation of the meaning of the phrase "actually allowed" in sub-clause (b) of clause (6) of section 43. It is therefore provided by the present amendment that in the cases of composite income, notwithstanding that the assessee was not required to compute a part of his income for the purposes of Income-tax Act for any previous year, depreciation shall be computed as if the total composite income of the assessee is chargeable under the Income-tax Act and such depreciation shall be deemed to have been "actually allowed" to the assessee.
Under the existing provisions of the Income-tax Act, under sub-section (2AB) of section 35, weighted deduction of 150 per cent. is allowed to a company engaged in the business of biotechnology or in the business of manufacture or production of drugs, pharmaceuticals, electronic equipments, computers, telecommunication equipments, chemicals or any other article or thing notified by the Board and which has incurred expenditure (excepting on land and building) on in-house scientific research and development facility approved by the prescribed authority.	With a view to promoting research and development in all sectors of the economy, the benefit of weighted deduction has been extended to all companies engaged in the business of manufacture or production of an article or thing except those specified in the Eleventh Schedule of the Income-tax Act.

An amendment has been made extending the benefit of weighted deduction to all companies engaged in the business of manufacture or production of an article or thing except those specified in the Eleventh Schedule of the Income-tax Act. **The amendment will take effect from 1st April, 2010 and will, accordingly, apply in relation to assessment year 2010-11 and subsequent years. In other words, expenditure on research and development incurred by the company during the financial year 2009-2010, will be eligible for aforesaid weighted deduction under section 35(2AB) of the Income-tax Act.**	
Investment-linked tax incentive for specified business- insertion of section 35-AD	The Income-tax Act provides for a number of profit-linked exemptions/deductions. Such benefits are inefficient, inequitable, impose higher compliance and administrative burden, result in revenue loss, increase litigations and lead to competitive demand for similar tax benefits. Further, these benefits also encourage diversion of profits from the taxed sector to the exempt/untaxed sector. However, investment-linked incentives are relatively less distortionary in their impact. With a view to creating rural infrastructure and environment friendly alternate means of transportation for bulk goods, investment-linked tax incentive has been provided by inserting a new section 35AD in the Income-tax Act for the following businesses:— (a) setting up and operating cold chain facilities for specified products; (b) setting up and operating warehousing facilities for storage of agricultural produce; (c) laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network. The salient features of the new regime of investment-linked tax incentives are the following:— (i) 100 per cent. deduction would be allowed in respect of the whole of any expenditure of capital nature incurred, wholly and exclusively, for the purposes of the specified business during the previous year in which such expenditure is incurred. (ii) The expenditure of capital nature shall not include any expenditure incurred on acquisition of any land or goodwill or financial instrument. (iii) The benefit will be available— (a) in a case where the business relates to laying and operating a cross country natural gas pipeline network for distribution, if such business commences its operations on or after the 1st day of April, 2007 and (b) in any other case, if such business commences its operation on or after the 1st day of April, 2009. (iv) The assessee shall not be allowed any deduction in respect of the specified business under the provisions of Chapter VIA;

	(v) No deduction in respect of the expenditure in respect of which deduction has been claimed shall be allowed to the assessee under any other provisions of the Income-tax Act. (vi) Any sum received or receivable on account of any capital asset, in respect of which deduction has been allowed under section 35AD, being demolished, destroyed, discarded or transferred shall be treated as income of the assessee and chargeable to income tax under the head "Profits and gains of business or profession". (vii) Any loss computed in respect of the specified business shall not be set off except against profits and gains, if any, of any other specified business. To the extent the loss is unabsorbed the same will be carried forward for set off against profits and gains from any specified business in the following assessment year and so on. Further, profit-linked deduction provided under section 80-IA to the business of laying and operating a cross country natural gas distribution network will be discontinued. As a result, any person availing of this incentive can avail of the benefit under section 35AD. All capital expenditure (other than on land, goodwill and financial instrument), to the extent capitalized in the books as on 1st April, 2009 will be fully allowed as a deduction in the computation of total income of the said business for the previous year 2009-2010. This will be available in addition to any other capital expenditure (excluding land, goodwill and financial instrument) incurred during such previous year.
Clause (viii) of sub-section (1) of Section 36 [section 36(1)(viii)] provides special deduction to financial corporations and banking companies of an amount not exceeding 20% of the profits subject to creation of a reserve. National Housing Bank (NHB) is wholly owned by Reserve Bank of India and is engaged in promotion and regulation of housing finance institutions in the country. It provides re-financing support to housing finance institutions, banks, ARDBs, RRBs etc., for the development of housing in India. It also undertakes financing of slum projects, rural housing projects, housing projects for EWS and LIG categories etc. NHB is also a notified financial corporation under section 4A of the Companies Act. **An amendment has been made to provide that corporations engaged in providing long-term finance (including re-financing) for development of housing in India will be eligible for the benefit under section 36(1)(viii).** **This amendment will take effect from the 1st April 2010 and will, accordingly, apply in relation to assessment year 2010-11 and subsequent years.**	A view has been expressed that NHB is not entitled to the benefits of section 36(1)(viii) on the ground that it is not engaged in the long-term financing for construction or purchase of houses in India for residential purpose. The amendment seeks to provide that corporations engaged in providing long-term finance (including re-financing) for development of housing in India will be eligible for the benefit under section 36(1)(viii).

<table>
<tr><td colspan="3">Under the existing provisions of the Income-tax Act, the payment of salary, bonus, commission or remuneration (hereinafter referred to as "remuneration") to a working partner of a partnership firm is allowed as deduction if it is authorised by the partnership deed and subject to the overall ceiling of monetary limits prescribed under sub-clause (v) of clause (b) of section 40.

The existing limits of remuneration have been revised upwards and prescribed uniform limits for both professional and non professional firms for simplicity and administrative ease. The revised limits are as under:</td><td>The existing limits have remained unchanged since the time of insertion in 1992 and with a view to providing for inflation-adjustment, these limits have been revised.</td></tr>
<tr><td>(a)</td><td>on the first Rs. 3,00,000 of the book-profit or in case of a loss</td><td>Rs. 1,50,000 or at the rate of 90 per cent of the book-profit, whichevr is more;</td><td rowspan="2"></td></tr>
<tr><td>(b)</td><td>on the balance of the book-profit</td><td>at the rate of 60 per cent;</td></tr>
<tr><td colspan="3">The amendment will take effect from 1st April, 2010 and will, accordingly, apply in relation to assessment year 2010-11 and subsequent years.</td><td></td></tr>
<tr><td colspan="3">Under the existing provisions of the Income-tax Act, where an assessee incurs any expenditure, in respect of which payment in excess of Rs 20,000 is made otherwise than by an account payee cheque or account payee bank draft, such expenditure is not allowed as a deduction.

A new proviso has been inserted after the proviso in sub-section (3A) of section 40A of the Income-tax Act, whereby the limit of payment to transport operators otherwise than by an account payee cheque or account payee bank draft to has been raised to Rs 35,000/- from the existing limit of Rs 20,000/-. The existing limit for other categories of payments will remain at Rs 20,000/- subject to the exceptions specified in Rule 6DD of the Income-tax Rules.

This amendment will apply to transactions effected on or after the 1st October, 2009.</td><td>Given the special circumstances of transport operators for incurring expenditure on long haul journeys, the limit of payment to such transport operators otherwise than by an account payee cheque or account payee bank draft to has been raised to Rs 35,000/- from the existing limit of Rs 20,000/-.</td></tr>
<tr><td colspan="3">The profits and gains of non-life insurance business are computed under section 44 read with Rule 5 of the First Schedule. As per Rule 5, profits and gains of non-life insurance business is taken to be profits disclosed in the annual account, copies of which are required under the Insurance Act, 1938 (4 of 1938), to be furnished to the Controller of Insurance, subject to adjustments for unexpired risk and disallowances under section 30 to Section 43B.

The provisions of the Income-tax Act has been amended to provide that any increase in respect of any amount taken credit for in the accounts on account of appreciation of or gains on realisation of investments in accordance with the regulations prescribed by IRDA shall be treated as income and included in the computation of the total income. Similarly, deduction shall be allowed in respect of any amount either</td><td>The Insurance Act, 1938 was amended in 1999 and the Insurance Regulatory Development Authority (IRDA) was created. In the financial year 2001-02, IRDA introduced "IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002". The regulations mandated new guidelines and formats for preparation of accounts by General Insurers. According to these changed norms, a non-life insurance company has to include profit or loss on realization/sale of investment in the profit and loss account or revenue account. This is also consistent with international best practices on taxation of investment income of non-life insurance companies.

In view of the above, the provisions of the Income-tax Act has been amended accordingly.</td></tr>
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written off or provided in the accounts to meet diminution in or loss on realisation of investments in accordance with the regulations prescribed by IRDA. **This amendment will be effective from the 1st day of April, 2011 and will accordingly apply in relation to assessment year 2011-12 and subsequent years.**	
The existing provisions of the Income-tax Act provide for taxation of income on presumptive basis in the case of residents for construction business, income from goods carriages and business of retail trade. **In view of the above, the scope of presumptive taxation has been expanded to all businesses by substituting a new section 44AD. The salient features of the presumptive taxation scheme are as under:** **(a) The scheme shall be applicable to individuals, HUFs and partnership firms excluding Limited liability partnership firms. It shall also not be applicable to an assessee who is availing deductions under sections 10A, 10AA, 10B, 10BA or deduction under any provisions of Chapter VIA under the heading "C.—Deductions in respect of certain incomes" in the relevant assessment year.** **(b) The scheme is applicable for any business (excluding a business already covered under Sec. 44AE) which has a maximum gross turnover /gross receipts of 40 lakhs.** **(c) The presumptive rate of income is prescribed at 8% of gross turnover /gross receipts.** **(d) An assessee opting for the above scheme shall be exempted from payment of advance tax related to such business under the current provisions of the Income-tax Act.** **(e) An assessee opting for the above scheme shall be exempted from maintenance of books of accounts related to such business as required under section 44AA of the Income-tax Act.** **(f) An assessee with turnover below Rs 40 lakhs, who shows an income below the presumptive rate prescribed under these provisions, will, in case his total income exceeds the taxable limit, be required to maintain books of accounts and also get them audited.** **(g) The existing section 44AF is made inoperative for the assessment year beginning on or after 1st day of April, 2011.** **The amendment will take effect from 1st April, 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years.**	There has been a substantial increase in small businesses with the growth of transport and communication and general growth of the economy. A large number of businesses and service providers in rural and urban areas who earn substantial income are outside the tax-net. Introduction of presumptive tax provisions in respect of small businesses would help a number of small businesses to comply with the taxation provisions without consuming their time and resources. A presumptive income scheme for small taxpayers lowers the compliance cost for such taxpayers and also reduces the administrative burden on the tax machinery. In view of the above, the scope of presumptive taxation has been expanded to all businesses by substituting a new section 44AD.

Under the existing provisions of section 44AE, a presumptive scheme is available to assessees engaged in business of plying, hiring or leasing goods carriages. The scheme applies to an assessee, who owns not more than 10 goods carriages at any time during the previous year. Under this scheme, which is optional to the assessee, a fixed amount of income per vehicle is taken at the rate of Rs.3,500/- per month per vehicle for owners of heavy goods vehicle, and Rs.3,150/- per month per vehicle for the owners of light goods vehicles. An assessee opting for this scheme is exempted from maintaining books of account to substantiate the income. **Since the above rates have not been revised for many years, the presumed income rates per vehicle has been increased for the owners of–** **(i) heavy goods vehicle to Rs.5,000/- per month; and** **(ii) other than heavy goods vehicles to Rs.4,500/- per month.** **To avoid misuse of the above provisions, an anti-avoidance clause has been provided stating that a prescribed fixed sum or a sum higher than the aforesaid sum claimed to have been earned by the assessee shall be deemed to be profits and gains of such business.** **The amendment will take effect from the 1st April, 2011 and will, accordingly, apply in relation to assessment year 2011-12 and subsequent years.**	The existing rates have been fixed many years back and with a view to providing for inflation adjustment, these rates have been raised.
Provisions for deemed valuation in certain mode of Transfer	In order to bring within the ambit of section 50C, the transactions which are not registered with stamp duty valuation authority, and executed through agreement to sell or power of attorney, the section 50C has been amended so as to provide that where the consideration received or accruing as a result of transfer of a capital asset, being land or building or both is less than the value adopted or assessed or assessable or determined by an authority of a State Government for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable or determined shall be deemed to be the full value of the consideration received or accruing as a result of such transfer for computing capital gain. Further, an explanation has been inserted so as to clarify the meaning of the term 'assessable' or 'determined'. This amendment will take effect from 1st October, 2009 and shall accordingly apply in relation to transactions undertaken after such date.

Taxation of certain transactions without consideration or for an inadequate consideration as income from other sources. This amendment is applicable from 1st October, 2009 and accordingly applies for transactions undertaken on or after such date.	Sub clause (vi) of section 56 provide that any 'sum of money' (in excess of the prescribed limit of Rupees fifty thousand) received without consideration by an individual or HUF will be chargeable to income tax in the hands of the recipient under the head 'income from other sources'. However, receipts from relatives or on the occasion of marriage or under a will are outside the scope of the provisions of clause (vi) of sub-section (2) of section 56 of the Income-tax Act. Similarly, anything which is received in kind having 'money's worth' i.e. property is also outside the purview of the existing provisions. Therefore section 56 of the Income-tax Act has been amended to provide that the value of any property received without consideration or for inadequate consideration will also be included in the computation of total income of the recipient. Such Properties will include immovable property being land or building or both, shares and securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art.
Amendment in Chapter VIA to prevent abuse of tax incentives	The profit linked deductions in Chapter VIA are prone to considerable misuse. Further, since the scope of the deductions under various provisions of Chapter VIA overlap, the taxpayers, at times, claim multiple deductions for the same profits. With a view to preventing such misuse, the provisions of section 80A of the Income-tax Act have been amended to provide the following, namely:- (i) deduction in respect of profits and gains shall not be allowed under any provisions of section 10A or section 10AA or section 10B or section 10BA or under any provisions of Chapter VIA under the heading "C.-Deductions in respect of certain incomes" in any assessment year, if a deduction in respect of same amount under any of the aforesaid has been allowed in the same assessment year; (ii) the aggregate of the deductions under the various provisions referred to in (i) above, shall not exceed the profits and gains of the undertaking or unit or enterprise or eligible business, as the case may be; (iii) no deductions under the various provisions referred to in (i) above, shall be allowed if the deduction has not been claimed in the return of income; Further section 80A has also been amended to provide that the transfer price of goods and services between the undertaking or unit or enterprise or eligible business and any other undertaking or unit or enterprise or business of the assessee shall be determined at the market value of such goods or services as on the date of transfer. Further, the expression "market value" has been defined to mean,- (a) in relation to any goods or services sold or supplied, means the price that such goods or services would fetch if these were sold by the undertaking or unit or enterprise or eligible business in the open market, subject to statutory or regulatory restrictions, if any;

	(b) in relation to any goods or services acquired, means the price that such goods or services would cost if these were acquired by the undertaking or unit or enterprise or eligible business from the open market, subject to statutory or regulatory restrictions, if any. This amendment will take effect from 1st April, 2009 and will accordingly apply to all cases where the proceeding are pending before any authority on or after such date. Further, with a view to preventing the misuse of the tax holiday under section 80-IA of the Income-tax Act, the Explanation to the said section has been amended to clarify that nothing contained in the said section shall apply in relation to a business referred to in sub-section (4) of the said section which is in the nature of a works contract awarded by any person (including the Central or State Government) and executed by an undertaking or enterprise referred to in sub-section (1) thereof.
Deduction for medical treatment of a dependent suffering disability-amendment of section 80-DD	Section 80-DD of the Income Tax Act provides for a deduction to an individual or HUF, who is a resident in India, in respect of the following:- (a) Expenditure for the medical treatment (including nursing), training and rehabilitation of a dependant, being a person with disability; and (b) Amount paid to LIC or other insurance in respect of a scheme for the maintenance of a disabled dependant. The present limit for deduction is Rs.50,000 if the dependant is suffering from disability and Rs.75,000 if the dependant is suffering from severe disability. The limit for severe disability has been increased to Rs.1 lakh.
Deduction in respect of Interest on loan taken for higher education- amendment of section 80-E	Section 80E of the Income-tax Act provides for a deduction to an assessee, being an individual, on account of any amount paid by him in the previous year by way of interest on loan taken from any financial institution or any approved charitable institution for the purpose of pursuing higher education in specified fields of study. Under the existing provisions, the deduction is available only for pursuing full time studies for any graduate or post-graduate course in engineering, medicine, management or for post-graduate course in applied sciences or pure sciences including mathematics and statistics. With the objective of fostering human capital formation in the country, the provisions of section 80E of the Income Tax Act has been amended so as to extend its scope to cover all fields of studies (including vocational studies) pursued after passing the Senior Secondary Examination or its equivalent from any school, board or university recognised by the Central Government or State Government or local authority or by any other authority authorized by the Central Government or State Government or local authority to do so. Further, the scope of the term “relative” has also been expanded in relation to an individual to mean the spouse and children of that individual or the student for whom the individual is the legal guardian.

Donations to Certain Funds, Charitable Institutions, etc.- amendment of section 80-G	Section 80G of the Income-tax Act, 1961 provides for a deduction in respect of donations to certain funds, charitable institutions, etc. subject to, inter alia, the condition that such institutions and trusts are establish for 'charitable purpose'. Consequent to the amendment of sub-section (15) of section 2 by the Finance Act 2008 a number of organizations have ceased to be charitable for the purposes of the Income-tax Act. However, such institutions and trusts continued to collect donation during the financial year 2008-2009 for funding relief work for floods in Bihar and other public purposes. The donors made these donations under a bonafide belief that they would be entitled to benefit under section 80-G. With a view to mitigate hardship to the donors, a onetime relaxation has been given sub-section (5) of section 80G of the Income-tax Act has been amended so as to provide that where an institution or fund has been approved under clause (vi) of sub-section 5 of section 80G for the previous year beginning on the 1st day of April 2007 and ending on the 31st day of March, 2008, such institution or fund shall, notwithstanding anything contained in the proviso to clause (15) of section 2, be deemed to have been,- (a) established for charitable purposes for the previous year beginning on the 1st day of April, 2008 and ending on the 31st day of March, 2009; (b) approved under the said clause (vi) for the previous year beginning on the 1st day of April, 2008 and ending on the 31st day of March, 2009. Further as per clause (vi) of sub-section (5) of section 80G of the Income-tax Act, 1961, the institutions or funds to which the donations are made have to be approved by the Commissioner of Income-tax in accordance with the rules prescribed in rule 11AA of the Income-tax Rule, 1962. The proviso to this clause provides that any approval granted under this clause shall have effect for such assessment year or years, not exceeding five assessment years, as may be specified in the approval. Due to this limitation imposed on the validity of such approvals, the approved institutions or funds have to bear the hardship of getting their approvals renewed from time to time. This is unduly burdensome for the bonafide institutions or funds and also leads to wastage of time and resources of the tax administration in renewing such approvals in a routine manner. Therefore, the proviso to clause (vi) of sub-section (5) of section 80G has been omitted to provide that the approval once granted shall continue to be valid in perpetuity. Further, the Commissioner will also have the power of withdraw the approval if the Commissioner is satisfied that the activities of such institution or fund are not genuine or are not being carried out in accordance with the objects of the institution or fund.

Deduction in respect of contributions to political parties	Section 80GGB and section 80GGC of the Income-tax Act, 1961 provide for deduction in respect of contributions given to political parties by companies and any person respectively. With a view to reforming the system of funding of political parties section 80GGB and section 80GGC of the Income-tax Act, 1961 have been amended to provide that donations to electoral trusts shall be allowed as a 100 percent deduction in the computation of the income of the donor. Consequently sub-clause (iia) of clause (24) of section 2 of the Income-tax Act has been amended to provide that donations to such electoral trusts shall be treated as income of the trusts which will be specifically exempt as per the newly inserted section 13B and not included in the total income of the previous year if:- (a) the electoral trust distributes to any political party, registered under section 29A of the Representation of the People Act, 1951, during previous year 95 percent of the aggregate donations received by it during the said previous year along with the surplus, if any, brought forward from any earlier previous years (b) the electoral trust functions in accordance with the rules made in this regard by the Central Government. Further, "electoral trust" has been defined in the new clause (22AAA) of section 2 as a trust so approved by the Board in accordance with the scheme made in this regard by the Central Government.
Extension of sunset clause for tax holiday under section 80-IA	Under the existing provisions of clause (v) of sub-section (4) of section 80-IA, an undertaking owned by an Indian company and set up for reconstruction or revival of a power generating plant is eligible for 10 year tax benefit if it fulfils the following conditions:- (i) such company is formed before 30.11.2005 with majority equity participation by public sector companies for enforcing the security interest of the lenders to the company owning the power generating plant; (ii) such Indian company is notified by the Central Government before 31.12.2005; and (iii) the undertaking begins to generate or transmit or distribute power before 31st March, 2008. Sub-clause (b) of clause (v) of sub-section (4) of section 80-IA has been amended to extend the terminal date for commencing the activity of generation, transmission or distribution of power in case of such undertaking from 31.3.2008 to 31.3.2011. This amendment will take effect retrospectively from 1st day of April, 2008 and shall accordingly, apply in relation to assessment year 2008-09 and subsequent years. Further, under section 80-IA, the provisions of clause (iv) of sub-section (4) provides for a deduction of profits and gains of an undertaking,—

	(a) which is set up for the generation and distribution of power if it begins to generate power at any time during the period beginning on 1-4-1993 and ending on 31-03-2010; (b) which starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on 1-4-1999 and ending on 31-03-2010; (c) which undertakes substantial renovation and modernization of existing network of transmission or distribution lines at any time during the period beginning on 1-4-2004 and ending on 31-03-2010. Clause (iv) of sub-section (4) of section 80-IA has been amended to extend the terminal date for a further period of one year upto 31-03-2011. Further, in respect of an undertaking which develops, develops and operates or maintains and operates an industrial park, the sunset date has been extended from 31st day of March, 2009 to 31st day of March, 2011.
Deduction in respect of profits and gains from undertakings engaged in commercial production of mineral oil and natural gas	Sub-section (9) of section 80-IB of the Income Tax Act, 1961 provides for deduction in respect of profits and gains derived from commercial production or refining of mineral oil. The deduction under this sub-section is available to an undertaking for a period of seven consecutive assessment years including the initial assessment year- (i) in which the commercial production under production sharing contract has first started; or (ii) in which the refining of mineral oil has begun. However, no deduction under this sub-section is available to an undertaking which begins refining of mineral oil on or after the 1st day of April, 2009 unless such undertaking fulfils all the following conditions as provided in the third proviso to this subsection, namely:- (i) It is wholly owned by a public sector company or any other company in which a public sector company or companies hold at least forty-nine percent of the voting rights; (ii) It is notified by the Central Government in this behalf on or before the 31 day of May, 2008; and (iii) It begins refining not later than the 31st day of March, 2012. Under the existing provisions, it is incumbent on refineries in the private sector to commence refining of mineral oil on or before the 31st March, 2009. The notice given to private sector entrepreneurs to complete the execution of their refinery project was extremely short. As a result, entrepreneurs who had undertaken substantial investment in anticipation of the tax holiday suffered serious financial setback. Therefore, the provisions of sub-section (9) have been amended so as to allow them a further period of three years i.e. upto the 31st March, 2012 to begin refining of mineral oil and avail of the tax benefit. The new terminal date will be the same for both the public and the private sector.

	Further, the Income Tax Act has been amended so as to extend the tax holiday under sub-section(9) of section 80-IB of the Income Tax Act, which was hitherto available in respect of profits arising from the commercial production or refining of mineral oil, also to natural gas from blocks which are licensed under the VIII Round of bidding for award of exploration contracts (hereafter referred to as "NELP-VIII") under the New Exploration Licencing Policy announced by the Government of India vide Resolution No.O-19018/22/95-ONG.DO.VL, dated 10th February, 1999 and begin commercial production of natural gas on or after the 1st day of April, 2009. The tax holiday would also be available to an undertaking engaged in commercial production of natural gas in blocks licensed under the IV round of bidding for award of exploration contracts for Coal Bed Methane blocks and begins commercial production of natural gas on or after the 1st day of April, 2009. The term "undertaking" in sub-section (9) has not been defined. Therefore, in the context of mineral oil, the meaning of the term "undertaking" has been the subject matter of considerable dispute. The tax payers have been holding the view that every well in a block licensed constitutes a single "undertaking" and accordingly the tax holiday is available separately for each such well. However, this view is against the legislative intent. Accordingly, sub-section (9) has been amended by inserting an Explanation so as to clarify that for the purposes of claiming deduction under sub-section (9), all blocks licensed under a single contract, which has been awarded under the New Exploration Licencing Policy announced by the Government of India vide Resolution No. O-19018/22/95-ONG.DO.VL, dated 10th February, 1999 or has been awarded in pursuance of any law for the time being in force or has been awarded by Central or a State Government in any other manner, shall be treated as a single "undertaking". This amendment is proposed to take retrospective effect from the 1st April, 2000 and will, accordingly, apply in relation to assessment year 2000-2001 and subsequent years. This definition of "undertaking" will be applicable both in relation to mineral oil and natural gas.
Rationalising the provisions of deduction under sub-section (10) of section 80-IB	Sub-section (10) of section 80-IB of the Income-tax Act, 1961 provides for 100 per cent deduction of the profits derived by an undertaking from developing and building housing projects. This benefit is available subject to the following conditions:— (a) The project is approved by a local authority before the 31st day of March, 2007. (b) The project is constructed on a plot of land having a minimum area of one acre. (c) The built-up area of each residential unit should not exceed 1,000 sq.ft. in the cities of Delhi and Mumbai (including areas falling within 25 kms. of municipal limits of these cities) and 1,500 sq.ft. in other places. (d) The built-up area of the shops and other commercial

	establishments included in the housing project should not exceed 5 per cent of the total built-up area of the housing project or 2,000 sq.ft. whichever is less. (e) The project has to be completed within 4 years from the end of the financial year in which the project is approved by the local authority. The objective of this tax concession is to provide tax benefit to the person undertaking the investment risk i.e. the actual developer. However, any person undertaking pure contract risk is not entitled to the tax benefits. With a view to clarify accordingly, an Explanation has been inserted after sub-section (10) of section 80-IB so as to provide that nothing contained in this sub-section shall apply to any undertaking which executes the housing project as a works contract awarded by any other person (including Central or State Government). Further, the objective of the tax benefit for housing projects is to build housing stock for low and middle income households. This has been ensured by limiting the size of the residential unit. However, this is being circumvented by the developer by entering into agreement to sell multiple adjacent units to a single buyer. Accordingly, it is proposed to insert new clauses in the said subsection to provide that the undertaking which develops and builds the housing project shall not be allowed to allot more than one residential unit in the housing project to the same person, not being an individual, and where the person is an individual, no other residential unit in such housing project is allotted to any of the following person:- (i) Spouse or minor children of such individual; (ii) the Hindu undivided family in which such individual is the karta; (iii) any person representing such individual, the spouse or minor children of such individual or the Hindu undivided family in which such individual is the karta. Further, the sunset date for obtaining approval from the local authority has been extended from31st day of March, 2007 to 31st day of March, 2008.
Deduction in case of a person suffering from severe disability- amendment of section 80-U	Section 80-U has been amended to enhance the deduction available to a person suffering from severe disability from Rs. 75,000/- to Rs. 1,00,000/-.
Clarification regarding provisions of transfer pricing	The proviso to sub-section (2) of section 92C provides that where more than one price is determined by the most appropriate method, the arm's length price shall be taken to be the arithmetical mean of such prices, or, at the option of the assessee, a price which may vary from the arithmetical mean by an amount not exceeding five per cent of such arithmetical mean. The above provision has been subject to conflicting interpretation by the assessee and the Income Tax Department. The assessee's view is that only excess of five per cent shall be subject to transfer pricing adjustment. Whereas Department's view is

	that once the allowable five per cent limit exceeds, the entire excess shall be subject to transfer pricing adjustment. In order to put the controversy at rest, the proviso to section 92C has been amended to provide that where more than one price is determined by the most appropriate method, the arm's length price shall be taken to be the arithmetical mean of such price. Further, it has been provided that where the arm's length price varies from the transaction price by not more than five per cent of the transaction price, such variation is ignored and the transaction price shall be treated as arm's length price otherwise arm's length price so determined shall be adopted for transfer pricing adjustment. This amendment will take effect from 1st October, 2009 and shall accordingly apply in relation to all cases which are pending on such date.
Introduction of provisions for formulating 'safe harbour' rules	The OECD Guidelines provide for enactment of certain provisions or rules. If such provisions or rules are followed by the assessee it would enable the income-tax authority to accept the transfer price declared by the assessee. The use of such 'safe harbours' rule can ameliorate, to a certain extent, the difficulties involved in applying the arm's length principle. In view of above, a new section 92F has been inserted so as to provide that the Board may, subject to the control of the Central Government, shall have power to notify the 'safe harbour rule' in respect of transfer pricing matters. The rule shall come into force from the date of its publication in Official Gazette of India. Further, an explanation has been inserted to provide the meaning of 'safe harbour rule'. This amendment will take effect from 1st April, 2009.
Tax relief on anonymous donations in certain cases. The amendment is applicable with effect from the 1st day of April, 2010 and will accordingly apply in relation to assessment year 2010-11 and subsequent years.	Under the current provisions of section 115BBC, wholly religious entities are outside the purview of taxation of anonymous donations. Partly religious and partly charitable entities have also been exempted from the taxation of anonymous donations, except where the anonymous donation is made to an educational or medical institution run by such entity in which case such donations are taxed at the rate of 30 per cent. In the case of wholly charitable entities, all anonymous donations are taxed at the rate of 30 per cent. In order to mitigate the compliance burden, and to provide relief to such organizations, a part of the anonymous donations is exempted from being taxed. The amendment results in the following:— 1. Anonymous donations received by wholly religious institutions shall remain exempt from tax. 2. In the case of partly religious and partly charitable institutions, anonymous donations directed towards a medical or educational institutions run by such entities shall be taxable only to the extent such donations exceed 5 per cent.

	of total income of such trust or institution or a sum of Rs.1 lakh, whichever is more. 3. In the case of wholly charitable institutions, anonymous donations shall be taxable to the extent such donations exceed 5 per cent. of total income of such trusts/institution or a sum of Rs.1 lakh, whichever is more.
Minimum Alternate Tax	The Income-tax Act is riddled with a plethora of tax incentives which has the effect of considerable eroding the tax base. Since tax incentives are generally sticky in nature, their distortionary impact can be reduced / eliminated only by imposing a cap thereon. The Minimum Alternate Tax (MAT) is designed to achieve this objective. Under the existing provisions of section 115JB of the Income Tax Act, a company is required to pay a minimum tax on its book profits, if the income-tax payable on the total income, as computed under the Act in respect of any previous year relevant to the assessment year commencing on or after the 1st day of April, 2007, is less than such minimum. The rate of the minimum tax is ten per cent of the book profit. Sub-section (1) of section 115JB has been amended to increase the MAT rate to fifteen per cent. from the existing level of ten per cent. However, with a view to provide relief to the assessees, being companies, who pay Minimum Alternate Tax under section 115JB for any assessment year beginning on or after the 1st day of April, 2006, the provisions of sub-section (3A) of section 115JAA have been amended so as to provide that the amount of tax credit determined under sub-section (2A) of section 115JAA shall be allowed to be carried forward and set off upto the tenth assessment year immediately succeeding the assessment year in which the tax credit becomes allowable under sub-section (1A) of the said section.
Clarification regarding add back of 'provision for diminution in the value of asset', while computing book profits- amendment of sections 115-JB and 115-JA	Section 115JB of the Income-tax Act provides for levy of minimum alternate tax (MAT) on the basis of book profits of a company. As per Explanation 1 after sub-section (2), the expression "book profit" means net profit as shown in the profit and loss account prepared in accordance with the provisions of Part-II and Part-III of Schedule-VI to the Companies Act, 1956 as increased or reduced by certain adjustments, as specified in that section. A new clause (i) in Explanation 1 after sub-section (2) of the said section has been inserted so as to provide that if any provision for diminution in the value of any asset has been debited to the profit and loss account, it shall be added to the net profit as shown in the profit and loss account for the purpose of computation of book profit. Similar amendment is also proposed in section 115JA of the Income-tax Act by way insertion of a new clause (g) in the Explanation after sub-section (2) of the said section. The amendment to section 115JA has been made effective retrospectively from 1st day of April, 1998 and will, accordingly,

	apply in relation to assessment year 1998-99 and subsequent years. The amendment to section 115JB has been made effective retrospectively from 1st day of April, 2001 and will, accordingly, apply in relation to assessment year 2001-02 and subsequent assessment years.
Fringe Benefit Tax	The Finance Act, 2005 introduced a new levy, namely, Fringe Benefit Tax (FBT) on the value of certain fringe benefits. The provisions relating to levy of this tax are contained in Chapter XII-H (sections 115W to 115WL) of the Income Tax Act, 1961. A new section 115WM has been inserted to abolish the fringe benefit tax. Consequently, the taxation of the fringe benefits as perquisites in the hands of the employees has been restored. Therefore clause (2) of section 17 has also been amended,— (a) by substituting sub-clause (vi) so as to provide that perquisite shall include the value of any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer, or former employer, free of cost or at concessional rate to the assessee. For this purpose, the value of any specified security or sweat equity shares shall be the fair market value of the specified security or sweat equity shares, as the case may be, on the date on which the option is exercised by the assessee as reduced by the amount actually paid by, or recovered from, the assessee in respect of such security or shares. The "fair market value" will mean the value determined in accordance with the method as may be prescribed by the Board. (b) by inserting sub-clause (vii) to provide that perquisite shall also include the amount of any contribution to an approved superannuation fund by the employer in respect of the assessee, to the extent it exceeds one lakh rupees. (c) by inserting sub-clause (viii) to provide that perquisite shall also include the value of any other fringe benefit or amenity as may be prescribed. Consequently, section 49 has also been amended to provide that Where the capital gain arises from the transfer of specified security or sweat equity shares referred to in sub-clause (vi) of clause (2) of section 17, the cost of acquisition of such security or shares shall be the fair market value which has been taken into account for the purposes of the said sub-clause.
Clarificatory amendment in section 132	Sub-section (1) of section 132 provides that where the Director General or Director or the Chief Commissioner or Commissioner or any such Joint Director or Joint Commissioner as may be empowered in this behalf by the Board in consequence of information in his possession, has reason to believe that any of the conditions specified in clause (a), (b) or (c) are satisfied then the Director General or Director or the Chief Commissioner or Commissioner, as the case may be, may authorize any Joint Director, Joint Commissioner, Assistant Director or Deputy Director, Assistant Commissioner or

	or Income-tax Officer, or such Joint Director, or Joint Commissioner, as the case may be, may authorize any Assistant Director or Deputy Director, Assistant Commissioner or Deputy Commissioner or Income-tax Officer to conduct search and seizure operation. Further, it has been provided that the Joint Director includes Additional Director of Income-tax. Therefore, the intention of the legislature has always been or is to provide power to issue warrant of authorization by the Director General or Director or the Chief Commissioner or Commissioner or any such Additional Director or Additional Commissioner or Joint Director or Joint Commissioner specified by the Board. The Board had empowered then "Deputy Director" which has subsequently been redesignated as Joint Director to issue warrant of authorization. However, various judgments have been delivered by Courts and Tribunals, which are contrary to the legislative intention as stated in the above paragraph. Therefore, to put at rest the controversy and to provide explicitly that Additional Director or Additional Commissioner always had the power to issue warrant of authorization, a clarificatory amendment has been made in section 132. This amendment will take effect retrospectively from 1st June, 1994. Further, by amending the section 132, it has been clarified that the Joint Commissioner or Joint Director always had the power to issue authorization. This amendment will take effect retrospectively from 1st October, 1998.
Centralized Processing of Returns	The work of establishing the facility for centralized processing of returns is underway, therefore, sub-section (1B) of section 143 has been amended to empower the Board to issue notification upto 31st day of March, 2010. Similar amendments were made for processing of fringe benefit tax return. These amendments will take effect from 1st April, 2009.
Provision for constitution of alternate dispute resolution mechanism	The dispute resolution mechanism presently in place is time consuming and finality in high demand cases is attained after long drawn litigation till Supreme Court. In order to address the concern of multi-national companies and to provide mechanism for speedy disposal of their cases so as to attain finality, a new section 144C has been inserted which contain the provisions of alternate dispute resolution mechanism. The salient features of alternate dispute resolution mechanism are as under:- (1) The Assessing Officer shall, forward a draft of the proposed order of assessment (hereinafter in this section referred to as the draft order) to the eligible assessee if he proposes to make on or after the 1st day of October, 2009, any variation in the income or loss returned which is prejudicial to the interest of such assessee.

	(2) On receipt of the draft order, the eligible assessee shall, within thirty days of the receipt by him of the draft order,- (a) File his acceptance of the variations to the Assessing Officer; or (b) File his objections, if any, to such variation to, - (i) The Dispute Resolution Panel; and (ii) The Assessing Officer. (3) The Assessing Officer shall complete the assessment on the basis of the draft order, if – (a) The assessee intimates to the Assessing Officer the acceptance of the variation; or (b) No objections are received within the period specified in sub-section (2). (4) The Assessing Officer shall, notwithstanding anything contained in section 153, pass the assessment order under sub-section (3) within one month from the end of the month in which,- (a) The acceptance is received; or (b) The period of filing of objections under sub-section (2) expires. (5) The Dispute Resolution Panel shall, in a case where any objections are received under sub-section (2), issue such directions, as it thinks fit, for the guidance of the Assessing Officer to enable him to complete the assessment. (6) The Dispute Resolution Panel shall issue the directions referred to in sub-section (5), after considering the, - (a) Draft order; (b) Objections filed by the assessee; (c) Evidence furnished by the assessee; (d) Report, if any, of the Assessing Officer, Valuation Officer or Transfer Pricing Officer or any other authority; (e) Records relating to the draft order; (f) Evidence collected by, or caused to be collected by, it; and (g) Result of any enquiry made by, or caused to be made by it. (7) The Dispute Resolution Panel may, before issuing any directions referred to in sub-section (5), - (a) Make such further enquiry, as it thinks fit; or (b) Cause any further enquiry to be made by any income tax authority and report the result of the same to it. (8) The Dispute Resolution Panel may confirm, reduce or enhance the variations proposed in the draft order so, however, that it shall not set aside any proposed variation or issue any direction under sub-section (5) for further enquiry and passing of the assessment order.

	(9) If the members of the Dispute Resolution Panel differ in opinion on any point, the point shall be decided according to the opinion of the majority. (10) Every direction issued by the Dispute Resolution Panel shall be binding on the Assessing Officer. (11) No direction under sub-section (5) shall be issued unless an opportunity of being heard is given to the assessee and the Assessing Officer on such directions which are prejudicial to their interest. (12) No direction under sub-section (5) shall be issued after nine months from the end of the month in which the draft order is forwarded to the eligible assessee. (13) Upon receipt of the directions issued under sub-section (5), the Assessing Officer shall, in conformity with the directions, complete the assessment within one month from the end of the month in which the direction is received notwithstanding anything to the contrary contained in section 153. (14) No opportunity of being heard shall be allowed to the assessee for the purposes of sub-section (13). (15) The Board may make rules for the efficient functioning of the Dispute Resolution Panel with a view to expeditiously dispose of the objections filed, under sub-section(2), by the eligible assessee. (16) For the purposes of this section, - (a) "Dispute Resolution Panel" means a collegiums comprising of three commissioners of Income-tax constituted by the Board for this purpose; (b) "eligible assessee" means,- (i) any person in whose case the variation referred to in sub-section (1) arises as a consequence of the order of the Transfer Pricing Officer passed under sub-section (3) of section 92CA; and (ii) any foreign company. Further, it is proposed to make consequential amendments - (i) in sub-section (1) of section 131 so as to provide that "Dispute Resolution Panel" shall have the same powers as are vested in a Court under the Code of Civil Procedure, 1908 (5 of 1908); (ii) in clause (a) of sub-section (1) of section 246 so as to exclude the order of assessment passed under sub-section (3) of section 143 in pursuance of directions of "Dispute Resolution Panel" as an appealable order and in clause (c) of sub-section (1) of section 246 so as to exclude an order passed under section 154 of such order as an appealable order; (iii) in sub-section (1) of section 253 so as to include an order of assessment passed under sub-section (3) of section 143 in pursuance of directions of "Dispute Resolution Panel" as an appealable order. These amendments will take effect from 1st October, 2009.

Rationalizations of provisions for taxation of interest received on delayed compensation or enhanced compensation	The existing provisions of Income-tax Act provide that income chargeable under the head "Profits and gains of business or profession" or "Income from other sources", shall be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee. Further, the Hon'ble Supreme Court in the case of Rama Bai Vs. CIT (181 ITR 400) held that arrears of interest computed on delayed or enhanced compensation shall be taxable on accrual basis. The above interpretation has caused inconvenience to both taxpayers as well as tax administrators. To address the problem, section 145A has been amended to provide that the interest received by an assessee on compensation or enhanced compensation shall be deemed to be income for the year in which it is received, irrespective of the method of accounting followed by the assessee. Further, a clause (vii) in sub-section (2) of section 56 has been inserted to provide that income by way of interest received on compensation or on enhanced compensation referred to in clause (2) of section 145A shall be taxable as income from other sources. Further, section 57 has been amended so as to provide that a deduction of fifty per cent of such income shall be allowed. This amendment will take effect from 1st April, 2009.
Clarificatory amendment in respect of reassessment proceeding under section 147	An explanation in section 147 has been inserted to provide that the assessing officer may examine any issue relevant to income which comes to his notice subsequently in the course of proceedings under this section, notwithstanding that the reason for such issue has not been included in the reasons recorded under sub-section (2) of section 148.This amendment has been made to clarify that once a case is selected for reassessment then assessing officer may examine any issue for which income has escaped aseessment. This amendment will take effect retrospectively from 1st April, 1989.
Under the existing provisions of section 194C of the Income-tax Act, TDS at the rate of 2% is deducted on payment for a contract. However, in the case of a sub-contract, TDS is deducted at the rate of 1%. Further, in the case of payment for an advertising contract, TDS is required to be deducted at the rate of 1%. In order to reduce the scope for disputes regarding classificaton of contract as sub contract, it is provided to specify the same rate of TDS for payments to both contractors as well as sub-contractors. To rationalise the TDS rates and to remove multiple classifications same rate of TDS are provided in the case of payment for advertising contracts. To avoid hardship to small contractors/ sub-contractors most of whom are organized as individuals/HUFs, it is provided to prescribe following rates of TDS: (a) 1% where payment for a contract are to individuals/ HUF (b) 2% where payment for a contract are to any other entity.	These amendments have been made as a part of overall rationalisation of TDS provisions.

Under Section 194C, tax is required to be deducted on payments to transport contractors engaged in the business of plying, hiring or leasing goods carriages. However if they furnish a statement that they do not own more than two goods carriages, tax is not to be deducted at source. Transport operators report problem in obtaining TDS certificates as these are not issued immediately by clients and they are not able to approach the client again as they may have to move across the country for their business. It is, therefore, provided to exempt payments to transport operators (as defined in section 44AE) from the purview of TDS. However, this would only apply in cases where the operator furnishes his Permanent Account Number (PAN) to the deductor. Deductors who make payments to transporters without deducting TDS (as they have quoted PAN) will be required to intimate these PAN details to the Income Tax Department in the prescribed format. Further under the existing provisions of sections 40A(3) the Income-tax Act, if an assessee incurs any expenditure in respect of which payment in excess of Rs 20,000 is made otherwise than by an account payee cheque or account payee bank draft, such expenditure is not allowed as a deduction. As a large number of small truck owners/drivers have little working capital and do not have bank accounts outside their home cities, they insist on payment in cash for undertaking long haul journeys, as they need cash for incurring en-route expenses on diesel, food and repairs etc and such expenses generally exceed Rs 20,000/-. This causes operational problems to those who have to pay for their services. To address this problem, the limit of cash payment to such transport operators has been raised to Rs 35,000/- from the existing limit of Rs 20,000/-. These amendments will take effect from the 1st day of October, 2009 and will accordingly apply to transactions on or after such date.	These amendments have been made as a part of overall rationalisation of TDS provisions.
There is ongoing litigation as to whether TDS is deductible under section 194C on outsourcing contracts and whether outsourcing constitutes work or not. To bring clarity on this issue, it is provided that "work" shall not include manufacturing or supplying a product according to the requirement or specification of a customer by using raw material purchased from a person other than such customer as such a contract is a contract for 'sale'. This will however not apply to a contract which does not entail manufacture or supply of an article or thing (e.g. a construction contract). It is also provided to include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer, within the definition of 'work'. It is further provided that in such a case TDS shall be deducted on the invoice value excluding the value of material purchased from such customer if such value is mentioned separately in the invoice. Where the material component has not been separately mentioned in the invoice, TDS shall be deducted on the whole of the invoice value. The amendments shall be effective from the 1st day of October, 2009 and accordingly, the amendments will apply to credits or payment effected on or after 1st October, 2009.	These amendments have been made as a part of overall rationalisation of TDS provisions.

Under the existing provisions of section 194-I of the Income-tax Act, TDS on rental payments is prescribed at the rate of– (a) 10% for the use of any machinery or plant or equipment, (b) 15% for the use of any land or building or furniture or fittings, if the payee is an individual or HUF and (c) 20% if the payee is other than an individual or HUF. The current rates need a downward revision as they are leading to blocking of working capital funds in many cases. It is therefore the rates are rationalised by reducing the TDS rates on rental payments as under: (a) 2% for the use of any machinery or plant or equipment, (b) 10% for the use of any land or building or furniture or fittings for all persons.	These amendments have been made as a part of overall rationalisation of TDS provisions.
Statutory provisions mandating quoting of Permanent Account Number (PAN) of deductees in Tax Deduction at Source (TDS) statements exist since 2001 duly backed by penal provisions. The process of allotment of PAN has been streamlined so that over 75 lakh PANs are being allotted every year. Publicity campaigns for quoting of PAN are being run since the last three years. The average time of allotment of PAN has come down to 10 calendar days. Therefore, non-availability of PAN has ceased to be an impediment. In a number of cases, the non-quoting of PANs by deductees is creating problems in the processing of returns of income and in granting credit for tax at deducted at source, leading to delays in issue of refunds. In order to strengthen the PAN mechanism, section 206AA has been introduced in the Income Tax Act to provide that any person whose receipts are subject to deduction of tax at source i.e. the deductee, shall mandatorily furnish his PAN to the deductor failing which the deductor shall deduct tax at source at higher of the following rates: (i) the rate prescribed in the Act; (ii) at the rate in force i.e., the rate mentioned in the Finance Act; or (iii) at the rate of 20 per cent. TDS would be deductible at the above-mentioned rates will also apply in cases where the taxpayer files a declaration in form 15G or 15H (under section 197A) but does not provide his PAN. Further, no certificate under section 197 will be granted by the Assessing Officer unless the application contains the PAN of the applicant. These provisions will also apply to non-residents where TDS is deductible on payments or credits made to them. To ensure that the deductor knows about the correct PAN of the deductee it is also provided for mandatory quoting of PAN of the deductee by both the deductor and the deductee in all correspondence, bills and vouchers exchanged between them. This amendment will take effect from 1st April, 2010.	This amendment have been made for improving compliance with provisions of quoting Permanent Account Number (PAN) through the Tax Deduction at Source (TDS) regime.

Currently almost all statements of tax deducted at source are filed in an electronic mode. The processing of these statements should, therefore, be done only in a computerized environment. It is therefore provided for processing of statements of tax deducted at source on computer so that liabilities on account of interest and other defaults in TDS payment are promptly calculated and intimated to the deductor. In order to process TDS statements on computer, electronic processing on the same lines as processing of Income-tax returns has been provided by introducing a new section 200A in the Act. The following adjustments can be made during the computerized processing of statements of tax deducted at source: (i) any arithmetical error in the statement; or (ii) an incorrect claim, if such incorrect claim is apparent from any information in the statement, for example, in respect of rate of deduction of tax at source where such rate is not in accordance with the provisions of the Act. It is provided that after making adjustments, tax and interest [e.g. u/s 201(1A)] would be calculated and sum payable by the deductor or refund due to the deductor will be determined. An intimation will be sent to the deductor informing him of his tax liability or granting him the refund due within one year from the end of the financial year in which the statement is filed. It is also provided that the processing of these statements can be undertaken in a centralized processing centre. This amendment will take effect from 1st April, 2010	These amendments have been made as a part of overall rationalisation of TDS provisions.
Currently, the Income Tax Act does not provide for any limitation of time for passing an order u/s 201(1) holding a person to be an assessee in default. In the absence of such a time limit, disputes arise when these proceedings are taken up or completed after substantial time has elapsed. In order to bring certainty on this issue, express time limits in the Act within which specified order u/s 201(1) will be passed has been provided by amending section 201. It is provided that an order u/s 201(1) for failure to deduct the whole or any part of the tax as required under this Act, if the deductee is a resident taxpayer shall be passed within two years from the end of the financial year in which the statement of tax deduction at source is filed by the deductor. Where no such statement is filed, such order can be passed up till four years from the end of the financial year in which the payment is made or credit is given. To provide sufficient time for pending cases, it is provided that such proceedings for a financial year beginning from 1st April, 2007 and earlier years can be completed by the 31st March, 2011. However, no time-limits have been prescribed for order under sub-section(1) of section 201 where— (a) the deductor has deducted but not deposited the tax deducted at source, as this would be a case of defalcation of government dues	These amendments have been made as a part of overall rationalisation of TDS provisions.

(b) the employer has failed to pay the tax wholly or partly, under sub-section (1A) of section 192, as the employee would not have paid tax on such perquisites, (c) the deductee is a non-resident as it may not be administratively possible to recover the tax from the non-resident. These amendments are made effective from 1st April, 2010 and accordingly it will apply to such orders passed on or after the 1st April, 2010.	
Sub-section (3) of section 200 of Income-tax Act provides that any person deducting tax in accordance with the provisions of Chapter XVIIB has to furnish, within the prescribed time, quarterly statements for the period ending on the 30th June, 30th September, 31st December and 31st March in each financial year. Similarly, filing of quarterly returns for tax collection at source (TCS) have been provided in sub-section (3) of section 206C of the Act. Further section 206A provides furnishing of quarterly return in respect of payment of interest to residents without deduction of tax. The provisions of above sections have been accordingly modified so as to allow the Government to prescribe periodicity of such TDS statements besides prescribing their form and manner. These provisions will be applicable from 1st October, 2009.	The said amendments have been made in order to provide administrative flexibility in deciding the periodicity of such TDS related statements besides prescribing their form and manner.
Under the existing provisions of section 208 the Income-tax Act, liability for payment of advance tax during a financial year arises when the amount of such tax payable during that year is five thousand rupees or more. This threshold limit for payment of advance tax u/s 208 of the Act has been raised from the present five thousand rupees to ten thousand rupees. This amendment will take effect from the 1st April, 2009. Accordingly, advance-tax for the financial year 2009-2010 would be payable only if the advance tax liability is Rs. 10,000/- or more	The existing limit was fixed in 1996 and with a view to providing for inflation adjustment, the threshold limit for payment of advance tax has been raised from the present five thousand rupees to ten thousand rupees.
Rationalisation of provision relating to penalty for concealment of income	In order to clarify that the scope of Explanation 5A to section 271 extends to the cases where the assessee has filed the return of income for any previous year and the income found during the course of search relates to such previous year and not disclosed in the said return then such income shall represent deemed concealment of income and assessee shall be liable to pay penalty under section 271. This amendment will take effect retrospectively from 1st day of June, 2007 and apply in cases where search under section 132 is initiated on or after 1st June, 2007.
Rationalisation of provision relating to provisional attachment of asset	The provisions of section 281B empower the Assessing Officer to make provisional attachment of the assets of the assessee during the pendency of any proceedings for assessment or reassessment. The sub-section (2) further provides that every attachment order shall cease to have effect after the expiry of period of six months from the date of order made under sub-section (1). However, the period of validity of provisional attachment order can be further extended by two years.

	The second proviso to sub-section (2) further provides that where an application for settlement under section 245C is made, the period commencing from the date on which such application is made and ending with the date on which order under sub-section (1) of section 245D is made shall be excluded from the period specified in this sub-section. In many cases, the assessee files writ petition in High Court or Supreme Court and obtain stay of the assessment proceedings. Often such stay remains in force for many years during which the validity of provisional attachment order expires. In order to rationalize the provisions a third proviso has been inserted in sub-section (2) of section 281B to provide that the period during which the proceeding for assessment or reassessment is stayed by Court shall be excluded from the period specified in that sub-section. This amendment will take effect retrospectively from 1st April, 1988.
Introduction of Document Identification Number	It is now well accepted that "tax administration is tax policy". A tax administration designed to foster voluntarily compliance yield higher revenue then a sound tax policy administered by an inefficient tax administration. It has always been an endeavour of the Income-tax Department to improve the standards of its service and transparency in the functioning of the tax administration. A further step in this direction is to introduce a computer based system of allotment and quoting of Document Identification Number (DIN). Therefore, a new section 282B has been inserted so as to provide that every income tax authority shall allot a computer generated Document Identification Number in respect of every notice, order, letter or any correspondence issued by him to any other income-tax authority or assessee or any other person and such number shall be quoted thereon. It is further provided that where the notice, order, letter or any correspondence issued by any income-tax authority does not bear a Document Identification Number, such notice, order, letter or any correspondence shall be treated as invalid and shall be deemed never to have been issued. It is also provided that every document, letter or any correspondence, received by an income-tax authority or on behalf of such authority, shall be accepted only after allotting and quoting of a computer generated Document Identification Number. Further it is provided where the document, letter or any correspondence received by any income-tax authority or on behalf of such authority does not bear Document Identification Number, such document, letter or any correspondence shall be treated as invalid and shall be deemed never to have been received. This amendment will take effect from 1st October, 2010.
Rationalisation of provisions relating to withdraw of approval	Under the existing provisions of Income-tax Act, an approval is required to be granted by income-tax authority for availing of various incentives by the assessee. While some provisions of Income-tax Act

	specifically contain provisions for withdrawal of approval but in many cases there is no such specific provisions containing power of withdrawal In order to provide explicit provisions for power to withdraw of approval, a new section 293C has been inserted which provides that where an income-tax authority, who has been conferred upon the power under any provision of this Act to grant any approval to any assessee, such authority may, notwithstanding that a provision to withdraw such approval has not been specifically provided for in such provision, withdraw such approval at any time. However, such income-tax authority shall, after giving a reasonable opportunity of showing cause against the proposed withdrawal to the concerned assessee, at any time, withdraw the approval after recording the reasons for doing so. This amendment will take effect from 1st October, 2009.
Wealth Tax	
Under the existing provisions of section 3 of the Wealth-tax Act, wealth tax is charged every year in respect of net wealth, on the valuation date, of every individual, Hindu undivided family and company at the rate of one per cent. of the amount by which the net wealth exceeds fifteen lakh rupees. This threshold limit for payment of wealth tax has been raised from fifteen lakh rupees to thirty lakh rupees. This amendment will apply for the valuation of net wealth as on 31st March, 2010 and will, accordingly, apply in relation to assessment year 2010-11 and subsequent years.	This limit was fixed in 1992 and with a view to providing for inflation-adjustment, the threshold limit for payment of wealth tax has been raised from fifteen lakh rupees to thirty lakh rupees.

C. Other significant measures in the sphere of Direct Taxes

(i) Tax benefits for New Pension System

The New Pension System (NPS) has become operational since 1st January, 2004 and is mandatory for all new recruits to the Central Government service from 1st January, 2004. Since then it has been opened up for employees of State Government, private sector and self employed (both organised and unorganized). NPS Trust has been set-up on 27th February, 2008 as per the provisions of the Indian Trust Act, 1882 to manage the assets and funds under the NPS in the interest of the beneficiaries. With a view to ensure that tax treatment of savings under this system is in synchronised with the "exempt-exempt-taxed" (EET) method and that there is no incidence of taxation at the accumulation stage, the NPS Trust has been made a complete pass-through in so far as taxation is concerned. Therefore, —

(i) a new clause (44) has been inserted in section 10 of the Income-tax Act so as to provide that any income received by any person on behalf of the New Pension System Trust established on 27th day of February, 2008 under the provisions of the Indian Trust Act of 1882 shall be exempt from income tax;

(ii) section 115-O has been amended to provide that any dividend paid to the NPS Trust shall be exempt from Dividend Distribution Tax;

(iii) Chapter VII of Finance (No.2) Act, 2004 has been amended to provide that all purchases and sales of equity and derivatives by the NPS Trust will also be exempt from the Securities Transaction Tax; and

(iv) section 197A has been amended to provide that the NPS Trust shall receive all income without any tax deducted at source.

The tax benefit under section 80CCD of the Income-tax Act, 1961 was hitherto available to "employees" only. However, the NPS now has been extended also to "self-employed". Therefore, sub-section (1) of section 80CCD has been amended so as to extend the tax benefit thereunder also to "self-employed" individuals. The Explanation to the said section has also been amended to provide that for the purposes of the said section the assessee shall be deemed not to have received any amount in the previous year if such amount is used for purchasing an annuity plan in the same previous year.

(ii) Amendment in Part B of the Thirteenth Schedule to the Income Tax Act, 1961

Part-B of the Thirteenth Schedule to the Income-tax

Act, 1961 provides for a list of activities or articles or things, the production or manufacture of which is not permissible if an undertaking wishes to avail a deduction under section 80-IC in respect of undertakings located in the states of Himachal Pradesh and Uttaranchal. The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry has issued a notification F.No.3(1)/2003-SPS dated 27.6.2008 expanding the list of items in respect of the paper industry for which tax holiday cannot be availed by new units located in Himachal Pradesh and Uttaranchal. In order to align the provisions of the Income-tax Act, 1961 with the overall industrial policy of DIPP in respect of these two States, Part B of the Thirteenth Schedule to the Income-tax Act has been amended Sl.No.19 of Part B of the Thirteenth Schedule pertaining to the paper industry substituted with the list as per the notification dated 27.6.2008 of the DIPP.

(iii) Recognition to Provident funds – Extension of time limit for obtaining Exemption from EPFO

Rule 4 of Part A of the Fourth Schedule to the Income-tax Act provides for conditions which are required to be satisfied by a Provident Fund for receiving or retaining recognition under the Income-tax Act. Rule 3 of Part A of the Fourth Schedule provides that the chief Commissioner or the Commissioner of Income-tax may accord recognition to any provident fund which satisfies the conditions prescribed in rule 4 and the rules made by the Board in this behalf. The proviso to sub-rule (1) of the said rule 3, inter alia, specifies that in a case where recognition has been accorded to any provident fund on or before the 31st day of March, 2006, and such provident fund does not satisfy the conditions set out in clause (ea) of rule 4 on or before the 31st day of March, 2009, the recognition to such fund shall be withdrawn. One of the requirements of this clause (ea) of rule 4 is that the establishment shall obtain exemption under section 17 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF & MP Act). With a view to provide further time to Employees' Provident Fund Organization (EPFO) to decide on the pending applications seeking exemption under section 17 of the EPF & MP Act, the said proviso has been amended so as to extend the time limit from the 31st day of March, 2009 to the 31st day of December, 2010.

(iv) Abolition of Commodity Transaction Tax

The provisions for levy of Commodity Transaction Tax were introduced by Chapter VII of Finance Act, 2008. The commodity transaction tax to be levied on 'taxable commodities transactions' entered in a recognized association. The 'taxable commodities transactions' has been defined to mean a transaction of purchase or sale of option of goods or option in commodity derivative or any other commodity derivative. Section 104 of Finance Act, 2008 provides the rate at which commodity transaction tax shall be levied on taxable commodities transaction undertaken by seller or purchaser as the case may be.

It has been decided to do way with the power to levy Commodity Transaction Tax. Therefore, a new section 121A in Chapter VII of Finance Act, 2008 has been inserted to provide that nothing contained in that Chapter shall apply to, or in relation to, the taxable commodities transactions entered on or after 1st April, 2009.

These amendments have taken effect from 1st April, 2009.

(v) Taxation scheme of LLPs

The taxation scheme of LLPs in the Income Tax Act has been provided on the same lines as the taxation scheme currently prevalent for general partnerships, i.e. taxation in the hands of the entity and exemption from tax in the hands of its partners. A "limited liability partnership" and a general partnership has been accorded the same tax treatment.

It is also provided that the word 'partner' shall include within its meaning a partner of a limited liability partnership, the word 'firm' shall include within its meaning a limited liability partnership and the word 'partnership' shall include within its meaning a limited liability partnership as these terms have been defined in the Limited Liability Partnership Act, 2008. The LLP Act provides for nomination of "designated partners" who have been given greater responsibility. It is provided that the designated partner shall sign the income tax return of an LLP, or, where, for any unavoidable reason, such designated partner is not able to sign the return or where there is no designated partner as such, any partner shall sign the return.

It is also provided that in case of liquidation of an LLP, every partner will be jointly and severally liable for payment of tax unless he proves that non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part. As an LLP and a general partnership is being treated as equivalent (except for recovery purposes) in the Act, the conversion from a general parternship firm to an LLP will have no tax implications if the rights and obligations of the partners remain the same after conversion and if there is no transfer of any asset or liability after conversion. If there is a violation of these conditions, the provisions of section 45 shall apply.

The amendments will be effective from the 1st day of April 2010 and accordingly will apply for assessment year 2010-11 and subsequent years.

(vi) Extension of income-tax exemption to Special Undertaking of Unit Trust of India (SUUTI)

The Special Undertaking of Unit Trust of India (SUUTI) was created vide The Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002. SUUTI is the successor of UTI. The mandate of SUUTI is to liquidate government liabilities on account of the erstwhile UTI. Vide section 13(1)of the said Repeal Act, SUUTI is exempt from income-tax or any other tax or any income, profits or gains derived, or any amount received in relation to the specified undertaking for a period of five years, computed from the appointed day, i.e. 1st day of February,2003. This exemption was to come to an end on 31st January, 2008 and the exemption was further extended up to the 31st March, 2009. Since some of the schemes of SUUTI are still pending closure, section 13(1) has been amended so as to extend the exemption for a period of five years that is up to 31st March, 2014.This amendment is applicable retrospectively from the 1st day of April, 2009.

4.8.2 Action taken to implement the policy statement for abatement of pollution as well as environmental initiatives taken by the Division:

(i) The Income-tax Act, 1961, defines "charitable purpose" in section 2(15) to include (a) relief of the poor, (b) education, (c) medical relief and, (d) the advancement of any other object of general public utility. However, the "advancement of any other object of general public utility" is not a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity. Clause 15 of section 2 has been amended by Finance (No. 2) Act, 2009 so as to separately list the preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest so that they would be excluded from the applicability of the aforesaid conditions which are applicable to the "advancement of any other object of general public utility".

(ii) The IT Act, 1961 prohibits/denies any deduction or exemption to the industrial undertaking under section 80-IC for manufacture or production of any pollution causing article or thing listed in Thirteenth Schedule in the State of Sikkim, Himachal Pradesh, Uttaranchal and Jammu & Kashmir.

(iii) Section 80-IE denies any deduction in the States of North-East for an undertaking which produces or manufactures plastic carry bags of less than 20 microns as specified by the Ministry of Environment and Forests vide Notification No. S.O. 705(E), dated the 2nd September, 1999 and S.O. 698(E), dated the 17th June, 2003.

(iv) The IT Act provides 100% depreciation for the Air pollution control equipment, being:-

(a) Electrostatic precipitation systems

(b) Felt-filter systems

(c) Dust collector systems

(d) Scrubber-counter current/venturi/packed bed/ cyclonic scrubbers

(e) Ash handling system and evacuation system.

(v) The IT Act provides 100% depreciation for Water pollution control equipment, being:-

(a) Mechanical screen systems

(b) Aerated detritus chambers (including air compressor)

(c) Mechanically skimmed oil and grease removal systems

(d) Chemical feed systems and flash mixing equipment

(e) Mechanical flocculators and mechanical reactors

(f) Diffused air/mechanically aerated activated sludge systems

(g) Aerated lagoon systems

(h) Biofilters

(i) Methane-recovery anaerobic digester systems

(j) Air floatation systems

(k) Air/steam stripping systems

(l) Urea Hydrolysis systems

(m) Marine outfall systems

(n) Centrifuge for dewatering sludge

(o) Rotating biological contractor or bio-disc

(p) Ion exchange resin column

(q) Activated carbon column.

(vi) The IT Act provides 100% depreciation for Solidwaste, control equipment being:-

(a) Caustic/lime/ chrome/mineral/cryolite recovery systems

(b) Solidwaste recycling and resource recovery systems.

(vii) Section 80JJA of IT Act provides that where the gross total income of an assessee includes any profits and gains derived from the business of collecting and processing or treating of bio-degradable waste for generating power or producing bio-fertilizers, bio-pesticides or other biological agents or for producing bio-gas or making pellets or briquettes for fuel or organic manure, there shall be allowed, in computing the total income of the assessee, a deduction of an amount equal to the whole of such profits and gains for a period of five consecutive assessment years beginning with the assessment year relevant to the previous year in which such business commences.

4.9 International Taxation

4.9.1 Foreign Tax & Tax Research Division - I

- One of the major elements of the work is negotiation and finalization of tax agreements, including Double Taxation Avoidance Agreements (DTAA). During the year DTAA with Luxembourg entered into force and was notified. DTAA with Finland was signed.
- Our existing tax treaty with Switzerland does

not provide for exchange of bank related information as well as information which is required for Indian domestic purpose only. Switzerland was approached in April, 2009 through MEA for renegotiation of the Article concerning Exchange of Information in our existing tax treaty so that we can have access to bank related information. The first around of negotiation was held in November 2009 and further progress is being made to finalise the Protocol. Once the Protocol amending tax treaty with Switzerland is notified, India will be able to obtain bank related information in specific cases from Switzerland.

- Similarly most of the other existing tax treaties do not contain specific provisions for exchange of bank related information as well as information which is required for Indian domestic purpose only. Some of the treaties also do not contain an Article on Assistance in Collection of Taxes. Steps have been initiated for renegotiation of all these tax treaties to widen the scope of Article concerning Exchange of Information and for inclusion of an Article on Assistance in Collection of Taxes.

- Apart from the DTAAs, the division took major policy initiative for signing the Tax Information Exchange Agreements with countries/jurisdictions (including tax havens) with which we do not want to have comprehensive tax treaty. In this regard first initiative was taken to get the Income-tax Act amended to vest with the Central Government with enabling power to enter into a tax agreement with non-sovereign jurisdictions. After that, model Agreement for Exchange of Information and Agreement for Assistance in Collection of Taxes was finalized with the approval of the Finance Minister. Countries/jurisdictions were prioritized and steps were initiated for entering into an agreement with all the 14 countries falling under our jurisdiction. Negotiations, through exchange of letters, are in process and with some countries face to face negotiations have also been scheduled.

- Notification was issued under section 90 of the Income-tax Act, 1961, in accordance with Article 11 of the DTAA with France to exempt AFD for the interest income sourced in India and beneficially owned by it.

- Initiative was taken to project India as the global leader in the crusade against non-cooperative and non-transparent jurisdiction. India got itself surveyed by the OECD Global Forum on Transparency and Exchange of Information for tax purposes on the parameters of International standards. As a result of this survey, India has been included in the top list of countries that have substantially implemented the standards. FT&TR division also advised our G20 delegates on the issue of transparency and exchange of information. India played active role in finalizing the Declaration which included an action of delivering an effective programme of peer review, capacity building and countermeasures to tackle non-cooperative jurisdictions that fail to meet regulatory standards, Anti-Money Laundering/CFT and tax information exchange standards.

- India's leadership role in international crusade against non-cooperative and non transparent jurisdiction was recognised when India was elected as Vice-Chair of the Peer Review Group set up by Global Forum. The Peer Review Group is playing an important role in reviewing various jurisdictions in terms of compliance with international standards on transparency and exchange of information. The second meeting of the Steering Group of Global Forum is scheduled to be held at New Delhi on 11th and 12th Feb 2010.

- The division successfully defended a PIL in Delhi High Court challenging Center Government's treaty making powers. Similarly, Central Government's stand was effectively presented in another PIL before Supreme Court requesting court's direction to the Central Government to take steps to bring back the money stashed in foreign banks.

- After the release of the Direct Tax Code by the Finance Minister, the provisions relating to taxation of non-residents were examined and comments prepared which helped the authorities in taking a position on various issues debated in public.

- During the year many requests for exchange of information were received from the Income-tax Department as well as treaty partners. All these requests were handled and information exchanged. Some of the information exchanged has proved to be very useful for investigation by the tax authorities.

- As an observer in the Committee on Fiscal affairs of the Organization for Economic Cooperation and Development (OECD), India participated in various events of OECD and also took active part in its Working Party meetings.

- The division also took active part in finalizing India's position on various issues emerging out of OECD model tax convention and UN model tax convention. United Nation also appointed an Indian expert in the UN Committee of Experts on International Cooperation in Tax Matters.

- The division took initiative in sending department's officer to various OECD training courses held at Ankara, Seoul and Malaysia. During the year more than 35 officers from field have been sent to various OECD training courses to enhance their professional expertise.

- During the year two circulars, which have in the past led to revenue leakage, were withdrawn.

- MAP negotiations were held with US, Japan and other competent authorities which led to resolution in number of cases.

- All parliament questions, RTI queries, Parliament Committee's questions on the above work done by FT&TR-I division were attended and replied to in time.

- Officers of FT&TR-I also delivered lecture overseas and participated in panel discussion in international conferences to share India's experience with international community.

- Lectures were also given at NADT Nagpur in order to share our experience with field officers.

4.9.2 Foreign Tax & Tax Research Division - II

New Double Taxation Avoidance Agreements:

(i) First round of negotiations for entering into a comprehensive Double Taxation Avoidance Agreement with Bhutan were held at New Delhi from 3rd to 7th August, 2009.

Revision of Double Taxation Avoidance Agreements:

(i) Negotiations for revision of the existing Double Taxation Avoidance Agreement between India and Tanzania were held in New Delhi from 28th to 30th April, 2009.

(ii) Two rounds of negotiations for revision of existing Double Taxation Avoidance Agreement between India and Qatar were held at Doha, Qatar from14th to 16th April, 2009 and at New Delhi, India from 13th to 14th July, 2009.

(iii) The process of revision of all our treaties has been initiated in order to enhance our bilateral cooperation with our treaty partners. Bilateral cooperation is being proposed to be enhanced, inter alia, by way of

a. inclusion of paragraphs 4 and 5 in the Article on 'Exchange of Information' where it does not exist so that requested state cannot decline to supply information requested on the grounds that it has no domestic interest in that information and because the information is held by bank or financial institution etc.

b. Addition of an Article on 'Assistance on Collection' where it does not exist in any treaty.

Notification of Double Taxation Avoidance Agreements:

(i) The Double Taxation Avoidance Agreement (DTAA) between India and Myanmar was notified in the Official Gazette of India vide Notification No.49/2009-FT&TR-II dated 19th June, 2009. The DTAA has entered into force on 30th January, 2009 and will come into effect in India from 1 April, 2010.

(ii) The Double Taxation Avoidance Agreement (DTAA) between India and Tajikistan was notified in the official Gazette of India vide S.O. No. 1758(E) [Notification No. 58/2009-FT&TR-II] on 16th July, 2009. This DTAA has come into force on 10th April, 2009 and shall be effective in India from 1st April, 2010.

India-Brazil-South Africa(IBSA) Revenue Administra tions Working Group:

The 5th and 6th IBSA (Indian –Brazil-South Africa) Revenue Administrations Steering Group (RASG) meeting was held on 14th and 15th September 2009 at Mount Grace, South Africa. The Indian delegation from CBDT was headed by Chairman, CBDT. The RASG meeting was followed by the 4th IBSA Heads Revenue Administrations Working Group (HRAWG) meeting on 16th and 17th September, 2009. The Indian delegation for this meeting was headed by the Revenue Secretary. At the end of the meetings, a Joint Statement was issued by the heads of the three revenue administrations. In the direct tax area, the three revenue administrations agreed to further their cooperation in the areas of large tax payer units, risk profiling, assessment, computerization, capacity building in tax administration, exchange of information, tax avoidance and abuse of DTAA, and transfer pricing. The HRAWG resolved to create an "Electronic Centre for Exchange of Information" between the three IBSA countries. They also deliberated upon the extent of global financial and economic crisis and agreed that the challenges posed by the crisis require a coordinated response and robust partnership between the developed and developing countries.

Miscellaneous:

Notification No.93/2009-FTD-II dated 9.12.009 was issued defining "specified territory" and "specified association" for the purpose of the Section 90A of the Income-tax Act, 1961 (43 of 1961)

4.9.3 Directorate of International Taxation:

Director General of Income Tax (International Taxation) is working directly under the Chairman CBDT. There are 13 Directors of Income Tax (in the scale of Joint Secretary to GOI) who are handling the Directorates of International Taxation and Directorate of Transfer Pricing situated at New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Ahmadabad and Pune.

4.10 Revenue Audit and Public Accounts Committee (A&PAC)

Given the importance of C&AG and Public Accounts Committee of Parliament in providing checks and balances to the functioning of the income tax department, the observations of the C&AG by way of Draft Paragraphs (DPs) and System Appraisals are thoroughly examined by the Audit & Public Accounts Committee (A&PAC) Division of CBDT. The comments of the Ministry are compiled in consultation with the field authorities and then furnished to the C&AG. This Division also furnishes information to the Public Accounts Committee by replying to their Advance Questionnaire and the Questions arising after the Oral Evidence are taken by the Committee.

During the year 2009 (from 1st January to 31st December 2009), C&AG has called for the comments of the Ministry on 234 Draft Paras proposed for inclusion in their Audit Report for the year 2008-09. Replies of 58 DPs out of 234 DPs received were furnished to C&AG during this period.

Besides above, a number of rejoinders received from C&AG Office on DPs of various Audit Reports from 1998-99 to 2007-08 were forwarded to the field offices and reports were collected, compiled and processed on an ongoing basis. Thereafter, replies to the rejoinders were sent to the C&AG Office regularly during the year.

Audit Report Year wise disposal of DPs/ATN's during 1st January, 2009 to 31st December 2009 is as under :-

Audit Report Year	No. of DPs replied	No. of ATNs/ Revised ATNs sent to C&AG	No. of ATNs sent to Monitoring Cell after receiving C&AG`s Vetting Comments.
1	2	3	4
Audit Report 1998-99	Nil	9	Nil
Audit Report 1999-2000	Nil	29	04
Audit Report 2000-2001	Nil	8	25
Audit Report 2001-2002	2	52	Nil
Audit Report 2002-2003	2	41	80
Audit Report 2003-2004	3	78	85
Audit Report 2004-2005	9	80	148
Audit Report 2005-2006	32	157	156
Audit Report 2006-07	45	504	229
Audit Report 2007-08	334	Nil	Nil
Audit Report 2008-09	58	Nil	Nil
Total	**485**	**958**	**727**

C&AG Report No. PA 25 of 2009 contained System Appraisal/Review on the following subjects:

(i) Review on Exemptions, deductions & allowances to shipping and related sectors

(ii) IT audit of e-TDS System of Income Tax Department

(iii) Review on deductions of profits and gain from certain undertakings other than infrastructure development undertakings (Deductions under section 80IB of the Income-tax Act, 1961)

The above reviews have been forwarded to all Cadre Controlling Chief Commissioners of Income-tax/ concerned Directorates/Sections for their comments. Replies received so far are being compiled and reminders have been issued to the remaining concerned Chief Commissioners of Income Tax for their comments.

4.11 Directorate General of Income Tax (Administration)

There are four Directorates under DGIT(Adm):

(i) Directorate of Income Tax (PR,PP&OL)

(ii) Directorate of Income Tax (Recovery)

(iii) Directorate of Income Tax (Income Tax & Audit)

(iv) Directorate of Income Tax (TDS)

4.11.1 Directorate of Income Tax (Public Relations, Printing, Publications and Official Language)

The Directorate of Income-tax (Public Relations, Printing, Publications and Official Language) is responsible for the Publicity and Public Relation, Printing and Publications and Implementation of Official Language Policy in the Income-tax Department all over India. The functional control of work relating to Compilation of Statistics has been transferred to Director General of Income-tax (Legal & Research) w.e.f. 7.12.2006 but the administrative control over the officers and staff still remains with the DIT(PR,PP&OL).

Some important work done by the Directorate during the period from 1.4.2009 are detailed below:

Tax Return Preparer Scheme

TRP Scheme was introduced in 2007 and retraining was conducted last year which included training under service tax provisions and TDS provisions. After successful completion of above retraining, the TRP's were provided support and assistance in doing their duty. There was a help desk working throughout the year along with running of a separate desk for expert advice/ opinion. Review meetings with partner organizations are being periodically held for improving the deliverables. In addition to above, claims of TRPs are being settled. For public awareness a stall was set up in India International Trade Fair 2009 held at Pragati Maidan, New Delhi which show cased a full section on TRP. The same was visited by public at large and response has been encouraging. This may get reflected in voluntary compliance by marginal and small taxpayers in coming months.

Public Relations

1. Booklets under the 'Tax Payers Information Series' are published as part of our endeavour to increase the awareness of the taxpayers about the provisions of tax laws and the steps taken by the government to reduce the complexities of tax laws and improve Tax Payer Service Updated editions of the following Tax Payer Information Series booklets were brought out during the year 2009-10:

i) Tax Treatment of Foreign Income of Persons Resident in India

ii) Handbook on Advance Rulings

iii) I.T. Guide for Non Resident Indians and Indian National Abroad

iv) Valuation of Perquisites (in Hindi)

v) Assessment of Income from House Property (in Hindi)

2. Printing of Administrative Hand Book for the year 2010 containing the names, addresses phone numbers of senior officers of the Department and Income-tax Statistics is under process.

Publicity

In order to increase the awareness of the tax payers about their legal responsibility, publicity campaign on various tax related matters were carried out through print and electronic media. Publicity campaign was carried out at regular intervals to make the tax payers aware of their responsibilities on the payment of Advance Tax, filing of Income tax Return. Publicity was also given about various new facilities made available for the tax payers, such as e-filing, e-payment, Refund Banker Scheme, Tax Return Preparer Scheme, Aayakar Sewa Kendra etc. For the first time, web ad publicity campaign was carried out, reminding the Tax Payers to pay Advance Tax on or before due date, and also for the first time, a stall was booked during the India International Trade Fair 2009, held at Pragati Maidan, New Delhi, where in new facilities and services being provided to the Tax payers were displayed.

Printing and Publications:

(a) The following publications were printed and distributed:-

Compendium of Adminstrative Orders issued by CBDT, 2008.

Let Us Share Vol.I (Deptt. & Sanitized edition).

CBDT (Administrative) Bulletin Vol.52 (Jan.2006 to Dec.2006).

Let Us Share (Vol.II).

Action Plan of CBDT for the F.Y.2009-10.

Guidelines for Valuation of Immovable Property.

(b) The following publications were printed and are under distribution:-

Quarterly Tax Bulletin Vol.-84,85,86,

Quarterly Tax Bulletin Vol.87 (Jan-March,2009),

Case Laws in favour of Department.

(c) The publication on "Prosecution Manual, 2009" is under printing.

(d) The work order for purchase of Income Tax Act & Rules, 2009, W.T. Act & Rules, 2009 (English – Hindi) have been awarded to the publishers.

(e) Income Tax challan form ITNS-280, ITNS-281, ITNS-282 and ITNS-283 are approved by the DIT (Systems) on 21.10.09 for the indent year 2010-11. They have further informed that form No.17 New Challan Form TDS payments has also been introduced by the Income Tax (Eight Amendment) Rules 2009 but the said notification has been deferred by the Board till 1st Jan., 2010. The approval for PPCCS Refund Stationery for Rs.25,000/- and above and upto Rs.24,999/- for I.T., C.T., W.T. & other Direct Taxes for MICR & Non-MICR for the indent year 2010-11 have been given by the DIT (Systems). Letters have been sent to different field stations for the requirement of Challans & PPCCS Refund Stationery for the indent year 2010-11 and the requirements from field stations are being received. The approval of ACR forms for the Gazetted & Non-Gazetted staff for the year 2009-10 is still awaited from the Directorate of Income Tax (HRD).

Implementation of Official Language Policy:-

i) Hindi version of 07 English Handbooks under "Tax Payers' Information Series" were prepared.

ii) 68th, 69th, 70th and 71st meetings of Direct Taxes Official Language Implementation Committee were organized in time.

iii) Inspections of 12 offices outside the headquarters were done by Director General (Admn.), Director of Income Tax (PR, PP & OL), Dy. Dir (OL) (Hq Admn) and Assistant Directors (OL).

iv) An Office Memorandum was issued to all the attached and subordinate offices of the CBDT on 05.06.2009 for reconstituting Official Language Implementation Committees at three levels, viz. CCIT level, CIT level and Range level.

v) Advertisements issued by the Public Relations section of this Directorate in English newspapers were translated and vetting of the translation was done for publication in leading Hindi newspapers.

vi) Written examination and interview were conducted on 19.05.2009 for filling up the posts of AD(OL) on deputation basis. Consequently orders were issued for appointment/posting of 11 officers.

4.11.2 Directorate of Recovery

The work assigned to the Directorate of Recovery in the manual of office procedure, can broadly be allocated under 3 heads

i. Monitoring collection /reduction of arrear demand. Compiling and collating data relating to recovery of tax arrears arising from current and arrear demand. This is mostly with respect to compiling and monitoring dossier with demands exceeding Rs. 1 crore.

ii. Processing of write off, partial write off and scaling down of arrear demand proposals received from CCIT charge.

iii. Processing of BIFR/AAFIR cases in terms of granting relief/concessions under the Income Tax Act.

The work done during the financial year under the above mentioned three heads is as follows :-

I. Recovery of arrear and current demands: The target of cash collection from arrear demand is Rs. 13153 crores. Monitoring of this target has been done consistently, on the basis of information received through the consolidated CAP prepared by DOMS. The last CAP Report compiled for the month of Oct 2009 shows a total collection of Rs.7166 crores which is 54.48% of the target of 13153 crores. During the fiscal year 2008-09, the total collection for the year ending March,09 was Rs.10016 crores which was 80% of the action plan target of Rs. 12407 crores.

Last year the Board had decided that from quarter ending Dec, 2008 the Directorate will receive dossiers above Rs.10 crores only. The dossier up to 10 crores will be submitted to the CCIT level. Due to falling growth rates of direct tax collections, the CBDT, through this Directorate, had taken up intensive monitoring of dossier cases above 25 crores having collectible demands.

A detailed analysis of all dossiers between Rs. 10 cr- 25 cr. and above Rs. 25 crores has been done by the Directorate. The dossiers between Rs. 10 cr-25 cr are 591 in number. After analysis of each of these dossiers, it was found that 315 cases out of 591 had some actionable demands.These included those cases where stay had been granted by various authorities or instalments had been given to the assessee. The dossiers above Rs. 25 crs are 521 in number. Out of these, 233 cases have actionable demand. A station wise analysis of these 233 cases revealed that 206 such cases were in 9 major stations of India. A decision to tour each of these stations has been taken. These tours will be made by Member(R), DG (Admn) and DIT(R); case wise discussions and reviews will be done. Commitments for collection from outstanding demands would be made by the field authorities. All of this would result in greater focus on collection and recovery of outstanding demand.

During the CCITs conference held in Aug 09, the Directorate had proposed that Individual Transaction Statement (ITS) access be given in cases where demand difficult to recover. Vide para 1.1.1(page 3) of minutes of 25th Annual Conference of CCs and DGs, the board had decided to give ITS access in dossier above Rs. 10 crores. In dossier cases below Rs. 10 crores, the access was to be given in cases approved by CCIT/CIT. The Chairman had decided that ITS access should be given to the Addl. CIT/JCIT in whose range the case is assessed to tax. Pursuant to this, it has been learnt from DGIT (Systems) that ITS access has been given to all Addl. CIT/JCITs in the last week of November 2009. Letters have been written to all CCITs/DGsIT informing them about this development and urging them to use this tool for recovery purpose.

II. Write off matters: There were total 37 write off cases in this Directorate at the beginning of the year.

Each of these 37 files were reviewed and in the case of 7 very old write off cases, the files were closed after recording reasons. Deficiency letters were issued to the field authorities in the remaining cases. The field authorities are being asked to remove the deficiencies in the write off proposals.

III. BIFR Matters

1. Board for Industrial and Financial Reconstruction (BIFR) is machinery created under The Sick Industrial Companies (Special Provisions) Act, 1985 for the purpose of revival of sick companies. DGIT (Admn) is the nodal agency in all BIFR cases between CBDT and BIFR. The work on behalf of DGIT (Admn) is done by the BIFR unit in the Directorate of Recovery, which is a coordination agency between the BIFR and the CBDT. BIFR approves a Sanctioned Scheme for rehabilitation of a Sick Company, envisaging certain reliefs from CBDT and on the basis of the reports from the field authorities and the concerned company, the case is processed by the Directorate and the DGIT(Admn.) as the nodal agency presents the same to the Board for final approval.

2. Since last year, efforts have been made to streamline the working of BIFR unit by putting in place a system of a more pro-active approach i.e. to give a specific response on the reliefs envisaged from the Income Tax department at the stage of 'Draft Rehabilitation Scheme'(DRS). This is in consonance with the provisions of SICA, wherein as per sec 19(2), every scheme is circulated by BIFR to all the persons who are required to give financial assistance for their consent, within a period of sixty days or such further extended period, as may be allowed by BIFR. During the year this Directorate has also started pressing the arrear demand at pre Draft Rehabilitation Scheme stage before different authorities.

The system that has been put in place is-

- To call for the DRS wherever the same is not received from BIFR either directly from the company or from the operating Agency.
- To call for specific information from the company as well as the AO wherever possible before the rehabilitation package sanctioned.
- On the basis of the information given specific Response/suggestions on the envisaged reliefs from the Department to the BIFR before the stipulated time of 60 days as per sec 19(2), of SICA wherever possible.
- To call for the outstanding demand from the field authorities in all cases where DRS is received or winding up notice is given and to press the operating agency/BIFR to provide the payment of arrear demand in the sanctioned scheme and to consider the demand for recovery before winding up of the company.
- To address all the notices of Pre Draft Rehabilitation Stage and review hearing of post sanctioned scheme.
- To file miscellaneous application before BIFR for rectifications of orders and to file appeal before AAIFR/High Courts in suitable cases.

It is observed that by adopting the pro-active approach, we shall be able to take decision on the reliefs/concessions of the Sanctioned Scheme expeditiously and the reliefs/concessions are given only in deserving cases.

3. In course of streamlining the unit, the Directorate also found that CBDT Circular No. 683 dated 08/06/1994 was detrimental to Revenue and in light of the present circular a new draft circular was put up to the CBDT which was approved. This new CBDT circular No.5/2009 dated 02.07.2009, is in supercession of earlier circulars on the subject and clearly spell out the role of this Directorate.

4. The work of filing appeals against order of BIFR/ AAIFR is ongoing but has come down considerably due to the active presentation before the BIFR at the DRS stage. The statistical data for the period F.Y. 2008-09 and F.Y. 2009-10 till date is as under:-

		From 01.04.2008 to 31.03.2009	From 01.04.2009 to 15.12.2009
(a)	Written replies filed giving specific consent/ refusal with reasons on Draft Rehabilitation Scheme	33	38
(b)	Total appeals filed before AAIFR by this Directorate	12	6
(c)	Appeals filed to High Court.	2	2
(d)	Scheme processed by this Directorate	14	10

4.11.3 DIT(IT)

The Directorate of Income-tax (Income-tax) is an attached office of the CBDT under the administrative control of the Department of Revenue, Ministry of Finance. It is headed by a Director of Income-tax who is an officer in the rank of Commissioner of Income-tax and comprises two wings, namely, Inspection Wing and Examination Wing.

The Inspection Wing

The instrument of inspection is an effective tool to maintain and sustain a high standard in the areas such as quality work in the fields of assessment, recovery, investigation, representation of Department's cases before ITAT, maintenance of office records and various record keeping systems and in dealing with the public grievances. Inspection has also been considered to be an important tool to enhance, upgrade and sustain a high quality of work standard in the assessment/ administrative units without demoralizing the officers and staff as also the secretarial and record keeping units etc.

Following the restructuring of the Income-tax Department, a revamped system of Inspection was introduced by the CBDT w.e.f. 1.10.2002, whereby Range Offices formed the basic units to be inspected by the Commissioners/ Directors of Income Tax and the performance of the Tax Recovery Officers (TROs) was to be inspected by the Range Heads. However, with the passage of time a need was felt to revamp the System of Inspection. Many factors contributed in restricting the utility of this System. A high level Committee was constituted, under Shri K. Vasudevan, DGIT(Systems) and keeping in view its recommendations, a New System of Inspection has come into operation w.e.f. 4th November, 2008.

Under the New System of Inspection, Offices of DCIT/ACIT will be inspected by the concerned Administrative Commissioner. The offices of ITOs & TROs will be inspected by the Range Head, i.e., Addl./Joint Commissioner. Some new offices have been brought under the purview of Inspection. These are: offices of Range Heads (to be inspected by CIT); CIT(Appeals), CIT(Audit), CIT(TDS), CIT(CO), (to be inspected by CCIT); ITO(Hqr.), ITO(Judicial), DDO (to be inspected by concerned controlling officers).

During the year 2009-10, a Committee was formed for devising proformae for the inspection of offices of CITs(Audit) & CITs(TDS). Subsequently, the proformae for the inspection of these offices were finalized and the same were forwarded to the CBDT, along with the report of the committee.

Under the New Inspection System, inspection of assessment work has been done away with, as that will be the subject matter of a separate procedure called "Review of Assessment Orders". Thus, at present, inspections cover the aspects like inspection of records and the disposal of various contingent proceedings like rectification, grievances, tax evasion petitions; disposal of demands, disposal of appeal effects, etc. The Inspection of work of each CIT (Appeals) is done by the respective CCIT, who submits the reports directly to the Directorate of Income-tax (IT). Reports of the inspection of Range Heads and DCITs/ACITs are reviewed by the Chief Commissioners of Income-tax, who along with the comments on both the quality of inspection and on issues raised in the report by the inspecting CIT; forward them to the Directorate of Income-tax (Income-tax). Similarly, the Reports of the inspection of ITOs are prepared by the concerned Range heads and are reviewed by the Commissioners of Income-tax, before forwarding them to the Directorate for further examination and processing.

The Directorate monitors the progress of inspections and also examines and reviews the inspection reports. Quarterly review reports are prepared; bringing out the salient points brought out in the inspection reports by the inspecting and the reviewing officers. The aspects like quality and thoroughness of inspections conducted by field formations are also examined and highlighted in these quarterly reviews, which are put up for the perusal of the member (IT) CBDT. Based on such reviews, feedback is given to the field formations.

A comparative analysis of inspections done since 2002-03 onwards, till 30.11.2009 is as under:-

Financial year	No. of reports received	No. of reports Reviewed / scrutinized
2002-03	675	450
2003-04	2800	387
2004-05	3091	-
2005-06	2458	428
2006-07	2546	128
2007-08	848	757
2008-09	1302	458
2009-10 (upto 30.11.09)	1061	689

Examination Wing

The Examination Wing is entrusted with conducting Departmental Examinations for Assistant Commissioners of Income Tax (Probationers) and other gazetted and non-gazetted cadres of the Income Tax Department. This wing of the Directorate plays an important role in ensuring the conduct of Departmental examinations in a fair and impartial manner. The Directorate has also been constantly reviewing the Examination rules and policy/syllabus taking into account the new developments in the field of Income Tax and thus, is a check point for providing quality staff / officers to the Department. The Examination wing also deals with the complaints, grievances and representations of the candidates who have appeared in the Departmental Examinations conducted by the Directorate & with RTI applications connected with Departmental Examinations.

During the year the Examination Division introduced new objective type pattern of Examn. for the ITO & ITI from the 2009 Examn onwards. This was done to improve the quality of manpower and to conduct a comprehensive test for the candidates where their skills are appropriately tested. Towards this end, OMR application forms were introduced to facilitate computerised capturing and maintenance of candidate's database. New software for evaluation of answer-scripts was put in place. OMR answer-scripts were introduced. Further new Examination Rules were circulated and notified after discussions with various stakeholders and representations received in the matter thereby resolving various issues of eligibility, pass percentage, age & no. of chances. New syllabus in line with recommendations of various committees was also introduced for the ITO/ITI Eaxmn.

As a transitory year, ITO and ITI Examn. 2009 were conducted in the month of October, 2009 in the new objective type pattern as well as the old subjective type pattern to give the candidates sitting on margins, a last chance to clear the Examn. in the old pattern. Accordingly, the Examination Division conducted ITO/ITI/MS Examn. smoothly during the month of October-November 2009. The number of candidates appearing for the new objective type pattern viz. approx. 5000 far outnumbered the ones appearing for the old pattern viz. approx. 2500. The answer-scripts for the old and new pattern are under evaluation.

Ist Departmental Examn. for ACIT(Prob.) of 62nd batch, IInd Departmental (1st Supplementary) Examn. for 61st batch and 1st Departmental (2nd Supplementary) Examn. for the 61st batch were held in the month of August 2009 and result declared in December, 2009.

Result of the 2nd Departmental Examn. and 1st Departmental Examn. (Supplementary) for 61st batch of ACIT (Prob.) were declared during the month of April 2009. Result of the 2008 ITO Examn. was declared during the month of April 2009 and that of 2008 ITI Examn. was declared during the month of May 2009.

Besides conducting the Departmental Examinations for various cadres as detailed above, the following miscellaneous functions were also carried out by this Directorate-

(a) Cases filed by the candidates on different issues before various benches of the Central Administrative Tribunal/Courts were examined and processed.

(b) Instructions regarding effective date of Examn. were issued in view of various court decisions in the matter.

(c) Applications under the Right to Information Act (RTI) and RTI Appeals filed by the candidates on different issues were processed and disposed.

(d) Review, amendment and interpretation of the Examination Rules and setting the syllabus for various Departmental Examinations were effected.

(e) Implementation and review of the policy regarding Departmental Examinations and issue of instructions to Commissioners all over India; disposal of various queries and references from the CCITs/CITs and from various staff associations in connection with Departmental Examinations.

4.11.4 Directorate of TDS

The Directorate is headed by the Director, who is of the rank of Commissioner of Income Tax. Following functions are assigned to the Directorate of TDS

- Bringing out guidelines of work to be done by TDS field formation during the year.
- Action plan targets, milestones and sub targets of work of TDS wing.
- Co-ordination with office of DGIT (Systems) for processing of TDS returns and issues relating to TDS certificates.
- Issue of Circulars, instructions, guidelines for TDS wing.

- Identification of new areas for application of TDS provisions.
- Co-ordination with TPC/ITA section for legislative changes for administering TDS provisions.
- To act as information/research cell relating to TDS provisions.
- To analyze and compare data contained in OLTAS and e-TDS returns for policy projections and detection of defaulters.
- Any other work related to TDS to be specifically assigned by the DGIT (Admn.)/ CBDT.

The collection of TDS from the year 2004-05 to 2008-09 has been as per the chart below. This chart also indicates the % age of the TDS in the total Direct Taxes Collection.

Year	TDS collection	Total Direct taxes collection	% of TDS in Total direct tax collection
2004-05	43973	144051	30.52%
2005-06`	58606	157307	37.26%
2006-07	70689	206041	34.30%
2007-08	105047	285095	36.84%
2008-09	128177	337000	38.03%

During the last 3 years it is seen that there is steady increase in percentage of TDS in total direct collection and in the year 2008-09 the contribution of TDS collection has risen to 38.03% . Till 30.11.2009 the total TDS collection is Rs. 91174.18 crore.

An all India Conference of the Commissioners of Incme Tax (TDS) as well as the Directors of Income Tax (International Taxation) was organized on 8th January 2010 in which in depth discussion for improvement in various areas of TDS were deliberated upon to increase the revenue collection for the Government.

During the F.Y. 2007-08 5718 surveys/inspections were conducted by the field formations resulting in total revenue detection of Rs. 792.25 crore. The no. of cases with revenue detection of Rs. 1 crore and above were 89.

During the F.Y. 2008-09 7417 surveys/inspections were conducted by the field formations resulting in total detection of Rs. 2850.10 crore. The no.of cases with revenue detection of Rs. 1 crore and above was 194.

Total no. of 6145 TDS workshop/training for the DDOs were organized by the field officers during Financial Year 2008-09 which were attended by 49848 DDOs while in the F.Y. 2009-10 (upto 30.11.2009) 376 TDS workshop/training for the DDOs were organized by the field officers which were attended by 41411 DDOs.

4.12 Directorate of Organization & Management Services (O&MS)

This Directorate is an attached office of the Central Board of Direct Taxes, and assists CBDT by providing inputs on policy & other strategic issues as an internal management consultant.

The Directorate reviews the Central Action Plan, by regularly monitoring the performance of the field offices vis-a-vis the targets set in the Action Plan, through CAP-I statement showing the figures of cash collection, reduction of arrears and current demand of Corporation Tax/Income Tax and CAP-II statement showing the progressive workload and disposal of Income Tax assessments on monthly basis. This Directorate also monitors the performance of the field offices vis-a-vis the targets, on a quarterly basis.

Some of the important assignments completed, are mentioned below:-

I. The Directorate of O &MS is the nodal agency for bring out the compilation of best practices and orders of the Income tax Department. During the period under consideration, the second volume of "Let us Share – A compilation of best practices and orders" was released on 28th April 2009 through a video conference. The contributors to the volume have been awarded certificates of merit.

II. The process for compilation of the third volume of "Let Us Share" has already commenced. The CCITs (CCA) have been requested to constitute the Regional Evaluation Committees (RECs) for this purpose. The best orders/practices passed/developed during the calendar year 2009 (01-01-09 to 31-12-09) would be considered. To widen the scope of the compilation, it has been decided to include in the compilation books and articles by departmental personnel published in journals of national and international repute. The third volume is to be released during the All India Conference of CCsIT/ DGsIT.

III. To inculcate a culture of innovations in the Income Tax Department it was decided by the Board to conduct a two-day national workshop at NADT on an annual basis to be organized jointly by DOMS and NADT. The second workshop in this series was held at NADT on the 19th and 20th of July 2009. The theme for the current year was "Innovations and creative problem solving in Public Administration". The key note address was delivered by Mr. R. Chandrashekhar, Secretary IT, Government of India. An innovative consultant Mr. Porus Munshi conducted the workshop. Mr. S. S. Khan, Member (IT), CBDT made a presentation on "Re-engineering of process for PAN". The participants in the workshop deliberated on major challenges of the department and came up with possible solutions through lateral thinking.

IV. The Prime Minister of India has also instituted PM's award of Excellence in public administration to award individual officers or organizations engaged in innovative practices every year on Civil Services Day on 21st of April. The Board has attached a lot of importance to this initiative of the PM and has been encouraging departmental officers to send their projects for nominations for this award. An institutional mechanism has already been put in place for making selection of Best Practices for PM's award of Excellence and Directorate of O &MS has been made the nodal agency for co-coordinating the efforts. 15 proposals on various initiatives taken were received from various Directorates and field formations, out of which 5 were nominated by the Departmental Evaluation Committee. Two initiatives: "Integrated Tax Payer Data Management System (ITDMS), A Data mining tool" and "Re-engineering of process for PAN" have been short-listed in the first round.

V. The Directorate of Income Tax (O&MS) is the nodal agency for implementation of Sevottam in the Income tax Department. Sevottam was officially launched in the Income Tax Department in October 2007 as part of PMO's initiative and Income Tax department was one of the ten departments selected for fast tract implementation of Sevottam. It was initially started at two locations, CR Building, Mumbai and at Udaipur in October 2007. On the basis of experience gained during the period of one year, the functionalities of Sevottam were substantially modified before implementing the project in the three new locations. Full Board had approved this modified version in November 2008. Accordingly, a new process document was prepared during this financial year and consequent changes were made in the Software initially developed. The concept of Sevottam has been crystallized and the same was being implemented on a pilot basis at Pune, Kochi and Chandigarh with the following modules and functionalities:

- Aayakar Sewa Kendra (ASK) is the single-window taxpayer service center with ame nities for taxpayers, Help Desk, Departmental publications, a logo for branding taxpayer services
- Dak Receipt module with system generated unique acknowledgement number and contemporaneous generation of Dak Receipt register
- Individual return receipt module with system generated unique acknowledgement number and contemporaneous generation of Return Receipt register providing facility for physical segregation of refund and non-refund returns
- Bulk return receipt module with system generated series of unique acknowledgement numbers for the individual returns
- 80G/12A Application module for handling processing of 80G/12A applications
- MIS Reports for the management with the facility for monitoring of status by the senior management by drilling down to the level of the AO, particularly relating to services included in the Citizens' Charter
- Grievance redressal mechanism has been put in place at pilot ASK centers
- A computer laboratory at DOMS for testing of software and monitoring status of various applications received from the taxpayers

All the three Aayakar Seva Kendras are now contemplating filing applications for certification under IS: 15700.

VI. Vision 2020: A core drafting committee has been set up by the Board with Member (R) as the chairperson with six conveners for various working groups representing six strategic areas of the department with the Directorate of O&MS as the nodal

12th edition of May, 2003 requires Ministries/Department to include the following six aspects of information in their Annual Report:-

S. No.	Activity of Citizen Charter	Action Taken
1	Action taken for formulate the Charter for the Ministry/ Department and its subordinate formation.	The Charter of 1998 was reviewed & rewritten which was approved by the CBDT and by Hon'ble Minister of Finance.
2	Action taken to implement the Charter.	The commitments made in the Charter are being test-checked at Aayakar Seva Kendra which have made functional in Pune, Kochi & Chandigarh under "Sevottam" Scheme".
3	Details of Training Programmes, Workshops etc. held for proper implementation of Charter.	Wherever ASK centres are being made functional, training is imparted to the officers and staff so that commitments made in the charter are adhered to.
4	Details of publicity efforts made and awareness campaign organized on Charter for the Citizens/ Clients.	Charter has been put on department's web site www.incometaxindia.gov.in. Copies of charter are under preparation for further publicity.
5	Details of internal and external evaluation of implementation of Charter in the Organization and assessment of the level of satisfaction among Citizen/ Clients; and	As soon as the commitments made in the charter are test-checked at ASK centres, an evaluation would be made assessing the level of satisfaction among citizens/client.
6	Details of revision made in Charter on the basis of external review	Not applicable for the present.

agency for preparing the Vision 2020 document. An Office Memorandum has been issued giving the broad parameters for drafting the documents. Suggestions have been solicited from all the stakeholders. One of the working groups has been entrusted with the responsibility of revisiting the 2007 Citizens' charter in the light of experiences and performances at the three pilot locations of Aayakar Seva Kendras.

VII. Information on Point No. (ii) of Paragraph 157 of the Central Secretariat Manual of office Procedure,

4.13 Vigilance

The Vigilance setup of the Income Tax Department is headed by the Director General of Income Tax(Vig.), who is also the CVO of the Income Tax Department. The Directorate General has its headquarters at New Delhi. Below the DGIT, there are four Directorates of Income Tax (Vig.) each looking after the matter pertaining to North, South, West & East Zones, headed by a Director of Income Tax(Vig.) with headquarters at Delhi, Chennai, Mumbai and Kolkata respectively. The four Directors of Income Tax (Vig.) are also the Deputy CVOs of the zone they head, for vigilance purposes. The Director General of Income Tax (Vig.) is under the direct administrative control of CBDT and oversees the processing of vigilance cases, mainly against the Gazetted Officers of the Income Tax Department. The basic sources of information pertaining to Vigilance matters are signed complaints from members of public, VIP references, references from CVC and other Departments/Agencies, periodical inspections etc.

4.14 DGIT(Training)

The NADT is headed by a Director General of Income Tax (Training), assisted by two Additional Director Generals and a team of other officers including seven Additional/Joint Directors, five Deputy/Assistant Directors and two Assistant Directors (OL). There are 7 Direct Taxes Regional Training Institutes (DTRTIs) at Ahmedabad, Bangalore, Chandigarh, Chennai, Lucknow, Mumbai and Kolkata and 23 Ministerial Staff raining Units (MSTUs) at different stations across the nation that train officers and staff of Direct Taxes Administration as well as of other departments and agencies. In all, 22 in-service courses of various kinds and hues have been conducted till date this year. Brief statistics in this regard are as follows:

In-service and continuing programmes

Number of Programmes	22
Number of Days	102
Number of Participants	656
ITOs/ACIT/DsIT	213
JCIT/Addl. CIT	82
CIT/CCIT	130
Officer Trainees of other All India and Group 'A' Services	231

The Courses, Workshops, Seminars et al conducted are divided into concept-skill generating, information disseminating and personality enhancing variants. The training methodology, apart from lectures by both in-house and guest faculty members, includes panel discussions, case studies, group discussions, workshops, seminars, role-plays and simulation exercises, and tutorials.

a. 1.1 Concept-Skill Generating Courses

A. Assessing trusts and tax exempt institutions (22nd to 24th July, 2009)

B. Course on 'assessing emerging sectors: power/ telecom/ infrastructure/ entertainment (28th to 31st July, 2009)

C. Transactions in real estate and construction: assessment & investigation (10th to 12th August, 2009)

D. Assessing financial institution incomes and analyzing financial instruments (17th to 20th August, 2009)

E. Mergers & acquisitions: issues and techniques in assessment (24th to 26th August, 2009)

F. Computer, information & forensic sciences in investigation (7th to 9th Sept, 2009)

G. Course on courtcraft: effective representation before judicial authorities (28th to 30th Oct. 2009)

H. Course on maximizing headquarters management effectiveness (04th to 06th Nov. 2009)

I. Management & judicial functions: a seminar (31st August – 3rd September, 2009)

J. Change management: a seminar (15th - 17th July, 2009)

a. 1.2 Personality Enhancing Courses

K. Synergy through self awareness and personal mastery (14th to 16th september, 2009)

L. Window to the future: from uncertainty to preparedness (22nd to 25th September, 2009)

M. Tax innovations and harmonization in an internationalized environment (06th to 09th Oct, 2009)

N. Oecd-organized courses

Courses held in f.Y. 2008-09

Courses on Transfer Pricing: 23rd – 27th February, 2009

Course on Auditing Multinational Enterprises (MNEs): (2nd to 6th March, 2009)

Courses to be held in F.Y. 2009-10

Courses on International Tax Avoidance (ITA) (15th – 19th February, 2010)

Course on Advanced Issues in Transfer Pricing (AITP) (22nd to 26th February, 2010)

a. 1.3 Information Disseminating Courses

Programmes for Departmental Officers

O. Investigation and management: a seminar (04th to 08th may, 2009)

P. Role-recognition, appreciation & orientation for newly promoted acits (18th to 26th june, 2009)

Q. Retreat – 50" for the 12th batch of the irs (12th & 13th november, 2009)

R. Outreach programmes for officers from other other services/departments:- The following three programmes were organized:

- Overview of Direct Taxes for Indian Forest Service Officers Trainee: Role, Statute and Administration from 16.11.2009 to 17.11.2009.
- Overview of Direct Taxes for IRS (Customs & Central Excise) and ITS Officers Trainee: Role, Statute and Administration from 23.11.2009 to 27.11.2009.
- Overview of Direct Taxes for IRAS & IA & AS Officers Trainee: Role, Statute and Administration from 30.11.2009 to 04.12.2009.

A similar programme for the officer-trainees of the Indian Administrative Service (IAS) is slated to be held from 2nd – 3rd February, 2010.

a. 1.4 Other Courses

S. Feedback seminar for the officers of the 60th batch of irs (11th – 13th may '09)

T. National workshop on innovation and creative problem solving in public administration (19th to 20th july, 2009)

U. Mid term training review (mtr) (11th to 12th sept. 2009)

V. Annual trainers' conference (atc) (28th – 29th january, 2010)

Induction Training Programmes

The 16-month Induction Training conducted in 2 modules encompasses a rigorous training schedule. Besides lectures, quizzes, role plays, case studies and other modes of learning are employed. Prime topics include:

Direct Taxes Statutes, Rules, Circulars, et al: Theory and Practice	Allied Laws and other Support Topics
Accounts: Standards, Analyses and their Investigation	Office Management and Procedure; Service and Financial Rules
Managerial, Investigative and Drafting Skills	Strategic and Operational Management; Information Technology and Operations

Attachment' visits outside the Academy include those to the Parliament, to field offices for "On the Job Training (OJT)", to an industry to analyze the processes of a large corporation from within and to the Indira Gandhi National Forest Academy, Dehradun to develop oneness with nature and environmental sensitization. A Bharat-Darshan or national excursion primes them for the exigencies anywhere in the country. In recent times, a week-long foreign attachment in a nation with sophisticated Direct Taxes Administration systems, models and practices (e.g. Singapore) has been added. All of these help break the monotony of prolonged indoor stay in the Academy and increase productivity.

Besides acquiring the needed technical skill and information set, the overarching objectives of Induction Training are to

- Hone Managerial & Administrative skills and Leadership qualities;
- Embellish personalities with well-rounded and balanced character-attributes, chief amongst which are:

o The Mottos of Contribution and Service

o the Spirit of Excellence and Professionalism

o the Values of Personal and Professional Integrity

o a Culture that embodies Humility, Compassion and Tolerance

Sports and Games and Cultural Activities are accorded premium importance. The annual test-fest of physical prowess 'INTAX' and the frequent Cultural NADT 'Nites' are riots of fun and feasts.

Induction Training of 61st Batch

The formal Valediction of the 61st Batch of IRS, comprised of 101 officers the culmination of their long journey of 16 months of eventful training was held on April 27th, 2009. The "Akademi Kriti", an annual publication containing creative literary contributions from Officer-Trainees and Faculty Members was released on the occasion. A DVD titled "Taxnama-2009" – a souvenir in the form of a colourful directory containing interviews and photographs of the outgoing batch – too was released.

Induction Training of 62nd Batch

The 62nd batch of IRS is numerically one of the largest batches in the history of IRS training with 152 officer-trainees undergoing induction training at NADT. The officer trainees joined the Academy on December 22nd, 2008; the Induction training was formally inaugurated on 24th December, 2008.

In keeping with the best traditions of the Indian Civil Services, all the regions of the country are fairly well represented, with the states of Uttar Pradesh and Maharashtra being the largest contributors. In all, 20 states and 1 Union Territory find representation in this batch. As many as 82 officer-trainees (OTs) possess a previous job experience, of which 67 have served in the government earlier.

Specifics of the Induction Training Curriculum

- OTs join the Academy after a 3-1/2 months' foundation course along with officers of other civil services in the month of December, every year. The Induction Training occupies a total timeframe of 16 months
- The First module starts in December of Year 1 and ends in August of Year 2 whereas the Second Module starts in September of Year 2 and ends in April of Year 3
- Two departmental examinations are held during the course of the training
- The Training includes:

o "On-The-Job-Training" at field stations across the country for 8 weeks and industrial attachment for a week

o An All India Study Tour of 3 weeks "Bharat Darshan" to familiarize the OTs with the diverse cultural heritage of the country along with the familiarization of industrial processes and functioning of important organizations like Stock Exchanges, SEBI etc.

o A 5-day International Attachment with the Revenue Departments/Reputed Institutes of Public Policy and tax administration

o A six-day Module on Management titled Management Development Module (MDM-2009) (introduced this year) with the specific object of honing the management and personal skills of the Officer-trainees.

A 'Mock' Search and Seizure Operation and an Assessment Project were included to enhance the effectiveness of the training-reality interface in terms of knowledge gains and logistics-preparedness. Supplementing the latter was a mock hearing role-play that helped in explaining the finer aspects of assessment functions. 15 Syndicate Groups of 8-10 OTs made presentations on a wide spectrum of topics ranging from taxation of trusts to carbon credits.

During the week-long industrial attachment a detailed diary for industrial attachment helped understand and assimilate the concept of "Gate to Gate" – i.e. the entire flow-gamut of manufacture from the place of receipt of raw material to the place where the finished goods move out of a unit.

The first departmental examination was held in August 2009. The 2nd will be held in February 2010.The OTs attended a 5-day Appreciation Course on Parliamentary Processes and Procedures conducted by the Bureau of Parliamentary Studies and Training (BPST), Delhi in February, 2009. During the attachment, the OTs had an opportunity to interact with Hon'ble President and, Vice-President of India, the Finance Minister and the Minister of State for Finance (Revenue). Also part of their programme was a four-day Orientation Module on Natural Resource Management with the Indira Gandhi National Forest Academy at Dehradun in March, 2009.

Extra-Curricular Activities:

Field visits were organized to Sevagram and Paunar Ashram at Wardha to sensitize the OTs about the continuing importance of selfless contribution, sacrifice, integrity and morality in public and private life. The sports scene also saw two editions of the NADT's eponymously-named NADT Premier League (NPL) conducted (by the OTs) in May, 2009 and January, 2010 respectively. The officer-trainees also celebrated Pongal and Lohri with enthusiasm. The cultural fests organized during the training period witnessed the emergence of high creativity and talent in the form events such as electric dances, puppet shows, mono-acts, and the like.

The OTs also organized a Blood Donation Camp in co-ordination with local government organizations during which the officers and staff of NADT donated blood voluntarily. This event helped in highlighting the need for social support and concern for the needy, the sick and the downtrodden. A Hepatitis vaccination camp too was also organized to boost the general immunity against the disease.

A two-day experiential learning programme was organized towards providing a holistic education beyond the confines of the classrrom/campus session. This was conducted at a place called "Sahas Camp" and involved outdoor adventure activities such as wall climbing, rappelling, trekking etc., and sought to expose the OTs to environments outside their comfort zones using unfamiliar settings as a way to experience adventure and challenge.

Induction Training of 63rd Batch

The 63rd Batch of Indian Revenue Service comprises of 135 young Officer Trainees consisting of 31 ladies and 104 gentlemen. 37 Officer Trainees, including six lady OTs, are married.

- The Batch consists of persons having diverse educational backgrounds and qualifications. Of 135 Officer Trainees, 66, (that is, approximately 48%) possess qualifications superior to Masters Degrees and include two PhDs. There are 44 Engineers in the Batch with 5 have post graduates. There are 7 Doctors (including one dentist), 1 Veterinarian, 7 Lawyers, and 7 Officer Trainees Agriculture Scientists. 9 Officer Trainees possess a background in Commerce (including one Chartered Accountant and Company Secretary). There are also 4 Management Graduates and 1 Architect.
- Several OTs (to be precise, 74 i.e., > 55%) have considerable previous work experience.
- When analyzed according to geographic region of origin/domicile, the OTs range from 23 states and union territories. 33 are from Uttar Pradesh, 17 from Tamil Nadu and 16 from Bihar. Maharashtra is represented by 10 OTs, Rajasthan by 9 and Andhra Pradesh by 8. From the North Eastern States, 2 are from Arunachal Pradesh and 1 each from Assam, Manipur and Mizoram.

While Punjab provides 5 OTs, Delhi, Jharkhand, Karnataka, Madhya Pradesh and Uttarakhand are represented by 4 each. 3 are from Kerala 2 each from Gujarat, Haryana and West Bengal and 1 each from Chhatisgarh, Orissa and Pondicherry.

- 43 OTs, (i.e., > 30%) are from rural backgrounds. India's cultural diversity is well represented in the 63rd Batch of Indian Revenue Service. They speak as many as 20 different mother tongues, with 74 OTs recording Hindi as their mother tongue and 15 OTs, Tamil.
- The average age of the Batch as on 1st January, 2010 is 28.85 years; on that day, the youngest Officer Trainee was 23 years and one month old.

The formal Inauguration of the Induction of 63rd Batch of IRS was held on 12th January, 2010.

Nalsar tie up

As already reported in the previous year, the NADT entered into an MOU with the NALSAR University of Law, Hyderabad, in June, 2006. This provided for the award of a Master's degree in Taxation and Business Laws to the OTs undergoing induction training at the Academy. Enrolment to the programme is optional and anyone opting for this programme has to undertake a research project of six months duration. The tie-up is aimed getting due recognition (in the form of University credentials) to the rigorous training of 16 months undertaken by the OTs at the NADT.

Also, as part of the MOU, from the 59th batch onwards, the teaching and providing of resource materials on topics of business laws is undertaken by NALSAR. The association continues to provide good results facilitating the exchange of faculty and knowledge resources between the two institutes.

Comprehensive Initiatives and Work Done

New initiatives undertaken

1. The NADT has entered into an MOU with NBCC on 14/12/2009 for construction of a New 6-storeyed Hostel with a capacity of 150 rooms for the OTs
2. The first Monthly Newsletter of NADT – christened NADTree – was released on 23/12/2009.
3. On 29/12/2009, the CBDT approved the recommendations of the duly constituted Committee on the revamping of the training syllabus, methodology and the training process of the Induction Course. Prior to finalizing the report, a detailed 'Training-Needs-Analysis' (TNA) questionnaire seeking suggestions from Field Officers was circulated in paper-form (as well as electronically broadcast). The Induction Training of the 63rd Batch onwards include these changes. Some of the changes are: rationalizing the syllabus by merging some of the subjects, increasing the scope of other subjects and increasing the quality-intensity of subjects like 'Book Keeping' (which will now be known in its restructured form as 'Advanced Accounting and Finance'). Also incorporated are 2 new Papers viz. 'Information Technology and Operations' and 'Administration and Management in the Tax Department' to equip the OTs with the latest Information Technology and Management Tools and also to make them aware of the initiatives taken by the Department to manage its knowledge and reengineer its processes. These rationalizations in the syllabus and addition of subjects will ensure superior training of Tax Administrators in the service of the nation.
4. The NADT has taken initiatives to strengthen its information technology infrastructure, including redesigning its website, creating a new social networking portal for IRS officers called 'NADT Connect', enhancing computer training capacity through more computers, greater Internet lease line capacity and addition of digital capacity to the NADT's Library.
5. The Additional Director General-II attended the 10th Conference of Heads of Central Training Institutes held on 22.10.2009 & 23.10.2009 at the LBSNAA, Musoorie. During this Conference, the issue of conducting the Foundation Course (FC) for the Probationers of Indian Civil Services at NADT in 2010 was discussed. This matter is being finalized and is likely to bear fruit soon.

a. The Promotion of Hindi as an Official Language

b. A 3 day course was organized from 07th to 09th December, 2009 for Assistant and Deputy Directors (Official Language) working in the Income Tax Department to familiarize them with the provisions of the Income Tax Act and Rules. The objective was to give an overview on tax administration to the officers of Official Language so that they can function more effectively within the Department.

Besides this, Quarterly meetings and Hindi workshops were organized regularly by the NADT and its RTIs. Official Language inspections both within the NADT and RTIs were also undertaken regularly to monitor the progress of Hindi as a Rajbhasha. A Hindi Pakhwada was organized from 01st to 15th September wherein various competitions like Hindi Essay Writing, Competitive events such as Noting-Drafting, Debate, Translation, Hindi Quiz, Singing and Antakshri were held and prizes distributed. Likewise, the Hindi Incentive Scheme has been implemented both in the NADT and the RTIs.

In Administrative Hindi Classes, the OTs are given inputs on the Official Langauge Policy, Act and Rules along with drafting of memorandum, note sheet entries, notices, drafting of DO Letters, general correspondence etc. Besides these, translations from English to Hindi and vice versa are also taught. A few curricular sessions were held exclusively in Hindi. Rajbhasha Shields were awarded by the DGIT (Trg.), to the various RTIs situated in the A, B and C regions of the country for their excellent performance in the use of Hindi as the Official Language.

Publications/Monograph:

1. The RTI Kolkata is in the process of compiling 1000 Judgments of Hon'ble Supreme Courts and High Courts of India in favour of Revenue.
2. The RTI Chennai has compiled favourable and unreported decisions of the Madras High Court and the ITAT Chennai.
3. A Hand Book on 'Audit' prepared by Shri O.P. Agarwal, Dy. Director of Income Tax, RTI, Lucknow was released during the Annual Trainers' Conference, 2009.
4. The RTI Ahmedabad has prepared a Teaching Manual (in CD form) on Computer- networked ITD applications.
5. The RTI, Mumbai has prepared a CD on the basics of book keeping and accounting.

The Faculty Members at the NADT and the RTIs have been variously invited to deliver lectures/ and participate in Seminars by different organizations like the NALSAR School of Law, Hyderabad, the Indian Bureau of Mines, Nagpur, Directorate of Small Savings, National Academy of Customs, Excise and Narcotics, Chennai, the Zonal Training Institute of EPF Organization, Chennai, Principal Director of Audit, Kolkata and the Regional Training Institute of Audit and Accounts, Nagpur.

Pollution Control and other environmental initiatives:

1. A green house has been developed and is maintained within the campus; it was supplemented with indoor foliage during this year.
2. Group planting of Bougainvillea (paper flower) was also carried out during the year.
3. Rose and Fruit Gardens have been developed within the campus.
4. Lawns have been laid on areas admeasuring around 16000 sq m which is now being developed as a cricket field.
5. An organic waste convertor is fully functional.

600 saplings of neem trees and 150 saplings of amla trees were planted in the NADT campus as part of its environmental initiatives during the year. Also, 150 medicinal plants have been planted in a garden tentatively named as 'Dhanwantari'. A 'Biodiversity Committee' consisting of the OTS has been constituted to inscribe the respective biological and common names onto the different plants and trees situated and being planted in the NADT campus.

4.15 Exemption

The Director General of Income Tax (Exemption), New Delhi has the Directorates of Income Tax (Exemption) at Kolkata, Ahemdabad, Bangalore, Chennai, New Delhi, Hyderabad and Mumbai. The main functions of the office of the Director General of Income-Tax (Exemption) include grant of notifications for grant of exemption u/s 10(23C)(vi) and (via) of the I.T. Act, 1961 to the educational trusts and hospitals respectively. Apart from this, the cases for notification for grant of exemption are recommended to the CBDT for charitable trusts having importance throughout India or throughout any state or states. Similarly, cases are recommended for notification of the trusts engaged wholly for public religious purposes or for public religious purposes and charitable purposes. Reports are also sent to the CBDT for notification of institutions engaged in scientific research and social and statistics research. Apart from this, reports are sent to the CBDT in respect of applications received for notification u/s 10(17A), 10(23), 10(23A) etc. The various Directorates of Income-Tax (Exemption) deal with assessment of Trusts Societies; Institutions etc. registered u/s 12A(a) of the I.T. Act, 1961. The Directors of Income-Tax (Exemption) grant registration u/s 12A and u/s 80G to the eligible applicants.

4.16 Directorate of Human Resource Development, CBDT

1. The Directorate of Income Tax, Human Resource Development, CBDT was established vide Gazette notification No. 292/2007 dated 31 December 2007 to provide a fillip to the Human Resource Management in the Income Tax Department, and to develop and equip the Departmental manpower to meet the growing challenges of Tax Administration in the future.
2. The Directorate is headed by a Director General of Income Tax, with one Director of Income Tax and three Addl/Jt DITs heading three divisions, namely (1) Cadre Management, (2) Performance Management and (3) Training and Capacity Building.
3. The Directorate is mandated to assist the Central Board of Direct Taxes in the following main areas of work: -

- To develop and design strategic human resources plan, policies and procedures and to assist CBDT in implementing proper HR policies including those related to recruitment of manpower, promotions, career progression, transfers, and succession plans, performance appraisal, equal opportunity and employee welfare;
- To operate human resource information system by accessing database maintained by CBDT;
- To assess and determine the job requirements, job profiles and skills needed for various jobs in the Income Tax Department;
- To identify training needs, formulate training policies and facilitate skill enhancement and to coordinate with other educational/training institutions in India and abroad;
- To foster international cooperation for incorporating administrative best practices;

4. Some of the main activities carried out/organised by this Directorate during the year are as follows:

i. The long overdue Cadre review of the IRS was carried out and the Report of the Committee on Cadre Review of IRS and Restructuring of Income Tax Department was submitted in August, 2009. The Report has also been presented to, and approved by the Board, with minor modifications.

ii. Revised Transfer policy/Guidelines for IRS officers were finalised on the basis of the report of a Committee a Committee Report.The revised guidelines have been approved by the Board and have already been submitted for approval.

iii. Revised Recruitment Rules (RRs) for IRS officers have been prepared and presented to the Board, and are under finalisation, based on the directions received from the Board.

iv. The Directorate continued to pursue matters relating to the Implementation of 6th Central Pay Commission recommendations in respect of all categories of employees in the Department and the following important matters received approval of Government:

o Up-gradation of pay scales of Members, CBDT to the Apex Scale

o Up-gradation of pay of Inspectors of Income Tax and some other Category Staff on account of merger of three pay scales.

o Up-gradation of ITOs to the Grade pay of Rs. 5400 after four years of service, and 3% increment at the time of such upgradation.

o The work relating to non-functional pay up-gradation to CCITs and other eligible officers of IRS, who are at least two years senior to IAS officers posted at Centre, by giving them the same pay, was also taken up . The first lot of orders in the matter have already been issued by the Board, while matters relating to other eligible officers are under submission for approval/ process.

o The process of up-gradation of the Group D employees who did not possess the requisite qualifications, to Group C, after suitable training was also taken up and co-ordinated by this Directorate on all-India basis.

v. In order to speed up the process of DPCs held up on account of missing/deficient ACRs, this Directorate was asked to co-ordinate the matter. The job of up-dating/collection and coordination of ACRs to ensure early DPC for promotion to CCIT level was completed by this Directorate, while ACRs at the lower levels have also been updated to expedite the process of DPCs and empanelment . The process for revision of the performance appraisal system from the present Annual Confidential Report (ACR) to Annual Performance Appraisal Report (APAR) has also been taken up by the Directorate, and the formats are being revised to take into account the basic rationale of making the APAR a tool for improving the performance of officers and to meet human resource management needs of the Department.

vi. The Directorate provided training-support functions to the NADT, Nagpur by providing HR inputs to various levels of officers undergoing training at NADT; processing and obtaining approval for administrative/service matters including EOL for Probationers, and other training matters such as international attachments. The expertise of NADT was also utilized by this Directorate for designing training module for the up-gradation of Group D employees throughout India, to Group C.

4.17 Directorate of Income-tax (L&R)

The present work mandate of the Directorate of Income-tax (L&R) entails handling of all litigation matters such as Special Leave Petitions (SLPs, for short) pertaining to the Apex Court right from the initial processing/ examination stage upto final disposal by the Court. Further, there are multiple intermediate roles envisaged for this Directorate such as co-ordinating/ interacting with the field formations wherefrom the genesis of this litigation arises; being the Department's full-time interface with the Ministry of Law in such matters; closely liasing and interacting with the senior Central Government Law functionaries like Additional Solicitor General upwards; providing immediate comprehensive response to the Apex Court's queries/ requirements; making available infrastructure support to the Ministry of Law so as to ensure speedy and timely attention to the Department's matters before the Apex Court etc.

In addition to the aforesaid judicial work, the Directorate of Income-tax (L&R) also undertakes research projects from time to time and is further entrusted with the functional control of the Income -tax Department's Statistics Wing. The Directorate is headed by DGIT (L&R), and consists of two DITs; two Addl. DITs; two ACITs; and five ITOs. The composition of Statistics Wing includes one Dy. Director General and two Chief Statistical Officers.

4.18 Infrastructure

Sl. No.	Head	No. of Sanction	Amount (In Rs.)
1.	4059- Major Head (Construction of Office Building)	86	1,01,95,32,515/-
2.	4216- Major Head (Construction of Residential Complex)	26	20,50,28,424/-
3.	Rent, Rates & Taxes (RRT)	5	35,48,741/-
4.	Office Expenses (O.E)	14	2,89,00,210/-

5.	2020- Major Head	3	44,18,690/-
6.	1% incentive	Nil	NIL
7.	Administrative approval	8	-
	Total	**142**	**1,26,14,28,580/-**

1. Certain important projects (exceeding Rs. 1 crore) which have been accorded administrative approval and financial sanction during the year are as under:-

(i) Construction of hostel for Officers Trainees (Hostel-I) at NADT, Nagpur at an estimated cost of Rs.24,10,98,711/-

(ii) Construction of office building at Aligarh at an estimated cost of Rs.20,97,55,500/-.

(iii) Construction of office building at Jhansi, for an estimated cost of Rs.9,53,08,600/-.

(iv) Construction of office building at Salem, at an estimated cost of Rs.8,15,29,000/-.

(v) Purchase of land measuring 1310.14 sqm. from Rajkot Municipal Corporation for construction of office building at Rajkot for Rs.5,89,56,300/-.

(vi) Purchase of land at Jammu for amount of Rs.5,17,50,000/- for residential building.

(vii) Construction of additional office space at Kawdiar, Thiruvananthapuram for an estimated cost of Rs.5,10,58,540/-.

(viii) Construction of community Centre at Banjara Hills, Hyderabad at an estimated cost of Rs.5,06,42,000/-.

(ix) Construction of office building and staff quarters at Rudrapur for an amount of Rs.2,94,15,100/-.

(x) Construction of office building at Kadapa for an estimated cost of Rs.2,78,57,000/-.

(xi) Construction of additional office space at Kumbakonam for an estimated cost of Rs.2,44,96,000/-.

(xii) Construction at office building and residential quarters at an estimated cost of Rs.2,43,45,800/-.

(xiii) Construction of office space and 6 staff quarters at Sumer Pur, Jodhpur at an estimated cost of Rs.2,13,28,700/-.

(xiv) Purchase of land at Shahjahanpur for an amount of Rs.1,99,90,001/-.

(xv) Construction of office building and staff quarters at Padrauna, Kushinagar for an estimated cost of Rs.1,97,76,000/-.

(xvi) Construction of staff quarters at Jeypore at an estimated cost of Rs.1,96,97,000/-.

(xvii) Purchase of land at Tulsi Nagar, Kanpur for an amount of Rs.1,78,15,000/-.

(xviii) Construction of boundary wall on the plot of land purchased by the I.T. Deptt at Silk factory, Raj Bagh, Srinagar for an estimated cost of Rs.1,71,16,500/-.

(xix) Works relating to construction of RCC boundary wall at Mumbai at an estimated cost of Rs.1,65,75,000/-.

(xx) Works relating to construction at Mumbai at an estimated cost of Rs.1,55,00,000/-

(xxi) Construction of office building at Cuttack for an estimated cost of Rs.1,34,07,260/-.

2. Further, the Directorate had during the year prepared memos to be submitted to Committee for Non-plan Expenditure (CNE) in respect of the following proposals.

(i) Income tax office building at Civic Centre, New Delhi for an amount of Rs.1907.52 crores.

(ii) Income tax office building at Bandra Kurla Complex, Mumbai for an amount of Rs.506 crores.

(iii) Construction of Hostel for International Delegates (Hostel-II) and mess at NADT, Nagpur at an estimated cost of Rs.125.78 crores.

(iv) Construction of I.T. Office building at Vejalpur, Ahmedabad at an estimated cost of Rs.77.71 crores.

(v) Construction of I.T. Office building at Bhopal at an estimated cost of Rs.55.81 crores.

3. The SFC memo for the construction of office building at Noida has also been forwarded by this Directorate for the consideration of the Competent Authority. Besides, a proposal for renovation of guest house at Golf Links has also been submitted.

E-governance in the Income Tax Department

1. Project Name: PAN & Biometric PAN Project

PAN (Permanent Account Number) is a 10 digit alphanumeric number allotted by the Income Tax Department to taxpayers and to the persons who apply for it under the Income Tax Act, 1961. This number enables the department to link all transactions of the "person" with the department. These transactions include tax payments, TDS/TCS credits, returns of income/wealth/gift/FBT, specified transactions, correspondence, and so on. PAN, thus, acts as an identifier for the "person" with the Income tax department. In fact, PAN has now taken on the role of "identifier" beyond the Income-tax department as it is now required for various activities like opening of bank account, opening of DMAT accounts, obtaining registration for Service Tax , Sales Tax/VAT etc. As on 31.12.2009, total 9,17,03,988 PAN have been allotted.

The services like receiving PAN application forms, verification the documents submitted , digitizing the PAN application form, upload the data on the NCC (National Computer Centre), printing PAN cards and dispatching PAN cards have been outsourced to M/s UTITSL and M/s NSDL who, through their wide network of 3800 front offices, receive and process the PAN applications, print and dispatch the PAN card to the applicants. However, the PAN is generated by the Department.

The Income Tax Act permits one person to have only one PAN. To avoid issuance of duplicate PAN the data is checked for duplicity by using the software using the phonetic matching algorithm. However, it was seen that 'persons' have managed to obtain more than one PAN by making alteration in their personal information submitted in the PAN application form. Department has therefore decided to put in place a biometric solution to ensure that no duplicate PAN is issued i.e. same person does not get more than one PAN. Biometric information, being more stable with time and difficult to change, would be able to detect duplicate PAN application with greater accuracy.

It has been decided to capture the biometric features like the 'face' and 'four fingers' (two from each hand) of the applicant and do the matching of the biometric feature in the backend against the database to detect the duplicate PAN applicants. The biometric project has been kept in abeyance till the business rules of Unique Identification Authority of India (UIDAI) project are finalized to avoid duplication of efforts.

2. Project name: E-filing of Income Tax Returns

Project Description

The project is aimed at enabling E-filing of all Income tax returns over Internet directly by taxpayers and through e-return intermediaries. The e-filing project is an eminent e-governance and e-delivery measure taken by the Income Tax Department for better services to the taxpayers and was notified in 2006-07. The system also provides for PAN/TAN verifications.

Achievements:

The Income Tax Act has with effect from 1-04-2008 has made e-filing of returns compulsory for the tax payers with turnover of Rs.40 lacs (cases liable to furnish audit report u/s 44AB).This is in addition to all corporate assesses who have to compulsorily e-file their returns of income w.e.f. 24.7.2006.

E-Filing for all I-T returns for AY 2009-10 commenced from June 2009. In FY 2008-09, nearly 48.30 lakh e-returns were received, which shows the enthusiastic response of taxpayers towards e-filing of I-T returns.

Till 04.01.2010, about 36 lakh e-returns have been filed for in current F.Y. The progressive achievement of e-filing scheme is as under:

FY 06-07 3,62,961

FY 07-08 21,70,687

FY 08-09 48,31,300

FY 09-10 36,00,000 approx. (up to 04.01.2010)

Of the e-returns filed, nearly 70% have been filed voluntarily by taxpayers indicating the broader acceptance of the convenience of e-filing.

Electronic return filing before or after regular office hours (9am to 6pm) is another indicator of taxpayer convenience. More than 27% of all e-returns have been filed beyond office hours, indicating its utility.

Though use of digital signature was optional, over 40% of corporate returns and 10% overall have been filed using digital signature, making the entire return filing process completely paperless in such cases.

The Electronic Filing of Income Tax Returns project of the Income Tax Department has been awarded the National E-Governance Silver Award in the category 'Outstanding Performance in Citizen Centric Service Delivery'.

The Department has also launched Web Services at national website www.incometaxindia.gov.in by which E-Return intermediaries would be able to directly / remotely upload taxpayer returns without having to login to the E-Filing website and taxpayers would receive the acknowledgement over email.

3. Project name: Centralized Processing Center (CPC) for Income Tax Returns

Project Description

Enabling Centralized Processing of all Income tax returns at a single location

Project Features

- CPC at Bangalore would process paper and e-returns without any interface with taxpayers in a jurisdiction free manner using a partially outsourced model.
- The CPC would be set up and managed by a Service Provider (SP) selected through a competitive bid process.
- The Service Provider would be responsible for picking up the returns from I-T offices, scanning, data entry, and processing of return, subsequent issue of refund and physical storage of returns.
- The CPC would initially process transactions for all e-filed Income Tax Returns (ITRs) and physical ITRs for Bangalore. As the CPC stabilizes, the physical ITRs from Karnataka and Goa and an adjoining state would also be given to the CPC to scale up the operation to enable it to process 20 lakh paper returns and 60 lakh e-filed returns...
- The CPC would enable the Department to cope with rapid growth in the number of taxpayers and consequently the volume of work for employees. It would allow the Department to bring in more efficient processes and modern citizen services offered by the best Tax

Administrations across the globe. Eventually, it is envisaged that the CPC model would be replicated across the country, having gained experience and learning from the CPC in Bangalore.

- The CPC at Bangalore has gone live and started delivering output since October 09. It is expected to achieve its full volume production by March 2010.

4. Project Name: Refund Banker

Project Description

Refund Banker project is a system driven process for determination, generation, issue, dispatch and credit of refunds and enables efficient and safe delivery of Income Tax refunds. It introduces a third party into the physical issue or credit of refunds so as to make the process completely automated, speedy and transparent, and to achieve a faster Turn Around Time.

Key Features and Achievements

Under Refund Banker Scheme, refunds to the tax payers are directly sent through Electronic Clearing Scheme (ECS) by the State Bank of India (SBI), which has been designated as agent of the Department. SBI has shifted to other faster modes of delivery through RTGS/NECS in addition to ECS for faster delivery. In these models refunds are credited to the taxpayers account within 1 to 3 days of data being delivered to SBI. The Assessing Officer's role in issuing refunds is limited to processing the return of income on computer.

The project was initially launched on 24.01.2007 in few Salary charges in Delhi and Patna. After completion of pilots, the Scheme was extended to 6 stations viz., Kolkata, Mumbai, Bangalore, Chennai, Delhi and Patna. With effect from October 2009, the Scheme has further been extended to nine more stations viz. Ahmadabad, Allahabad, Bhubneshwar, Cochin, Hyderabad, Kanpur, Patiala, Pune and Chandigarh.

- A web based status tracking facility in collaboration with India Post and National Securities Depository Ltd. (NSDL) has also been launched during the year.
- The ECS method has reduced delivery time to 5-6 days as against paper refunds which takes 10-12 days. The State Bank of India has set up remote printing facility for IT refunds at Chennai and proposes to extend this facility to Kolkata, Delhi and Bangalore.
- The status of refunds is updated on the departmental application with reasons for non-payment in case of unpaid or returned refunds, to enable the assessing officer to re-send the refund for payment after removing the deficiency.
- The SBI has provided for a call centre with toll free number for tracking of status of refunds issued through the scheme.
- Electronic refunds for F.Y. 2009-10 (till 31.12.2009) constitute 57.87% of total refunds issued through the scheme and thus electronic refunds have exceeded the number of paper refunds, as given in Table 3.46, indicating the growing confidence of the taxpayers in the scheme and its success.
- There has been steady increase in number and percentage of refunds issued through the scheme. For F.Y. 2008-09, the percentage of number of refunds issued through the scheme has gone up to approx. 19 % of the total number of refunds issued all over India.
- There has been steady increase in the percentage of successfully encashed refunds issued through the scheme.
- Audit trail and MIS on systems are available for monitoring status of issue of refunds.

5. Project Name: System integrator (SI) Project for Data base Consolidation

Project Descriptions

System Integrator project of CBDT has been purported to integrate the regional database contained in 36 Regional computer Centers (RCCs) into a Single National Database (Referred to as Primary Database Center-PDC). The SI initiative also envisages a Data Replication & Disaster Recovery Planning, by setting up the replica of PDC at Mumabi as a full-fledged Business Continuity (BCP) Site and a Disaster Recovery (DR) Site, at Chennai which will act as data storage. The DR site, however, is not expected to have ability to run applications, but will have an exact copy of the storage system as that of the Primary site. Under the SI project the data will be replicated from the Primary site to the BCP and DR sites on a regular basis. The inherent advantages of SI are:

- Managing a consolidated RCC database is simpler as compared to 36 RCCs in terms of manageability and resource cost
- Version control of software will be simple as will be applied in one RCC
- Global view of data will be available to the MIS.
- A 3-tier architecture has better scalability and unique features like; Messaging Solution.
- Infrastructure Management –ERM Solution, Anti-Virus & Data Security Solution and Data Replication Solution.
- The Project has an inbuilt flexibility and capability to scale up hardware requirements keeping the future growth requirement of the department

Achievements:

- Roll-out of all 36 RCCs (Regional Computer Centers) has been successfully completed by 31st December 2008 and the entire data of RCCs migrated into PDC (Primary Data Center).
- "Commissioning" of the project has been completed by 31/05/2009 after data consolidation.
- The BCP site at Mumbai and DR site at Chennai have become operational during FY 2008-09.

6. Project Name: E-Payment

Project Features

- All Direct Taxes e.g. Income Tax, Corporate tax, FBT, BCTT (TDS, Advance tax, self assessment tax) paid online using net banking facility.
- Ease of payment: anytime, anywhere
- Data quality can be monitored effectively.
- Credit for taxes given efficiently.

Achievements

- With effect from 1st April, 2008, e-payment of direct taxes has been made mandatory for all Companies and 44AB cases.
- e-payment can be made using net banking account of the taxpayer or any other account.
- E-payment facility has been now extended by 30 out of 32 agency banks which are now facilitating e-payment.
- In F.Y. 2009-10, an amount of Rs. 2,26,706.01 crores came through e-payment. This is more than 73 % of the total gross direct tax collection of Rs. 2,93,269.86 crores made during 01.04.2009 to 07.01.2010.. The number of e-payment challans for the F.Y. 2009-10 was 70,50,351 which was approximately 36.85% of the total number of tax payment challans (1,91,29,467) for the year.

7. Project Name : E-TDS

Project features

- Filing of e-TDS Returns has been made compulsory for following categories of tax payers: -
- All Corporate deductors
- All 44AB deductors
- All Govt. deductors both Central and State Govt.
- For all deductors where number of deductee records are more than 50.
- Return filed through electronic media with NSDL /TIN –FC of NSDL.

Achievements

- Base of tax deductors has increased from 9.3 lakh in FY 2007-08 to 12.93 lakh upto Q3 of FY 2009-10.
- Overall PAN quoting has improved from 51% for F.Y. 06-07 to 90% for F.Y. 2008-09.
- Challan matching with OLTAS has improved to 91% in FY 2008-09.
- PAN ledgers have been issued to about 50 lakh assesses, for Assessment Year 2008-09 and AY 2009-10, which include more than 12 lakh assesses who have filed IT returns through electronic mode.

8. Project Name: OLTAS (Online Tax Accounting System)

Project Descriptions

OLTAS project was designed to integrate online tax payments made by tax payers directly into designated banks to the running ledger accounts of tax payers maintained by the department for tax credit. The project objective was to do away the paper trail for tax credit and paper validation system. The scheme was uniquely placed to reduce the tax payers grievances and hence OLTAS project has been one of the landmark e-governance initiatives undertaken by the department.

- All payments made in bank are uploaded on T+3 bases.
- Cash payment can be mapped with the bank and the assessee with PAN irrespective of the place of payment.
- Country wide 32 agency banks and their 13000 branches including 3 private sector banks are authorized by the RBI for collecting the tax payments.

Achievements

- OLTAS is now fully operational and is being implemented in close coordination with RBI, Agency Banks and NSDL.
- The collecting and nodal branches of banks can verify the status of the tax payment data transmitted by them to TIN through TIN website tin-nsdl.com.
- The taxpayers can also verify their tax payments through Challan Status Enquiry at the TIN website, on the basis of TAN/CIN (Challan Identification Number). Challan Identification Number under OLTAS is a unique combination of BSR Code of the bank/branch, Date of deposit and Challan serial number.
- OLTAS Dashboard facility was introduced through TIN website for the Finance Minister, senior functionaries of CBDT and Cadre Controlling Chief Commissioners of Income Tax, for monitoring direct tax collections on a daily basis. This facility is being augmented and being extended to all Chief Commissioners in the country.

- Enhanced OLTAS Instruction No. 31 was released which gives view of collection on Departmental Application to AO/Range Head/CIT/CCIT based on PAN/TAN jurisdiction, irrespective of place or mode of payment. This facility has been made available up to the level of Assessing Officer.
- With effect from 01.06.2008, Computerized acknowledgement receipt to the taxpayers has been made operational for the tax payments.
- File validation instructions have been installed in the software of all collecting banks to ensure better data quality.
- In about 98 % of total cases, correct PAN and TAN is being quoted in the challans, which shows definite improvement in quality of tax payment as well as e-payment data linked by the agency banks.

9. Project Name- Annual Information Return (AIR)

Project Description

AIR is a tool for collecting 'high value financial transaction' information in a structured manner, through computer media with PAN as unique identifier for ensuring tax compliance, widening and deepening of tax-base, creating a tax-payer profile and to lead to Data warehousing/ Business Intelligence. The scheme for filing of AIR by the main nerve centres of financial activities such as Banks, Credit card companies/ institutions, Companies (issuing public/rights issue of shares and bonds/debentures), Registrars of immovable property, Mutual Funds and RBI (issuing RBI bonds), has been in operation since August, 2005 in respect of specified financial transactions registered/ recorded by them during the financial year (beginning on or after April 1, 2004).

Achievements

The facility for electronic filing of Annual Information Return (AIR) has been provided both on-line (on the Tax Information Network website tin-nsdl.com) and through front offices of NSDL (National Securities Depository Ltd.) called TIN Facilitation Centres (presently available at 607 locations all over the country). For this purpose, the Return Preparation and Validation utilities have been made available on the TIN website. Further, AIR Information Booklet and FAQs have also been provided on the TIN website.

The information on transactions available in the Annual Information Returns is being uploaded on departmental systems to be utilized for generating list of non-filers, and for selecting cases for scrutiny under Computer Assisted Scrutiny Selection (CASS). The information is made available to AO/ Range head/CIT/CCIT for use/monitoring in scrutiny assessment proceedings as well as for aiding recovery efforts. The information is also made available to Income Tax enforcement authorities such as Directorates of Investigation and Directorate of Intelligence for investigation and tax-payer profiling.

The PAN quoting ratio has improved during successive years:

FY 2004-05:	35.59 %
FY 2005-06:	61.65 %
FY 2006-07:	62.70 %
FY 2007-08:	69.90 %
FY 2008-09:	68.51 %

Online View has been provided on the TIN website to the AIR Filers, to show the status of AIR files uploaded/ submitted by them, i.e. whether (Accepted/ Rejected/ Duplicate etc.). Further, a feedback is provided to the AIR filers on the total no. of Invalid PANs in the AIR furnished by them, as well as the details of such invalid PANs and the corresponding record nos. in the AIR.

Securities Transaction Tax (STT) Returns

Securities Transaction Tax (STT) was introduced by Finance Act, 2004. The STT returns are proposed to be utilized through TIN (i) for processing by the jurisdictional AO and (ii) for populating the transacting party data into the ITS (Individual Transactions Statement) of the transacting party (on the basis of PAN of the transacting party) for verification with the return. This project is under development.

10. Project: Change Management

Project Descriptions and Progress

The computerization in the Income Tax department is being strengthened by imparting training on ITD Applications in the new environment to all officers and one staff per Assessing Officer. Change management is a project undertaken by the Income tax department to facilitate the technology driven change, Institutionalize e-learning and set up a Knowledge Management System for continuous training process.

- To impart training and develop toolkits for change management M/s NIIT- Hewitt Associates Consortium has been awarded contract for training. Change Management Training (CMT) for officers above Addl. Commissioners has been completed in March 2009. For ITD (Application) training has also started in Q2 of FY 2009-10 and entire ITD training is scheduled to be completed by end of the FY 2009-10.

11. Project: Aaykar Samparak Kendra (ASK)

Project description

(i) Providing the taxpayers and all other, access to information on various aspects of income tax and other Direct taxes of India.

(ii) Services such as dispensing through fax or e-mail forms for income tax returns, PAN/TAN application and/or challans for payment of taxes, answering queries on status of PAN and TAN applications.

(iii) A facility to register grievances on telephone or through email that will be resolved in specified time frames.

Achievements

	Call received	Call answered	Call success ratio
Q1→April to June 09	1,13,426	1,13,199	99.8%
Q2→July to September 09	1,36,416	1,35,466	99.45%
Q3→October. to December 09	92,639	92,468	99.82%

12. Project: IT Website/http://incometaxindia.gov.in

Project description

- Provides general information to taxpayers on the department and its activities; the field offices have also got their independent pages.
- Provides tax law related information like Acts, Rules, Circulars, notifications etc. by making them available online.
- Provides e-services by acting as an umbrella website which links to various services like e-filing of returns, PAN, TAN, TDS, online tax payment, view tax credit etc.

Achievements

- Website has more than 1,250 visitors on average daily during FY 2009-10.
- Total hits are between 13 lakhs to 30 lakhs per day, being higher during the months when return filing is done.
- The current Website is also undergoing a revamp including enhancing content, introducing new functionalities and making the Website more citizen-centric and user friendly.

13. Project: 'Sevottam' - for An Integrated Delivery of Services.

1. "Sevottam" is an integrated model for excellence in delivery of services by a Government Department. The initiative was taken by department of administrative Reforms & public Grievances (DAR&PG) and a road map for implementation of the project was prepared by the PMO. The Income Tax Department was one of the ten departments chosen for implementation of "Sevottam". After an organization achieves excellence in service delivery as per norms, a certification under IS 15700:2005 is to be obtained from Bureau of Indian Standards.
2. The Income Tax Department has prepared a blue print wherein three modules of Sevottam i.e. (i) Implementation, monitoring and review of Citizens' Charter (ii) Receipt, redressal and prevention of public grievances and (iii) Service delivery capability; were discussed in detail and a process document was prepared document was prepared for setting up of Tax payer Service Centers (TPSCs), which would be a single window computerized service mechanism for centralized receipt, registration and distribution of dak. The software would also provide online tracking mechanism for each and every dak receipt and its constant monitoring at all levels of hierarchy.
3. A revised Citizens Charter has been prepared in March, 2007 containing details of services provided, performance standards of service, grievances redressal and expectations from taxpayer to avail of the services. This Charter, has been finalized after obtaining the views of various stakeholders under the Sevottam Scheme.
4. To monitor standards of services defined in the Citizens' Charter, the Taxpayer Service Centers (Now called Aayakar Seva Kendra- ASK) are being set-up in various buildings of the Income-tax Department. The pilot of ASK Centres at Pune, Kochi & Chandigarh have already been made functional. A logo – branding the services has also been finalized and displayed at ASK. While making these centers functional, it was decided that all the paper returns of income would also be received at Aayakar Seva Kendras. There has been a learning from these pilot stations and the design of the ASK is being standardized for replication in other buildings. Efforts are being made to create taxpayer lounge at ASK to provide more facilities to the taxpayers i.e. facilitation counter to be manned by Tax Return Preparers (TRPs), availability of all forms and publications brought out by the department, receipt of PAN/ TAN applications by NSDL etc In the first phase of roll-out, it has been decided to set up ASK Centres in CCsIT regions of Surat, Dehradun,
5. Udaipur, Chennai, Ludhiana, Hyderabad, Ahmedabad, Bhubaneswar, Guwahati and Kolkata. The work of identification of buildings has already been completed. The other preparatory work e.g. standardization of civil work, providing of nodes, hardware etc. is in progress. All out efforts are being made to apply for certification IS 15700:2005 to Bureau of Indian Standards (BIS) for the 3 pilot stations of Pune, Kochi & Chandigarh.

Table 3.15

PAN Allotment

Year	2004-2005	2005-2006	2007-2008	2008-2009	2009-10 till 31.12.2009
Allotment	63,73,028	58,98,470	79,48,426	1,59,41,833	1,02,05,277

Table 3.16: Achievements on ECS Refund-Refund Banker Project

Year	Paper Cheques	Elec-tronic Refunds (ECS)	Total	Per-centage of ECS refunds
F.Y. 06-07	20,220	6,480	26,700	24.27 %
F.Y. 07-08	2,45,673	1,41,536	3,87,209	36.55 %
F.Y. 08-09	4,09,223	4,56,916	8,66,139	52.75 %
F.Y. 09-10 (till 31.12. 2009)	3,68,879	5,06,774	8,75,603	57.87%

Table 3.17 Status of e-TDS and e-TCS Filing

TDS Returns for	e-TDS return received	e-TCS return received
2006-07 Quarter I	6,16,288	11,294
2006-07 Quarter II	6,45,752	11,962
2006-07 Quarter III	6,63,070	12,407
2006-07 Quarter IV	8,30,105	13,741
2007-08 Quarter I	7,51,188	13,656
2007-08 Quarter II	8,24,355	15,456
2007-08 Quarter III	8,58,112	16,180
2007-08 Quarter IV	11,26,103	17,956
2008-09 Quarter I	8,98,895	17,084
2008-09 Quarter II	9,33,412	17,781
2008-09 Quarter III	9,36,845	17,370
2008-09 Quarter IV	12,01,353	19,323
2009-10 Quarter I	6,57,285	14,270
2009-10 Quarter II	5,94,646	14,031

4.19 Business Process Re-engineering

The Finance Minister in his budget speech of 2006 announced that IT Department will undergo business process re-engineering. A Directorate of BPR was accordingly created in May 2006 headed by an officer of the rank of Director General of Income Tax. Through a global tendering process, M/s PricewaterhouseCoopers was appointed as external consultant for the BPR project. The Business Process Re-engineering exercise was conducted by the BPR Directorate with the objective of enabling the ITD to deal with the challenges emerging from the new work environment.

The study sought to identify the bottlenecks and provide solutions in the form of redesigned processes which are simpler, efficient and will harness the advantages of the upgraded information technology which is being acquired.

The Business process Re-engineering of the Income tax Department is first such project initiated by the Government of India where a comprehensive study of such a large Department has been undertaken and changes have been recommended taking a holistic view of the Department that would fundamentally change the way the Department functions.

Most of the recommendations made in the BPR Report have been accepted by the CBDT in March 08. Thereafter some of the recommendations of the study have been approved for implementation, on pilot basis, in first phase, by CBDT in July, 2009. The Pilots of the projects are expected to be started soon and All- India roll out is expected in the next Financial year.

Pilot Projects

The CBDT has approved launch of following three Pilots

- Front Office
- Central Appeals Registry
- Record Management
- Front Office Project: Pilot project for Front Office is scheduled to be launched in various stations of varying sizes under the guidance of respective CCITs. Blue print for the project dovetailing the existing initiative of Sevottam with the Front Office has been prepared by the Directorate of BPR. The Front Office envisages a diary receipt and dispatch system involving both external and internal correspondence as well as tracking of documents. Tracking is based on the concept of Document Identity No. (DIN) as provided in the IT Act. Its success on various parameters will be evaluated by DGIT (BPR) before its all India Rollout.

Central Appeals Registry: It has been decided to implement the pilot in stations where three or more CITs (A) are located. The CCITs will constitute a panel for allocating the appeals to the CITs (A) based on workload, revenue/issue involved etc. The objective is to ensure speedy, and consistent disposal of appeals through equitable distribution of workload. Blue print for the project has been prepared by the Directorate of BPR and these pilots shall be evaluated by DG (BPR) against success criteria before the all India Rollout.

- Record Management: A Committee has been formed to finalise "Weeding Out and Archiving Policy" of the department to reflect the changing needs of the organization. The task force for finalizing the manner and information required to be captured for the new record management project will be formed thereafter. At the end of the project it will be evaluated by the DGIT (BPR) before implementing it all over India.

A steering committee under the chairmanship of the Chairman, CBDT and having Member (IT), Member (L&C), DGIT (Sys), DGIT (BPR) as members will monitor progress and grant requisite approvals for the various decisions in respect of BPR. It will be assisted by a Project Implementation Cell, which would be different for each of the pilot projects and would be headed by DGIT (BPR) and will comprise of nominees of Systems, nominees of the Stations identified for the pilot and nominees from the field along with the DITs (BPR) and Addl.DITs (BPR) concerned.

After the implementation of pilots, and their evaluation by DG (BPR), these projects will be rolled out on all India basis. Once implemented, these concepts, would go a long way in improving the enforcements functions of the Income Tax Department as well the quality of tax payer services.

4.20 New Directorates

It has also been decided by the CBDT to have Directorates for Risk Management, Continuous Improvement, TDS and PAN.

In addition to the above in order to provide synergy to the process of change, certain paras of the fourth report of ARC on "Ethics and Governance" referred by the Department of Administrative Reforms and Pensions and Grievance for implementation in the Income Tax Department, are also being implemented by this Directorate.

CBDT had constituted a committee on 15th October 2008/26.3.2009 under chairmanship of DGIT (BPR), to examine feasibility, suggest ways & means to implement the feasible aspects of the report in ITD and to prepare an Approach Paper and a road map for implementing the feasible aspects of the report.

It may be mentioned that few new initiatives already under implementation are in line with the ARC recommendations. Certain new proposals included in the draft paper were approved by CBDT in its meeting on 4.11.2009 for implementation in the department. Some of the important proposals para wise are briefly summarized below.

Para 6.2 of ARC report: Promoting Competition

i. Skill up gradation through continuous training including training in outside institutions.

Para 6.3 of ARC report: Simplifying Transactions

i Regular review of time limits by an institutional mechanism

ii Departmental website' (restricted access) should also have minutes of Board Meetings & Video conferences

iii Existing time lines should be reviewed in areas such as – vigilance, administrative permissions/ sanctions

Para 6.7 Reducing discretion is however not applicable to this department in view of quasi-judicial functioning of the department.

Para 6.9 of ARC report: Ensuring Accessibility and Responsiveness

i. Regular dissemination of information regarding jurisdiction & powers of officers and rights of taxpayers

ii. Study to assess efficiency of outsourcing of PAN.

iii. To prevent under assessment – Enhanced focus on human resources upgradation of professional skills, speedy dissemination of information collected from other agencies to field officers and a strong system of internal regulatory mechanism required

Road map for implementing the above proposals is being prepared by a committee under a CCIT. The implementation is expected to Roll Out in the next financial year i.e. 2010-2011

4.21 Grievance Redressal Machinery

The Income-tax Department has 3- tier Grievance redressal machinery as below:

(i) Central Grievance Cell under Chairman, Central Board of Direct Taxes. This cell functions directly under an officer of the rank of a Director to the Government of India.

(ii) Regional Grievance Cell under each Chief Commissioner/ Director General of income-tax. In places like Delhi, Kolkata Mumbai where there is more than one Chief Commissioner, the Regional Grievance Cell functions under the Chief Commissioner-I.

(iii) Where no Chief Commissioner of Director General is posted, Grievance Cell functions under the Commissioner of Income Tax.

Grievance petitions may be made on plain paper application to the Grievance Cell functioning under the concerned Commissioner or by directly approaching the concerned officer to redress the grievance, mentioning the grievance in brief to the Grievance Cell functioning under the concerned Commissioner.

If the grievance is not redressed even after a month of making the application as indicated, the applicant may address the grievance to the Regional Grievance Cell functioning under the concerned Chief Commissioner of Income Tax. Nodal Officers have been placed in charge of these Cells. Besides, there are facilitation Counters to receive grievance petitions and to assist the public.

If the grievance is not redressed by the Regional Grievance Cell within 2 months, an application may be sent to the Central Grievance Cell functioning under the Chairman, Central Board of Direct Taxes. The Central Grievance Cell is handled by the Director (Hqrs.), CBDT.

The applicant should give his name, address and PA Number so that the Grievance Cell can make further communication with him, if required.

The number of grievance disposed off by the Central Grievance Cell from January 2009 to December, 2009 : -

No. of application received	Disposed off
610	420

4.22 Central Revenue Sports Board (CRSB)

A meeting of the reconstituted Central Revenue Sports Board (CRSB) was held in the Chamber of Chairman, CBDT (Room No.150, North Block) at 3 PM on 27-11-2009. The following items were discussed:-

(i) Outgoing Executive Secretary's Report on the Activities of the Board for the year 2008-09.

(ii) Annual working plan for the year 2009-10.

(iii) Annual Budget estimate for the year 2009-10.

(iv) Appointment of auditors for the year 2008-09 & 2009-10.

5. Narcotics Control Division

5.1 Functions / working of the Central Bureau of Narcotics (CBN)

5.1.1. About Licit Opium Cultivation

As per Section 5(2) of the NDPS Act, 1985, the Narcotics Commissioner shall either himself or through the officers subordinate to him, exercise all powers and perform all functions relating to superintendence of the cultivation of opium poppy and production of opium and shall also exercise and perform such powers and functions as may be entrusted to him by the Central Government. The licit cultivation of opium poppy is permitted only in certain districts and tehsils as notified by the Central Government.

5.1.2. Control over trade of Narcotics Drugs, Psychotropic Substances and Precursor chemicals

India is a signatory to Single Convention on Narcotics Drugs, 1961, the Convention on Psychotropic Substances, 1971 & United Nations Convention against illicit traffic in Narcotics Drugs & Psychotropic Substances of 1988.

In India control over Narcotic Drugs and Psychotropic Substances and precursor chemicals is exercised through the provision of Narcotics Drugs & Psychotropic Substances Act, 1985.

Narcotics Drugs & Psychotropic Substances can only be exported out of India/imported into India under an export authorization/import certificate issued by the Narcotics Commissioner (Rule 58 and Rule 55 of the Narcotics Drugs & Psychotropic Substances Rules 1985). CBN is also assigned the responsibility for issue of registration for import of poppy seed.

CBN is also designated authority for control of import and export of specified precursor chemicals. As per EXIM Policy, 'No Objection Certificate' (NOC) is required from Narcotics Commissioner for export of Acetic Anhydride, Ephedrine, Pseudo-Ephedrine, 3-4 Methylene Dioxyphenyl 2-propanone, 1-Phenyl 2-Propanone, Methyl Ethyl Ketone, Anthralic Acid and Potassium Permanganate. Also under the EXIM policy, the import of Acetic Anhydride, Ephedrine and Pseudo-Ephedrine requires 'NOC' from the Narcotics Commissioner.

Central Bureau of Narcotics is also exercising administrative control over import of Heliotropin (Piperonol), Ergometrine Maleate/ Methy Ergometrine Maleate, Ergotamine Tartrate and Norephedrine (Bulk).

Central Bureau of Narcotics also issues manufacturing licence / renews the manufacturing licence for manufacture of synthetic narcotic drugs, no objection certificate for export of Ketamine.

5.1.3 Achievements

(i) No. of NOC's issued by Central Bureau of Narcotics during the year 2008-09 (from 1-4-2008 to 31-03-2009) and for the period from 1-4-2009 to 15-12-2009 for the export/import of Precursor chemical is as under:

	From 1-4-2008 to 31-03-2009	From 1-4-2009 to 15-12-2009
No. of NOCs issued for export of Precursor Chemical	1334	1023
No. of NOCs issued for import of Precursor Chemical	91	51

(ii) CBN uses the system of Pre-Export Notification (PEN) in verifying the genuineness of the transaction. CBN had issued 1250 PEN's (During 1-4-2008 to 31-03-2009) and 912 PENs (During 1-4-2009 to 15-12-2009) to the Competent Authority of importing countries, for verifying the legitimacy of the transaction. International Narcotics Control Board (INCB) has developed Online PEN system to make exchange of information between the Competent National Authorities. Through Online PEN system, CBN has identified and stopped many suspicious transactions of Precursor Chemicals suspected to be diverted from the licit channels to illicit channels during the year under report.

(iii) No. of Export Authorization and Import Certificate issued by Central Bureau of Narcotics during

	Psychotropic Substances		Narcotics Drugs		Ketamine	
	2008-09	2009-10 (till 15-12-2009)	2008-09	2009-10 (till 15-12-2009)	2008-09	2009-10 (till 15-12-2009)
No. of Export Authorization Issued	1516	1151	236	164	120	78
No. of Import Certificate issued	144	107	89	59	N.A. (since import is not controlled)	N.A. (since import is not controlled)

the current year and previous year for the export/import of Narcotic Drugs/ Psychotropic Substances and Ketamine is as under:

(iv) Number of Manufacturing licence issued/ renewed for manufacture of synthetic narcotic drugs and number of Registrations for import of poppy seeds, issued during the above period are as under :-

Year	Registration	Manufacturing licence
2008-2009	129	17
2009-10 (till 15-12-2009)	306	18

Central Bureau of Narcotics is in the process of introducing Import Certificate /Export Authorization / No Objection Certificate (NOC) / Registration on documents having security features. India Security Press, Nasthik has provided these Authorization / Certificate having security inbuilt features.

5.1.4 Details of Seizure effected by CBN during the year 2009-10 (up to 14.12.09)

Name of Drug	Details of seizure	
Opium	Qty. (in kgs.)	40.23
	No. of cases	10
	Persons Arrested	16
Heroin	Qty. (in kgs.)	2.31
	No. of cases	2
	Persons Arrested	4
Acetic Anhydride	Qty. (in ltrs.)	13.59
	No. of cases	1
	Persons Arrested	3
Illicit cultivation of opium		
	Area (in ares)	15 ares
	Case	1
	Persons Arrested	2
Illicit Crop Destruction		
	State	Area (in Hect)
Illicit Poppy crop	J&K (Pulwama)	1110
	H.P.(Kullu)	82.3
Illicit cannabis	H.P.(Kullu) &J&K	6.010

5.1.4 Destruction of Illicit Opium Cultivation in 2009

On receipt of report about illicit poppy cultivation in the State of Arunachal Pradesh, Himachal Pradesh and Jammu and Kashmir in the year 2009, the Central Bureau of Narcotics deputed its officers for verification and survey of the land under illicit poppy cultivation in these states at different point of time. The Bureau launched several destruction operations in collaboration with other Central and State Agencies to destroy illicit opium cultivation in these States. A total of 1443.300 hectares of illicit opium poppy cultivation has been destroyed during this year.

(a) Destruction of illicit opium poppy in Arunachal Pradesh

The Central Bureau of Narcotics office at Guwahati received reports about illicit poppy cultivation in several districts of Arunachal Pradesh. Acting upon this report, a team of Central Bureau of Narcotics officers in association with local State Administration destroyed illicit poppy crop in 251 hectares in Lohit and Tirap District of the State with the help of State Administration in the month of February-March, 2009.

(b) Destruction of illicit opium poppy in Himachal Pradesh

Intelligence was received about illicit poppy cultivation in Kullu District of Himachal Pradesh. A team of Central Bureau of Narcotics officers was deputed to conduct survey and take appropriate action for destruction of illicit opium poppy crop on the detection of same. The Customs authorities were also requested to assist in the task. The team with the support of Customs and Central Excise destroyed 82.300 hectares of illicit opium poppy crop and 2.010 hectares of cannabis crop in Himachal Pradesh.

(c) Destruction of illicit opium poppy in Jammu and Kashmir

Reports were received about illicit poppy cultivation in Pulwama District of Jammu and Kashmir. A team of officers of Central Bureau of Narcotics in association with Customs destroyed illicit poppy crop in 1110 hectares and cannabis in 4 hectares. The Jammu and Kashmir Police provided security cover to the team.

2009			
1.	Hqrs. Gwalior	Arunachal Pradesh	235 hectare of opium poppy cultivation.
2.	Hqrs. Gwalior	Arunachal Pradesh	16 hectare of opium poppy cultivation.
3.	Hqrs. Gwalior	Himachal Pradesh	82.300 hectare of opium poppy cultivation, and 2.010 hectare of cannabis.
4.	Hqrs. Gwalior	J&K (Pulwama)	1110 hectare of opium poppy cultivation, and 4 hectare of cannabis.

5.1.5 Cultivation of opium poppy and production of opium during the year 2008-09.

During the crop year 2008-09, 509 Metric Tonnes (provisional) of opium at 70 degree consistence was procured. The average yield at 70 degree consistence on basis of provisional results received from MP, Rajasthan and UP for the crop year 2008-09 was 56.66, 58.71 & 59.08 kgs/hectare (provisional) respectively. The All India average yield during 2008-09 was 57.50 kgs/hectare at 70 degree consistency (provisional). The figures related to opium cultivation are provisional as final reports from factories for the crop year 2008-09 are awaited. The figures are for 2008-09 as the crop cycle for the cultivation of opium is October to September next year.

A chart showing details of area licensed/harvested, no. of cultivators, opium produce, average yield for the previous 5 years is at Table 3.20.

5.1.6 Enforcement of NDPS Act, 1985 :

The CBN undertakes action to prevent the illicit trafficking of Narcotic Drugs and Psychotropic Substances. It also undertakes investigation and prosecution of drug related offences, tracing and freezing of illegally acquired property of drug traffickers derived from illicit drug trafficking for forfeiture and confiscation.

During the year 2009 several significant seizures of NDPS were affected by Central Bureau of Narcotics.

(1) On 20.03.2009, on the basis of a secret information, a preventive party of Central Bureau of Narcotics effected a seizure of 0.500 kgs of Heroin from two persons. The seized Heroin was secreted in a white polythene tied on the stomach of one of the accused. Prompt follow-up action was conducted which led to a further arrest of three more persons believed to be the alleged source and receiver of the seized drugs.

(2) On 12.04.2009, acting on a secret information, CBN staff intercepted two persons on a Hero Honda Motorcycle and recovered 21.500 kgs of Opium from their possession. One more person was subsequently arrested in the follow-up action in the instant case.

(3) On the basis of a specific information, a preventive party of CBN, UP unit effected a seizure of 13.590 kgs of Acetic Anhydride (a precursor chemical used in the manufacture of Heroin) on 17.11.2009 from the possession of one person. Urgent follow-up action was conducted in the case which led to a further arrest of two more persons in the seizure case

During the financial year 2009-10, a total number of 14 cases were booked by CBN, 26 persons were arrested and 5 vehicles were seized in this regard. A total of 82.300 Hectares of illicit Poppy cultivation and 2.010 Hectares of illicit Cannabis crop was destroyed in Himachal Pradesh and a total of 1110.000 Hectares of illicit Poppy cultivation and 4.000 Hectares of illicit Cannabis crop was destroyed in Jammu and Kashmir by CBN during the current financial year.

The relevant statistical details of seizures and cases booked by CBN during the financial year 2009-10(upto 14.12.2009) and seizures effected from the year 2006 to 2009 (upto 15.12.2009) are enclosed herewith as at Table 3.18 and 3.19.

5.1.7 Other highlights of performance and achievements during the year 2009-10.

Celebrations of International Day against Drug Abuse and Illicit Trafficking by Central Bureau of Narcotics:

Central Bureau of Narcotics (CBN), Gwalior, a Central Government Drug Enforcement Agency, on the occasion of "International Day against Drug Abuse and Illicit Trafficking" which falls on 26th June, 2009 organized a series of events over a period of one month to create enhance awareness against Drug Abuse. The campaign launched by the CBN on 26.06.2009 included a visit to the yoga camp organized under the aegis of the Patanjali Yog Peeth to familiarize the participants with specific yoga exercises which can help people overcome dependence on drugs. It was expected that the participants who came from the different regions and sections of the society shall render necessary assistance to the needy around them, besides spreading awareness about the ill effects of drug abuse. Slogans and messages were propagated through the print and electronic media to seek cooperation of the public to fight the menace of

Table 3.18.

Number of Persons convicted/ acquitted in CBN cases decided by various Court during the financial year 2009-10:

Financial year	Total no. of persons who were facing prosecution	Total no. of persons convicted	Total no. of persons acquitted	Conviction rate (%)
2009-10	78	39	39	50%

Number of Cases convicted/ acquitted in CBN cases decided by various Court during the financial year 2009-10:

Financial year	Total no. of cases decided	Total no. of cases in which conviction was ordered	Total no. of cases in which accused were acquitted	Conviction rate (%)
2009-10	43	29	14	67.4%

Table 3.19 Seizures effected by CBN from the year 2008 & 2009			
Type of		2008	2009
Drug/Substances			Upto 15-12-2009
Opium	Quantity (In kgs.)	61.620	48.38
Opium	Quantity (In kgs.)	61.620	48.38
	Cases	9	13
	P.A.	18	21
Morphine	Quantity (In kgs.)	0.5	
	Cases	1	
	P.A.	3	
Heroin	Quantity (In kgs.)	4.76	3.08
	Cases	7	4
	P.A.	12	11
Ganja	Quantity (In kgs.)	4580.75	14.5
	Cases	1	1
	P.A.	2	6
Charas	Quantity (In kgs.)	6.05	
	Cases	1	
	P.A.	1	
Poppy Husk	Quantity (In kgs.)	200	647.6
	Cases	1	3
	P.A.	2	2
Acetic Anhydride	Quantity(in Kgs.)	1766.07	68.49
	Cases	5	2
	P.A.	13	4
Alprazolam	Quantity (In kgs.)	112.4	
	Cases	1	
	P.A.	5	
Nitrazepam	Tablets	4950	
	Cases	1	
	P.A.	1	
Ephedrine	Tablets	0.002	
	Cases	-	
	P.A.	-	
Illicit Poppy Cultn.	Area (In Sqm)/Plant		15 ares
(in Poppy Cultn.	Cases		1
Area)	P.A.		2
Illicit Poppy Cultn.	Area (in Hect)		
	Arunachal Pradesh	443.75	251
	West Bengal		
	J&K (Pulwana)		1110
	Uttarakhand	152	
	Kullu(H.P.)		82.3
canabis	Kullu(H.P.)&J&K		6.010
Heroin formula		1.2	

* Two accused persons are involved in two cases effected by the Hqrs. Office as well as DNC office, Lucknow

Table 3.20

Table showing area, number of villages, cultivators licensed / harvested, quantity of opium produced, average opium yield, total payment made to cultivators and average cost of opium paid to the cultivators during the last five years

Name of the Unit	CROP SEASON 2004-05	2005-06	2006-07	2007-08	2008-09 (Prov.)
AREA LICENSED/HARVESTED IN HECTARES					
Madhya Pradesh	4236/3876	3637/3500	3416/3294	2830/1518	6556/5257
Rajasthan	4354/3918	3492/3411	2824/2616	1844/1131	4458/3594
Uttar Pradesh	180/39	123/65	29/3	6/4	6/2
Total	8770/7833	7252/6976	6269/5913	4680/2653	11020/8853
NUMBER OF VILLAGES LICENSED HARVESTED					
Madhya Pradesh	1228/1218	1128/1128	1049/1049	901/847	879/879
Rajasthan	1368/1338	1211/1211	1001/998	691/666	629/623
Uttar Pradesh	161/87	105/84	31/9	9/7	5/3
Total	2757/2643	2444/c423	2081/2056	1601/1520	1513/1505
NUMBER OF CULTIVATORS LICENSED/ACTUALLY HARVESTED					
Madhya Pradesh	42351/39215	36352/35799	34151/33538	28286/15860	27462/25722
Rajasthan	43532/39406	34909/34614	28233/26659	18439/11727	17337/15769
Uttar Pradesh	1787/396	1217/706	274/35	50/41	22/11
Total	87670/79017	72478/71119	62658/60232	46775/27628	44821/41502
OPIUM PRODUCED (IN TONNES) AT 70°C					
Madhya Pradesh	234	226	207	103	298
Rajasthan	221	213	150	73	211
Uttar Pradesh	2	3	0.046	0.199©	0.078
Total	457	442	357	176	509
AVERAGE YIELD PER HECTARE AT 70°C (IN KGS.)					
Madhya Pradesh	60.37	64.46	62.87	67.73	56.66
Rajasthan	56.45	62.44	57.54	64.59	58.71
Uttar Pradesh	42.48	41.20	17.25	49.83©	59.08
All India	58.34	63.36	60.38	66.41	57.50
PAYMENT TO CULTIVATORS (IN LAKH RUPEES) (rounded off)					
Madhya Pradesh	3141	3298	2926	1580	3655
Rajasthan	2845	2946	1986	1126	2676
Uttar Pradesh	10	18	0.34	2©	1
Total	5996	6262	4912	2708	6332
AVERAGE COST OF OPIUM PAID TO THE CULTIVATORS PER KG.					
Madhya Pradesh	1353	1474	1422	1522	1344
Rajasthan	1302	1415	1331	1532	1389
Uttar Pradesh	837	746	838	919©	1143
Total	1312	1417	1376	1537	1244

Figures with respect to UP Unit for the crop year 2007-08 are provisional as final report is awaited.
Note: Figures have been rounded off to nearest decimal.

drug abuse. The other events organized by the CBN included Painting and Essay writing Competitions and a debate on "Use and Abuse of Drugs". As a special gesture of their commitment towards this noble cause, the officers of CBN participated in a motorcycle rally on 27.07.2009 which passed through different parts of the city, to mobilize public opinion against abuse of drugs which in the recent past have assumed alarming proportions worldwide.

The month long events were concluded on 27.07.2009. During a function organized in the Headquarters of CBN at Morar, Gwalior to mark this occasion, the Narcotics Commissioner Smt. Jagjit Pavadia lauded the efforts made by the officers of CBN and gave away prizes to the winners of various competitions. She also appealed to the officers to put in, on continuous basis, their best efforts for realizing the dream of a society free from drug abuse.

Similarly, the Uttar Pradesh Unit of CBN organized a Car and Motor Cycle Rally on the occasion. Further, a Nukkad Natak with collaboration of Song and Drama Division 'New Delhi' was performed at five different places.Talented artists of M/s Atmajeet Singh and party performed their role very convincingly and attracted substantial number of public and sensitized them of the ill effect of drug abuse. The staff of Rajasthan Unit of CBN also displayed posters and distributed pamplets to the public. Banners displaying different messages regarding Drug Abuse and Illicit Trafficking were placed at prominent places of Kota such as Bus Stand, Railway Station etc. Pamplets were also distributed in Schools, Colleges and different coaching institutions.The Madhya Pradesh Unit also celebrated the occasion in the same spirit.

5.1.8 Public grievances set-up functioning in the Department

In order to redress various grievances of opium poppy cultivators, Public Grievance Committees have been formed at the Headquarters of Unit Dy. Narcotics Commissioner at Neemuch, Kota and Lucknow.

5.1.9 Action taken for abatement of pollution as well as environmental initiatives taken

To make our environment cleaner and healthier, saplings of various trees were planted in the Narcotics campus at the headquarters office Gwalior as well as at the Unit Headquarters for abatement of environmental pollution. Infrastructure is also being created for rain water harvesting.

5.1.10 Gender Issues/Empowerment of Women

A Complaint Committee has been set up in the Headquarters of Madhya Pradesh, Rajasthan and Uttar Pradesh Unit to look after the complaints of the working women in respect of any type of harassment of women at work place.

No representation or complaint has been received from any employee regarding discrimination on ground of sex.

5.1.11 E-Governance Activities

As regards, E-Governance activities, it is stated that various instructions of the Government on issue of e-governance are noted for compliance and necessary action. Use of CCTV's at Settlement and weighment centers was also successfully carried out.

Computers have been provided, all most, in each section and have been interconnected through Network. All urgent reports or replies to the references received from the Ministry are forwarded to the Ministry of Finance, New Delhi through e-mail as far as possible.

The Central Bureau of Narcotics web site has been updated and all the application forms for issue of export/import authorization for export/import of psychotropic substances/precursor chemicals and controlled substances can be downloaded from the CBN website: www.cbn.nic.in.

5.2 Government Opium and Alkaloid Works (GOAW)

5.2.1 Chief Controller of Factories

The Government Opium & Alkaloid Works (GOAW) are engaged in the processing of raw opium for export and manufacturing opiate alkaloids through its two Factories viz Govt. Opium & Alkaloid Works (GOAW) at Ghazipur (U.P.) and Neemuch (M.P.). The Products manufactured at GOAW are mainly used by pharmaceutical industry of India for Preparation of cough syrup, pain relievers and tablets for terminally ill cancer and HIV patients. The GOAW are administered by a High Powered Body called the "Committee of Management" constituted and notified by the Government of India in 1970. The Additional Secretary (Revenue), Department of Revenue, Ministry of Finance is the Chairman of the Committee of Management. An officer of the rank of Commissioner/ Joint Secretary is the Chief Controller of Factories who heads the Organisation and each of the two factories at Neemuch and Ghazipur are managed by a General Manager of the rank of Additional Commissioner/ Director. The Marketing and Finance Cell of the factories is located at New Delhi. Each of the factories comprise two units – the Opium Factory and Alkaloid Works. The Opium Factories undertake the work of receipt of opium from the fields, its storage and processing for exports and domestic consumption. The Alkaloid Works are engaged in processing raw opium into alkaloids of pharmacopoial grades to meet the domestic demand of the pharmaceutical industry. The GOAW have employed a total work force of about 1400 people at its two opium and alkaloid plants. The work force comprises of officials and staff drawn from the Central Board of Excise and Customs, Central Bureau of Narcotics, Central Revenues Control Laboratory, apart from personnel selected by the Union Public Services Commission directly. The security aspects of these factories are looked after by Central Industrial Security Force (CISF), a paramilitary force of the Ministry of Home Affairs.

The overall performance / achievements for the previous year (2008-09) are as follows : Government Opium and Alkaloid Factories (GOAF)

PERFORMANCE OF GOAF FOR THE YEAR 2008-2009					
Sl. No.	Particulars	Unit	Production Targets	Actual Production	Percentage Increase over Targets
(1)	(2)	(3)	(4)	(5)	(6)
A.	PRODUCTION				
1	Drying of opium for Export at 90 C	MT	----	----	----
2	Manufacture of Drugs :				
	a) Codeine Sulphate	KGS.	400	0	-100
	b) Morphine Sulphate	KGS.	300	316	5
	c) Codeine phosphate (I.P.)	KGS.	9997	10607	6
	d) Dionine	KGS.	500	381	- 31
	e) Pure Thebaine	KGS.	734	601	- 22
	f) Noscapine BP	KGS	3230	2987	- 8
	g) Pholcodine	KGS	250	158	- 58
	Total Finished Drugs	KGS	15411	15050	- 2
	h) IMO Powder	KGS.	3000	3675	23
	i) IMO Cake	KGS.	1890	1890	0
	j) Papavarine S.R.	KGS	----	1448	100
3.	i) C.P. Import for Domestic Market		29000		
	ii) Import for Vendor Specific				
	a) Codeine Phosphate U.S.P.	KGS.		11820	
	b) Theabine	KGS		100	
	Total (ii)			**11920**	
B.	SALES				

Sl. No.	Particulars	QTY. (Kgs)	SALES (Rs/Crores)
(1)	(2)	(3)	(4)
1	Export of opium	421327	175.01
2	Domestic Sale of Drugs :		
	a) Morphine salts	215	1.08
	b) Codeine Phosphate (I.P. + import)	36276	119.71
	c) Dionine	402	2.16
	d) Pure Thebaine	265	1.13
	e) Noscapine B.P.	2426	8.49
	f) Papavarine S.R.	1100	0.22
	g) Pholcodine	137	0.63
	h) IMO Powder	6079	2.78
	i) IMO Cake	1490	0.58
	Total	48390	136.78
3	Sale of Imported Drugs (Vendor Specific)		
	a) Codeine Phosphate U.S.P.	11820	25.27
	b) Thebaine	100	0.35
	Total (a+b)	11920	25.62
	Grand Total (1+2+3)	481637	337.41

C	COUNTRY WISE EXPORT OF OPIUM (excluding IMO Powder & Cake)				
	Unit	USA	FRANCE	JAPAN	TOTAL
	Ghazipur	190	0	82	272
	Neemuch	142	7	0	149
	Total	332	7	82	421
D	OPIUM CHARGED FOR PRODUCTION				(Qty. in MTS at 90° C)
	OF DRUGS:				137.229
E	REVENUE RECEIPTS (ON REALISATION BASIS)				(Rs. in crores)
	Unit		Opium	Alkaloid	Total
			Factories	Works	
	Ghazipur		129.98	57.42	187.40
	Neemuch		45.45	81.44	126.89
	Total		175.43	138.86	314.29

Similarly, the achievements during the period April to November of current year 2009-2010 are as follows: -

ACHIEVEMENT OF CCF ORGANISATION UP TO THE MONTH OF NOVEMBER 2009 WITH COMPARATIVE DATA OF PREVIOUS YEAR i.e. 2008 FOR THE SIMILAR PERIOD

Sl. No.	Particulars	Unit	Actual Production Up to November		% age increase over previous year
			2008-09	2009-10	
(1)	(2)	(3)	(4)	(5)	(6)
A.	PRODUCTION				
1	Drying of opium for Export at 90 C	MT	8	168	
2	Manufacture of Drugs :				
	a) Codeine Sulphate	KGS.	-----	66	100
	b) Morphine salts	KGS.	189	41	- 361
	c) Codeine phosphate	KGS.	6028	5599	- 8
	d) Dionine	KGS.	238	254	6
	e) Pure Thebaine	KGS.	261	322	23
	f) Noscapine BP	KGS	1479	1313	- 13
	g) Pholcodine	KGS	87	119	37
	h) Papavarine S.R.	KGS	793	931	17
	i) IMO Powder	KGS.	1540	2285	48
	j) IMO Cake	KGS.	905	990	9
	Total Finished Drugs	KGS	11520	11920	3
3.	i) Import for Domestic Market		13000	2000	-550
	ii) Import for Vendor Specific				
	a)Codeine Phosphate U.S.P.	KGS.	4700	10600	126
	b) Theabine	KGS	0	0	
	Total (ii)		4700	10600	

B.	SALES				
Sl. No.	Particulars	2008-09		2009-10	
		Qty. (Kgs.)	(Rs./ Crores)	Qty. (Kgs)	(Rs./ Crores)
(1)	(2)	(3)	(4)	(5)	(6)
1	Export of opium on accrual basis	282233	114.16	236087	(*) 95.13
2	Domestic Sale of Drugs : (on actual basis)				
	a) Codeine Sulphate	----	----	131	0.61
	b) Morphine salts	178	0.89	153	0.77
	c) Codeine Phosphate (I.P. + import)	16500	54.45	11980	39.53
	d) Dionine	314	1.69	256	1.38
	e) Pure Thebaine	165	0.70	325	1.38
	f) Papavarine	750	0.15	1153	0.21
	g) Noscapine BP	1464	5.12	1345	4.71
	h) Pholcodine	87	0.40	121	0.56
	i) IMO Powder	3330	1.38	1902	0.83
	j) IMO Cake	927	0.36	1567	0.61
	Total	**23715**	**65.14**	**18933**	**50.59**
3	Import (Vendor Specific)				
	a) Codeine Phosphate U.S.P.	4700	11.69	9400	22.43
	b) Cod. Phos. Hemihydrate	----	----	0	0
	c) Thebaine	100	0.04	0	0
	Total	4800	11.73	9400	22.43
	Grand Total (1+2+3)	310748	191.03	264420	168.15

* Provisional figures.

C COMPARATIVE COUNTRY WISE EXPORT OF OPIUM (upto November of each financial year)

(Qty. in MTS) at 90 C

2008-09						
Ghazipur	173	0	0	50	0	223
Neemuch	52	7	0	0	0	59
Total	225	7	0	50	0	282
2009-10						
Ghazipur	0	0	0	61	0	61
Neemuch	175	0	0	0	0	175
Total	**175**	**0**	**0**	**61**	**0**	**236**

D COMPARATIVE REVENUE RECEIPTS ON REALISATION BASIS (upto November of each financial year)

(Rs. in Crores)

Unit	Opium Factories	Alkaloid Works	Total
2008-09			
Ghazipur	78.83	7.52	86.35
Neemuch	35.73	56.73	92.46
Total	114.56	64.25	178.81
2009-10			
Ghazipur	28.38	13.93	42.31
Neemuch	86.20	37.03	123.23
Total	**114.58**	**50.96**	**165.54**

(E) The air pollution as well as water pollution at the factories, due to processing of Opium/Alkaloids, is kept under strict control by implementing various measures laid down by the Pollution Control Boards of the concerned States. The disposal of effluents is made as per the guidelines and instructions of the concerned Boards. At both factories, Effluent Treatment Plant is operational.

5.2.2 E-Governance Activities

The Organization of Chief Controller of Factories has launched its own website which contains complete information about the organization, its activities, contact details, etc. All tenders for procurement of material and services are timely loaded in the website for information and participation of the manufacturers / suppliers. The organization has also arranged to display various information pertaining to production of drugs, sale of drugs, etc. through internet. Placing of various other information for information of the concerned authorities have also been taken up and likely to be provided soon through internet.

6. Central Economic Intelligence Bureau

6.1 Organisation and Functions

6.1.1 The Central Economic Intelligence Bureau is the nodal agency on economic intelligence. It was set up in 1985 for coordinating and strengthening the intelligence gathering activities, and enforcement action by various agencies concerned with investigation into economic offences and enforcement of economic laws.

6.1.2 The Bureau is headed by a Special Secretary cum Director General who is assisted by Deputy Directors General, Joint Secretary (COFEPOSA), Assistant Directors General, Under Secretaries, Senior Technical Officers and other staff. The Bureau has a sanctioned strength of 113 officers & staff.

6.1.3 In terms of its existing charter, the CEIB functions as the Secretariat for the Economic Intelligence Council (EIC) and as the coordinator and repository of economic intelligence (ECOINT). It also implements the COFEPOSA Act.

6.1.4 The Bureau supervises and monitors the functioning of 22 Regional Economic Intelligence Councils (REICs) which are the nodal agencies for coordination at the field level and have been constituted amongst various enforcement and investigative agencies dealing with economic offences.

6.2 Major activities undertaken by the Bureau during the current financial year (upto 10th December, 09) are as follows:-

6.2.1 The Working Group on Intelligence Apparatus pertaining to the EIC met under the Chairmanship of Revenue Secretary on 07.09.2009, wherein, inter-alia, issues pertaining to intelligence sharing and coordination, trends in economic offences and functioning of REICs were discussed for taking appropriate actions.

6.2.2 Zonal conference of the Conveners of REICs in Northern Zone was presided over by SS&DG, CEIB on 07/10/2009 at Jaipur. The conference was attended by DGIT(Inv.) / Chief Commissioner(C&CE)/IT concerned in their capacity of Convener of their respective REICs. Various problems and current issues common to the REICs were discussed and corrective steps have been taken.

6.3 Sharing of Intelligence Inputs:

CEIB has been developing and sharing intelligence inputs between concerned agencies in area related to Economic Offences.

6.4 GEI Meetings:

6.4.1 Meetings of the GEI were held on 29.06.2009 and 29.10.09. The following issues were discussed/ monitored at these meetings:

- Feedback status on Intelligence shared in GEI.
- Information on significant offenders:-
  (a) Dossier Status
  (b) Information shared by CEIB
- Status of connectivity of the SIEN Project and its use by Agencies already connected
- Identification of States/Areas for Satellite Imagery of illicit opium cultivation during the crop season 2010.
- Identification of issues for examination by GEI/ Core-Committees.

6.5 Satellite imagery of illicit poppy cultivation

6.5.1 Last year the Bureau had in coordination with ADRIN-Secundrabad, NCB, CBN, IB and the Governments of Bihar, Jharkhand, West Bengal, Orissa, Karnataka, Himachal Pradesh, Uttarakhand, Manipur, Arunachal Pradesh and Jammu & Kashmir identified areas where illicit opium cultivation was suspected. Satellite images for Phase-I & II of the crop season were shared with NCB, CBN and the respective states. CBN and NCB destroyed about 1142 hectares of illicit cultivation in the year 2009.

6.5.2 For the current year steps have already been initiated for obtaining imagery for the crop season 2009-10. On 11.11.2009 a meeting was held in the Bureau, which was attended by CBN, NCB, IB and ADRIN. States to be covered by Satellite imagery have been identified and the details communicated to ADRIN.

6.6 Foreign Currency Declarations

6.6.1. As per EIC's directions, the Bureau is receiving suspicious currency declarations from Customs Airports. These are collated and analyzed in the Bureau and the results of this analysis are shared regularly with MHA, MEA, IB, DRI, ED and FIU-IND.

6.6.2 More than 1100 CDF's have been received till 31.10.2009 and details of these have been entered into the EIB data base. These data are also shared with FIU-IND through SIEN.

6.7 Inter-Ministerial Groups

Reports of Inter-ministerial groups constituted in the Bureau on issues relating to the Dumping of Electronic Waste in India and the Rigging of Equity Capital have been finalized and/are being submitted to the Ministry. These reports contain recommendations for policy and administrative action on which Department of Revenue's decisions will be required.

6.8 Secure Information Exchange Network (SIEN) :-

- As per the directions of the EIC the Bureau was to put in place a mechanism for secure exchange of information between different agencies on a real time basis. NTRO was assigned the task of implementing and putting in place this mechanism. ADRIN Secunderabad was also involved in the project for developing the application software. The member agencies for SIEN are: DRI, DGCEI, CBDT, NCB, FIU-IND, ED, CBI, BSF, IB, and Cab. Sectt.
- Inputs are already being exchanged between CEIB, DRI, FIU-IND and BSF.
- ED, DGCEI, NCB, CAB-SEC and CBI have also been connected, however hardware equipment for the same are yet to be provided by NTRO.
- Connectivity at the remaining 2 sites has been under progress and likely to be ready for use for exchange of information on real time bases by way of data exchange, video, and secure telephonic exchange of information by the end of June 2010.

6.9 National Economic Intelligence Network database:

- Details regarding significant cases & offenders are being received from formations under CBEC, CBDT, IB BSF, ED DRI, CBI and NCB and State Police and the same are being entered into the NEIN database.
- As on date a total of 8646 cases have been entered in the database.
- Based on the details available in the NEIN database, 255 cases have been shared with FIU-IND, 93 cases with IB, 116 cases with CBDT, 15 cases with DGIT, 07 cases with DGST, 26 cases with ED, 13 cases with CBI and 04 cases with MoEF during the period.
- A total of 842 dossiers have been received. The dossiers are shared with the concerned agencies for updation and validation.

6.10 Income tax intelligence inputs

6.10.1 During the Financial Year 2009-10, the intelligence inputs received in form of telex reports from filed formations of Income Tax Department were examined and analyzed in detail. The inputs were also processed to study the modus operandi adopted by tax evaders, to study the prevailing business practices and associated tax evasion methods in such business activities and to study the regional patterns of tax evasion in different parts of India.

6.10.2 Specific information regarding tax evasion cases were gathered in a number of cases from cultivated and reliable sources and were forwarded to jurisdictional DGs (IT) for further processing and initiating action against such persons/concerns.

6.11 Administration of COFEPOSA Act

The overall administration of the COFEPOSA Act, 1974 (Conservation of Foreign Exchange and Prevention of Smuggling Activities Act) including monitoring of action taken by the State Governments is one of the functions performed by CEIB. Despite policy of economic liberalization introduced during the past few years, violations of economic laws continue to take place. The COFEPOSA Act, 1974 acts as a deterrent against menace of smuggling and foreign exchange racketeering. During the period from 1st January 2009 to 9th December, 2009, 64 Detention Orders were issued under the Act. 35 persons were, however, actually detained during this period including those against whom Detention orders were issued during this year and previous years.

6.12 Training

6.12.1 To enhance the investigative skills of officers of Department of Revenue in intelligence gathering techniques etc. the Bureau organizes training courses at various specialized training institutions. During 2009-10, the following programmes were organized:

- 'Computer and Internet Crimes' at Sardar Vallabhai Patel Police Academy, Hyderabad;
- 'Banking operations & Fiscal Law Enforcement' at State Bank Staff College, Hyderabad;
- Intelligence gathering & Intelligence tradecraft" at Military Intelligence Training School & Depot, Pune;
- "Investigating Economic Crimes in Financial Markets" at Indian Institute of Capital Markets, Mumbai
- "Intelligence Gathering & Intelligence Tradecraft" at Cabinet Sectt. Training Institute, Gurgaon
- "Intelligence Gathering & Intelligence Tradecraft" at Intelligence Bureau Central Training School, N. Delhi.

6.12.2 The Programme on 'Prevention of Insurance Frauds' at the National Insurance Academy, Pune will be held in January, 2010.

7. Directorate of Enforcement

7.1 Origin of the Directorate of Enforcement:

7.1.1 The Directorate of Enforcement came into existence in June, 1960. It has a total sanctioned strength of 745 officers/staff, with the breakup as under:-

(i)	Group 'A' officers	65
(ii)	Group 'B' officers	143
(iii)	Group 'C' officers	136
(iv)	Ministerial Staff (Gr. B & C)	214
(v)	Support Staff (Gr. C & D)	187
	TOTAL	**745**

7.1.2 With its Headquarters at New Delhi, the Directorate has 10 Zonal Offices and 11 Sub-zonal Offices at the following places:-

Zones	Ahmedabad, Bangalore, Chandigarh, Chennai, Cochin, Delhi, Hyderabad, Kolkata, Lucknow & Mumbai;
Sub-Zones	Bhubaneswar, Calicut, Guwahati, Indore, Jaipur, Jalandhar, Madurai, Nagpur, Patna, Srinagar & Varanasi.

7.1.3 The Directorate is implementing 2 statutes, viz. Foreign Exchange Management Act, 1999 (FEMA), and Prevention of Money Laundering Act, 2002 (PMLA), besides processing and recommending cases for Preventive Detention of offenders under Conservation of Foreign Exchange & Prevention of Smuggling Activities Act, 1975 (COFEPOSA) – apart from handling the residuary work, related to FERA, 1973 i.e. cases under adjudication, trial as also the pending penalties related tasks.

7.2 Role under FEMA

7.2.1 The Directorate is mandated to enforce the provisions of FEMA.

7.2.2 Cases of suspected contravention of the provisions of FEMA are detected and investigated, followed by adjudication proceedings, which are quasi judicial in nature, and which entail imposition of penalties on the offenders, besides ordering confiscation of the funds involved therein. In the matter of retention of funds abroad, without any general or special permission of Reserve Bank, the Adjudicating Authority, apart from imposition of penalty, also issues orders for repatriation of such funds to India through proper banking channel.

7.3 Role under PMLA

7.3.1 Prevention of Money Laundering Act, 2002 (PMLA) came into effect from 01st July, 2005. This is an Act to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering and for matters connected therewith or incidental thereto.

(i) FIU-IND - for collection, collation and assimilation of intelligence;

(ii) Directorate of Enforcement:-

(a) Directorate is discharging following functions

The Directorate is responsible for

(a) investigation of cases for the offence of Money Laundering, (b) Seizure or attachment of property involved in the offence of money laundering and (c) prosecuting the persons accused of the offence of money laundering.

7.3.2 However, the initiation of any action by the Directorate under PMLA is subject to registration of case of commission of specified Sheduled/Predicate Offences by the concerened Law Enforcement Agencies, viz. Police, CBI, NCB, DRI, etc.

7.3.3 The very concept of PMLA is new to the Indian system of jurisprudence. Initially, just a handful of offences under IPC and 06 other Criminal Acts were included as Scheduled offences under PMLA, recently, w.e.f. 1st June, 2009 a much larger number of Scheduled offences (about 156) under 28 Criminal Acts have been predicted/scheduled offenses under PMLA.

7.4 Performance of the Directorate for the period - 01.04.2009 to 31.12.2009

(i) Residuary FERA Cases

(i)	Cases Adjudicated	1818
(ii)	Disposal of Prosecution cases u/s 56 & 57	87

(ii) Under FEMA

(i)	Searches conducted	86
(ii)	Foreign Currency and Indian Currency seized	Rs. 1989.10 lakh
(iii)	Cases registered	492
(iv)	Investigation disposed	552
(v)	Show Cause Notices issued	298
(vi)	Cases Adjudicated	269
(vii)	Foreign Currency/Indian Currency confiscated	Rs. 208.59 lakh

(iii) Under COFEPOSA

(i)	COFEPOSA Orders issued	03
(ii)	Number of Persons detained	NIL

(iv) Under PMLA

(i)	Number of ECIRs Registered	736
(ii)	Number of persons arrested	09
(iii)	Numbers of PAOs issued	10
(iv)	Number of PAOs confirmed	11
(v)	Amount involved in confirmed PAOs	Rs. 1077.68 lakh
(vi)	Number of Prosecution launched	06

8. Set up for forfeiture of illegally acquired property

8.1 The Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 (SAFEM(FOP)A), provides for forfeiture of illegally acquired property of the persons convicted under

Table 3.21
Forfeiture of Illigally Acquired Property under NDPSA and SAFEM (FOP) A

F.Y.	No. of reports	Number of notices for forfeiture issued and value of the property involved.		Number of forfeiture orders issued and value of property involved.		Value of Sale Proceeds of Property Disposed off
		Number	Value (Rs.in Lakh)	Number	Value (Rs. in.Lakh)	Rs.in Lakh
2000-2001	491	159	2755	103	1662	201
2001-2002	228	89	7223.12	50	3202.39	107
2002-2003	995	72	1269.22	53	2498.60	18
2003-2004	1180	97	1547.75	25	977.01	51.6
2004-2005	1357	162	3251.64	25	650.93	73.67
2005-2006	607	214	10074.59	91	744.60	153.27
2006-2007	514	243	3017.27	112	868.57	2.63
2007-2008	507	210	12784.31	24	551.10	366.97
2008-2009	99	39	2065.88	28	1115.33	121.30
2009-2010 (upto 30/11/09	48	21	178.5	20	2153.20	NIL

the Sea Customs Act, 1878, the Customs Act, 1962, Foreign Exchange Regulation Act, 1947 and Foreign Exchange Regulation Act, 1974 and the persons detained under Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974. The Narcotic Drugs and Psychotropic Substances Act, 1985 (NDPSA) provides for tracing, freezing, seizure and forfeiture of illegally acquired property of the persons convicted under that Act or any corresponding law of any foreign country, and those who are detained under Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988 and Jammu & Kashmir Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988.

8.2 SAFEM(FOP) Act and NDPS Act provide for appointment of Competent Authorities for carrying out forfeiture of illegally acquired property. The offices of Competent Authorities are located at Kolkata, Chennai, Delhi, Mumbai and one unit is at Ahmedabad. SAFEM(FOP)A and NDPSA envisage establishment of an appellate forum, namely the Appellate Tribunal for Forfeited Property (ATFP) to hear appeals against the orders of the Competent Authorities. The ATFP is located at New Delhi. It consists of a Chairman who is, or has been, or is, qualified to be a Judge of the Supreme Court or High Court and two Members who are appointed from among the officers of the Central Government who are not below the level of Joint Secretary to the Government of India.

8.3 During the year 2009-2010 (up to November,2009), the Competent Authorities have forfeited property worth of Rs.2153.20 lakhs in 20 cases. The details regarding the number of reports received by the Competent Authorities from enforcement agencies, the number of show cause notices issued and the value of the property involved therein, the number of orders of forfeiture passed and the value of the property involved therein, and the value of sale proceeds of the property disposed of, year-wise, from 2000-01 to 2009-2010 (up to November, 2009) are given at Table 3.21

8.4 In ATFP, during the period from 1st January,2009 to 31st December,2009, a total number of 27 Appeals and 43 Miscellaneous Petitions under SAFEMA(FOP) A, and 36 Appeals and 25 Miscellaneous Petitions under NDPS Act, 13 appeals and 11 miscellaneous petitions under PMLA Act were filed. During the same period, 45 Appeals and 27 Miscellaneous petitions were disposed of under SAFEMA, 60 appeals and 30 miscellaneous petitions under NDPS Act and 23 appeals and 8 miscellaneous petitions under PMLA were disposed.

9. State Taxes Section

State Taxes Section of the Department of Revenue handles legislative work relating to Central Acts having significant interface with the States, including the Sales Tax Laws and Validation Act, 1956, the Central Sales Tax, 1956, the Additional Duties of Excise (Goods of Special Importance), Act, 1957 and the Indian Stamp Act, 1899. Facilitation in respect of State level Value Added Tax (VAT) issues and the issues related to Goods and Services Tax (GST) proposed to be introduced across the country are also the other significant assignments of the State Taxes Section.

9.1 State Value Added Tax (VAT)

Under Entry 54 of List II (State List) of the Seventh Schedule of the Constitution of India, "tax on sale or purchase of goods within a State" is a State subject. Introduction of State VAT to replace the earlier Sales Tax systems of the States has been one of the important tax reform measure taken on indirect tax side. The decision to implement State VAT was taken in the meeting of the Empowered Committee held on 18.06.2004, where a broad consensus was arrived at amongst the States to introduce VAT w.e.f. 01.04.2005. Accordingly, VAT has been introduced by all the States/UTs, except for the UTs of Andaman & Nicobar Islands and Lakshadweep.

Since Sales Tax/VAT is a State subject, the Central Government has been playing the role of a facilitator for successful implementation of VAT. Some of the steps taken by the Central Government are listed below:

a) A package for payment of compensation to States for any revenue loss on account of introduction of VAT has been implemented. The rate of revenue loss compensation under this was 100 percent during 2005-06, 75% during 2006-07 and 50% during 2007-08. An amount of Rs. 2558.67 crore has already been released by Central Government to States till 31st December, 2009 in Financial Year 2009-10.

b) Technical and financial support on 100% basis is being provided to North Eastern States to enable them to take up VAT related computerization. An amount of Rs. 6.06 crore has been spent on the project by 31st December,2009 in Financial Year 2009-10. Another project for computerization of VAT administration in Himachal Pradesh and Jammu & Kashmir with overall cost of Rs. 40.49 crore has been sanctioned in this Financial Year. A Mission Mode project for computerization of State VAT administrations has also been formulated.

c) 50% funding is being provided to the Empowered Committee of State Finance Ministers for implementation of the TINXSYS Project for tracking of inter-State transactions.

d) The project for up-gradation of Centre for Taxation Studies, Kerala to a national level institute of Public Finance, named Gulati Institute of Finance and Taxation (GIFT), has been sanctioned. This involves commitment financial assistance of Rs. 23.63 crores out of the total project cost of Rs. 33.13 crore.

e) Financial support had been provided to the Empowered Committee as well the States for undertaking VAT related publicity and awareness campaigns.

The experience with implementation of VAT has been very encouraging so far. The new system has been received well by all the stake-holders and the transition to the VAT system has been quite smooth. The tax revenues of VAT implementing States had registered an increase of 13.8% during 2005-2006 and about 21 % during 2006-2007. During 2007-08, the gross revenue growth in State VAT and Sales Taxes for all the States/UTs had been 15.7%, which had included a growth of about 24% in the revenue from VAT-items.

9.2 Central Sales Tax (CST)

Entry 92A of List-I (Union List) empowers the Central Government to impose tax on inter-State sale of goods. Further, Article 269 (3) empowers the Parliament to formulate principles for determining when a sale or purchase of goods takes place in the course of inter-State trade of commerce. Similarly, Article 286 (2) of Constitution empowers the Parliament to formulate principles for determining when the sale or purchase of goods takes place outside a State or in the course of imports into or exports from India. Besides, Article 286(3) of Constitution authorizes the Parliament to place restrictions on the levy of tax by the States on sale or purchase of goods, declared by the Parliament by law to be goods of special importance in the inter-State trade or commerce.

The Central Sales Tax Act, 1956 imposes the tax on inter-State sale of goods and formulates the principles and imposes restrictions as per the powers conferred by the Constitution. The Government of India has also framed the Central Sales Tax (Registration and Turnover) Rules, 1957 in exercise of powers conferred by section 13(1) of the CST Act, 1956. Though the Central Sales Tax Act 1956 is a Central Act, the States collect and appropriate the proceeds of Central Sales Tax as per Article 269 of the Constitution of India.

The CST however, being an origin-based non-rebatable tax, is inconsistent with the destination based taxation concept of VAT. Therefore, in order to continue the indirect tax reform process, consensus had been reached between Union and States on the roadmap for gradually phasing out the CST by 31.03.2010 (i.e. before the date appointed for introduction of GST). Accordingly, CST rate has been reduced from 4% to 3% w.e.f. 01.04.2007, has been reduced further from 3% to 2% w.e.f. 1st June, 2008.

A package of compensation to the States for revenue loss on account of phasing out of the CST has also been agreed to and the States are being compensated through a combination of revenue enhancing measures and budgetary support. As measures for enhancing revenue and thereby compensating the States for CST revenue loss, the facility of interstate purchases by Government Departments at concessional CST rate against Form-has been withdrawn w.e.f. 01.04.2007. Also, enabling provisions have been made for States sto levy VAT on Tobacco and Tobacco Products, for which Empowered Committee of State Finance Ministers has subsequently agreed at 12.5% VAT rate, thus integrating this item with the State VAT system. For the residual losses thereafter, the Central Government has further released Rs. 5979.65 crore to States till 31st December, 2009 as budgetary support component of compensation for the loss due to phasing out of CST in Financial Year 2009-10.

9.3 Additional Excise Duty (AED) in lieu of Sales Tax

Under the provision of the Additional Excise Duty (Goods of Special Importance) Act, 1957, AED is now levied in lieu of Sales Tax, on sugar and textiles, as part of tax rental arrangement with the States. This tax rental arrangement does not take away the Constitutional powers of the States to levy Sales Tax/ VAT on AED items; however, the States presently receive 1% share of the Divisible Pool in lieu of forgoing their right to levy Sales Tax/VAT on AED items, which a State would lose in case of levy of Sales Tax/ VAT on AED items by it. The apportionment of 1% share is based on the recommendations of the Twelfth Finance Commission and this devolution takes place under the Constitution (Distribution of Revenue) No. 5 Order, 2005.

As part of the ongoing indirect Tax reforms, it was felt appropriate to abolish the AED in a phased manner. After agreement with the Empowered Committee of State Finance Ministers, the AED had been abolished on tobacco and tobacco products w.e.f. 01.04.2007 so as to bring these under State VAT system.

9.4 Indian Stamp Act, 1899

The Indian Stamp Act, 1899 (2 of 1899) is a fiscal statute laying down the law relating to tax levied in the form of stamps on instruments recording transactions. Briefly, the scheme relating to stamp duties, provided for in the Constitution is as follows:-

a) Under Article 246, stamp duties on documents specified in Entry 91 of the Union List in Schedule VII of the Constitution (viz. Bills of Exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts) are levied by the Union but under article 268, each State, in which they are levied, collects and retains the proceeds (except in the case of Union Territories in which case the proceeds form part of the Consolidated Fund of India). At present duty is levied on all these documents except cheques;

b) Stamp duties on documents other than those mentioned above are levied and collected by the States by virtue of the Entry 63 in the State List in the 7th Schedule of the Constitution;

c) Provisions other than those relating to rates of duty fall within the legislative power of both the Union and the States under Entry 44 of the Concurrent List in the Schedule-VII.

   Stamp duties are levied by the Central Government are also collected within the States and appropriated by the States concerned in terms of the provisions of Article 268 of the Constitution of India, except in so far as collections in the Union Territories are concerned. In view of the above constitutional provisions, Section 9 of the Indian Stamp Act, 1899 authorizes the Central Government or the State Government to reduce or remit, whether prospectively or retrospectively, the duty payable on the Central or the State instruments, as the case may be.

It was decided to rationalize the stamp duty in respect of two instruments viz. Debenture and Promissory Notes, these being central instruments under the Union List Entry-91. The necessary Stamp Order notifying the rates of Stamp Duty in respect of Debentures and Promissory Notes has been issued under Section 9 (1) (a) of the Indian Stamp Act vide S.O. 2189 (E) dated 12.09.2008.

9.5 Goods and Services Tax (GST)

Introduction of GST is the logical extension of reforms in Central and States' indirect taxation aimed at avoiding double taxation and tax-cascading and thereby ensuring level field and market competitiveness of our products in national and international markets. The process of introduction of GST has been commenced with the cooperation of the Empowered Committee of State Finance Ministers, whose Terms of Reference have been expanded vide Amendment F.No.31/78/2000-ST dated 4th May, 2007 to the original Resolution, to enable the EC "To work with the Central Government to prepare a roadmap for introducing Goods and Services Tax (GST) in the country with effect from April 1, 2010 and to deal with related matters."

The EC had set up a Joint Working Group (JWG) vide No.15/45/EC/GST/2007/190 dated 10th May 2007, comprising officials of the Central Government and State Governments. The Working Group studied various models of GST existing globally and other relevant material available on the subject, including through field visits. The Group also undertook identification of alternative models and assessment of their suitability for introduction of GST in India's fiscal federal context. The JWG presented its report to the EC on November 19, 2007. This was examined by EC and their views on "A Model and Roadmap for GST in India" were communicated to the Ministry of Finance on 30.04.2008.

The views of EC had been examined in depth at the Ministry, in consultations involving the Tax Research Unit, Central Board of Excise & Customs, Commissioner Service Tax and Commissioner Central Excise also. The consolidated preliminary comments of the Department of Revenue, Ministry of Finance had been conveyed to the Empowered Committee of State Finance Ministers. EC has released First discussion Paper on GST on 10th November, 2009 to obtain feedback from the stakeholders. The comments of the Department of Revenue have been furnished to the Empowered Committee. A Joint Working Group of officers of State and Central Government has been constituted to prepare draft Constitutional amendment bill and draft Central and State legislations for GST.

The GST once implemented is likely to reduce cascading of tax and bring down compliance cost. The removal of cascading effect will make the products more competitive and thus is likely to lead to increased sales. The economy in general is therefore likely to see higher growth than would have been achieved otherwise.

9.6 Policy Initiatives announced under NCMP

Under National Common Minimum Programme (NCMP), it was stated that "The UPA government is pledged to the early introduction of VAT after all the necessary technical and administrative homework has been completed, particularly on issues like the integration of service sector taxation and compensation to states. ...."

The necessary action has already been taken on this policy announcement. State VAT has been introduced by now by all the States/UTs except the Andaman & Nicobar Islands and Lakshdweep that do not levies sales tax/VAT. Since it is a State subject, the Central Government has played the role of a facilitator. The Central Government is committed to continue playing this role to support further this process of indirect tax reforms at State-level.

9.7 Policy initiatives announced in Budget Speech, 2009-10

Para-82 & para-85 of the budget speech mentions "...Therefore, I propose to pursue structural changes in direct taxes by releasing the new Direct Taxes Code within next 45 days and in indirect taxes by accelerating the process for the smooth introduction of the Goods and Services Tax (GST) with effect from Ist April 2010"

The Empowered Committee of State Finance Ministers (EC) has prepared and released First discussion Paper on GST on 10th November, 2009 to obtain feedback from the stakeholders. The comments of the Department of Revenue have been furnished to the Empowered Committee. A joint Working Group consists of officers of State and Central Government has been constituted to prepare draft Constitutional amendment bill and draft Central and State legislations for GST.

9.8 Work done on the development of North Eastern Region and Sikkim – Projects/ Schemes being operated and actual expenditure thereon

The Department is providing technical and financial support to the North Eastern States and Sikkim in taking up VAT computerization, which is a very critical requirement for successful implementation of VAT. In fact, the DG, Systems, CBEC is implementing a Turnkey Project, through TCS, for VAT computerization of 5 North Eastern States (other than Assam and Meghalaya who have undertaken VAT computerisation on their own) and another Project, through NIC, for VAT computerisation in Sikkim. The initial phase of implementation of these projects and the upgradation/ operations and maintenance of the same have been carried out. An amount of Rs.30.32 crores has already been spent on these project activities.

9.9 E-Governance Activities

Under the National e-Governance Plan (NEGP), the Department of Revenue is considering launch of a Mission Mode Project (MMP-CT) on Commercial Taxes. All the States have been asked to prepare Detailed Project Reports (DPRs) in line with the basic framework provided by the Department. In addition, the Department has also sanctioned a project for computerization of VAT computerization activities in special category States of Himachal Pradesh, J&K, NE States including Sikkim. The department is supporting a project called 'Tax Information Exchange System' (TINXYS) on cost sharing basis to facilitate sharing of data among States.

10. Financial Intelligence Unit-India (FIU-IND)

10.1 Background and function of FIU-IND

Financial Intelligence Unit-India (FIU-IND) has been set up by the Government of India vide Ministry of Finance, Department of Revenue Office Memorandum dated 18th November 2004 to coordinate and strengthen the collection and sharing of financial intelligence through effective national, regional and global network to combat money laundering and related crimes. The FIU-IND is the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. It receives prescribed information from various entities in financial sector under the Prevention of Money Laundering Act 2002 (PMLA) and in appropriate cases, disseminates information to relevant intelligence/ enforcement agencies, which include Central Board of Direct Taxes, Central Board of Excise & Customs, Enforcement Directorate, Narcotics Control Bureau, Intelligence agencies and regulators of financial sector. Enforcement Directorate investigates cases of money laundering under PMLA. PMLA and Rules there under came into force with effect from 1st July 2005.

10.2 Information to be furnished to FIU-IND

The Prevention of Money-laundering Act, 2002 (PMLA), casts an obligation on every banking company, financial institution and intermediary of securities market to furnish following information to FIU-IND –

i) All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;

ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month.

iii) All transactions involving receipts by non-profit organizations of value more than Rs. ten lakhs or its equivalent in foreign currency (w.e.f. 12.11.2009).

iv) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions.

v) All suspicious transactions whether or not made in cash.

Suspicious transaction have been defined under rule 2(1)(g) of PMLA Rules as under:-

"Suspicious transaction" means a transaction referred to in clause (h), including an attempted transaction, whether or not made in cash, which to a person action in good faith –

(a) gives rise to a reasonable ground of suspicion that it may involve proceeds of an office specified in the Schedule to the Act, regardless of the value involved; or

(b) appears to be made in circumstances of unusual or unjustified complexity ; or

(c) appears to have no economic relational or bonafied purpose; or

(d) gives rise to a reasonable ground or suspicion that it may involve financing of the activities relating to terrorism."

10.3 Operational status of FIU-IND

i) FIU-IND has been receiving CTRs (Cash Transaction Report) and STRs (Suspicious Transaction Report) from reporting entities namely the Banking Companies, Financial institutions and Intermediaries. The number of reports received so far is as under:-

1. Suspicious Transaction Reports (STRs)

Category	Current FY (Upto Nov. 09)	Total (Upto Nov. 2009)
Banks	3,470	7,916
Financial Institutions	797	2,014
Intermediaries	732	2,211
Total	**4,999**	**12,141**

2. Cash Transaction Reports (CTRs)

Category	Current FY Total (Upto Nov.2009)	Total (Upto Nov. 2009)
Public Sector Banks	2,752,642	8,845,656
Indian Private Banks	1,220,343	5,988,275
Private Foreign Banks	57,095	290,245
Others	263,739	781,474
Total	4,293,819	15,905,650
Manual CTR	2,141	107,980
% Electronic	99.95%	99.32%

ii) STRs received from various reporting entities are analyzed and in appropriate cases, information is disseminated to various law enforcement and intelligence agencies. The number of STRs disseminated so far is as under:-

Category	Current FY (Upto Nov. 09)	Total (Upto Nov.2009)
Law Enforce-mentAgencies	2,685	6,227
Intelligence Agencies	94	293
Regulators & others	85	190
Total	**2,864**	**6,710**

(iii) The feedback received from intelligence/law enforcement agencies on the inputs provided by this office is encouraging. Relationship with domestic law enforcement and intelligence agencies has been strengthened to assess their needs and to assist them in making better use of disseminated information. A system of contact points (Nodal Officer) has been established with the various law enforcement and intelligence agencies and with the State Governments / union territories. Meetings with nodal officers were also organized during the year to make them aware of the role and functions of FIU-IND and to improve co-ordination with the agencies.

iv) FIU-IND has developed and hosted its website at www.fiuindia.gov.in.The website contains information on the Prevention of Money Laundering Act 2002, obligations of reporting entities, scheduled offences, notifications and publications with appropriate links between related sections. Information about related acts, related sites, downloads, Frequently Asked Questions (FAQs) and definitions have been included to make it a comprehensive reference site on all matters related to money laundering.

v) FIU-IND has been providing faculty support at various workshops conducted by regulators and industry associations of reporting entities at various places to increase awareness of their obligations under PMLA and issues relating to reporting to FIU-IND. FIU-IND had close interaction with different regulators in the financial sector for strengthening AML/CFT regime in the country and improving compliance of the reporting entities. The details of outreach activities / workshops conducted are as under:-

	Current financial year up to Nov.2009	Total since beginning
Number of Seminars and Training Workshops	56	309
Number of participants in Seminars/Workshops	2,468	14,313
Number of review meetings with POs	21	53
Number of participants in review meetings	370	1,300

Number of trainings with LEAs	7	20
Number of participants in trainings with LEAs	203	718

vi) FIU-IND has become member of the Egmont Group which is the international organisation for stimulating co-operation among FIUs in June 2007. FIU-IND has started exchange of information with its counterpart FIUs.

vii) Project FINnet

FIU-IND has initiated project FINnet (Financial Intelligence Network) with the objective to "Adopt industry best practices and appropriate technology to collect, analyze and disseminate valuable financial information for combating money laundering and related crimes". Project FINnet would greatly enhance the efficiency and effectiveness in the FIU-IND's core function of collection, analysis and dissemination of financial information. IT enablement of key processes would ensure substantially higher productivity, faster turnaround time and effective monitoring in all areas of FIU-IND's work.

The functional and technical specifications for Project FINnet have been finalised. In the implementation phase, the selected System Integrator would set up the IT systems and related infrastructure based on these specifications.

10.4 New Reporting entities consequent to amendment to PMLA

PMLA has undergone amendments recently and the changes have been made effective from 1st June 2009. With these amendments, payment system operators including money transfer service providers, authorized money changers and casinos have been included as reporting entities under PMLA. With increase in reporting entities, the work of FIU-IND is likely to increase in the coming years.

11 Integrated Finance Division

Integrated Finance Division of the Department of Revenue is under the direct supervision of Joint Secretary & Financial Advisor (Finance). There are three units dealing with budget, finance and expenditure management in respect of the grants pertaining to Department of Revenue, Direct Taxes and Indirect Taxes. Director (Finance), D/o Revenue/ Excise & Customs and Director (Finance), Direct Taxes/ Expenditure assist the JS&FA (Fin).

11.1 Activities undertaken by the Integrated Finance Unit

All offices under the Department of Revenue, which inter-alia include Revenue headquarters, Central Board of Direct Taxes, Central Board of Excise & Customs, Narcotics Control Division, Central Bureau of Narcotics, Chief Controller of Factories, Central Economic Intelligence Bureau, Financial Intelligence Unit (FIU-IND), Enforcement Directorate, Customs, Excise & Service Tax Appellate Tribunal, Settlement Commission (IT/WT), Authority for Advance Rulings, Appellate Tribunal for Forfeited Property, Adjudicating Authority under PMLA, Income Tax Ombudsman, National Committee for Promotion of Social & Economic Welfare, all field offices of Income Tax Department which include Directorate General of Income Tax (Systems), Directorate General of Income Tax (Legal & Research), Directorate of Income Tax (O&M Services), Directorate of Income Tax (Infrastructure), National Academy of Direct Taxes, all field offices under the Central Board of Direct Taxes and Central Board of Excise & Customs, etc., are serviced by the three units of Integrated Finance Division in terms of Budget formulation, allocation, expenditure monitoring, control, enforcing economy, scrutiny and sanction of expenditure proposals beyond the delegated powers of field offices.

11.2 Details of expenditure and financial proposals scrutinized and approved

(a) Creation and continuation of posts, construction/ purchase/hiring of offices, as well as residential accommodation for the field formations of Central Board of Excise & Customs and Central Board of Direct Taxes, Department of Revenue and its attached offices.

(b) Procurement of goods and services including procurement of anti-smuggling equipments i.e. scanners and marine vessels.

(c) Proposals for deputation abroad of officers of the Department and its field offices.

(d) Restructuring proposals, redeployment of personnel in field formations and constituent units.

(e) Comprehensive Computerization of Department of Revenue, its field formation including Customs and Central Excise formations and Income Tax field formations.

(f) Computerization of States for Value Added Tax (VAT) purposes and compensation to States for loss of revenue due to introduction of VAT.

(g) Compensation to States for loss of revenue due to phasing out of Central Service Tax (CST).

(h) Proposals from Committee of Management (COM), D/o Revenue which oversees the functioning of Government Opium & Alkaloid Works (GOAWs).

(i) Grants-in-aid to National Institute of Public Finance & Policy and Central Revenue Sports Board.

(j) Proposals for Standing Finance Committee (SFC), Committee of Non-Plan Expenditure (CNE) and Cabinet Committee on Economic Affairs (CCEA) relating to comprehensive computerization plan of CBDT/CBEC, capital expenditure involving construction of office/residential complexes and readymade office/residential buildings of all the three Departments, VAT Computerization of Tax Administration in Himachal Pradesh and Jammu & Kashmir, Mission Mode Project for Commercial Taxes (MMP-CT) Project, and Financial Intelligence Network (FINnet) Project of FIU-IND.

(k) Proposals received from the Directorate of Logistics for sanction of financial assistance from the Customs & Central Excise Welfare Fund and Special Equipment Fund. Revision of norms were finalized in respect of setting up of/refurbishing of recreation/sports clubs, gymnasiums, Departmental Canteens, crèches for children of Departmental officials and guest houses. Scope of cash award scheme for meritorious children with special emphasis on girl children and children of group 'D' staff was revised. As a result, more wards of the employees were benefited.

(l) Proposals received from the Directorate of Infrastructure, CBDT for establishing Large Taxpayers Units (LTUs) at Mumbai and Delhi, purchase/construction of office/residential buildings for the Income Tax Department.

(m) Schemes proposed by CBDT/CBEC for utilizing the budget provision under 1% Incremental Revenue Incentive Scheme were examined for obtaining approvals of Department of Expenditure/FM.

(n) Proposals involving relaxation/interpretation of financial rules and all proposals requiring reference to the Department of Expenditure.

11.2.1 The expenditure budget/non-tax revenue receipts of Department of Revenue, Direct Taxes and Indirect Taxes for BE 2009-10/RE 2009-10 and BE 2010-11 was prepared, discussed with Secretary (E) and finalized as below :-

Grant	Gr. No.	2009-10	2010-11	
		BE	RE	BE
D/o Revenue	41	9247.87	12404.57	11122.89
Direct Taxes	42	3502.00	2840.40	4524.00
Indirect Taxes	43	3753.07	3253.07	3007.50

11.2.2 Integrated Finance Division has taken the following steps/initiatives in 2009-10

(i) Implementation of Cash Management Plan as per Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEA) as envisaged by Budget Division.

(ii) Review of Monthly and Quarterly Expenditure vis-à-vis budgetary allocations and MEP/QEA and report to Revenue Secretary and Expenditure Secretary through quarterly DOs.

(iii) Enforcement of instructions on economy in expenditure by periodic review of expenditure and advisories to spending authorities for expenditure control in line with the economy instructions issued by the Department of Expenditure.

(iv) Preparation and review of Outcome Budget and monitoring of Outputs and Outcomes, with reference to the targets and budgetary allocation, was done in respect of important schemes of Implementation of VAT Scheme and compensation to States/UTs for loss of revenue due to implementation of VAT/CST; Setting up of Tax Information Exchange System (TINXSYS); Government Opium & Alkaloid Works; Comprehensive computerization of the Income Tax Department; Acquisition of residential and office accommodation; Strengthening of IT capability for e-governance of CBEC; Acquisition of ships and fleets to strengthen Marine capability & Acquisition of Anti-Smuggling equipments.

(v) In addition, the allocation and monitoring of the budget relating to advances, viz. House Building Advance, Vehicle Advance, Computer Advance etc. was also done.

(vi) The Integrated Finance Division has been watching the formulation of schemes of important expenditure proposals from their initial stage and also watching the settlement of audit objections, inspection reports, draft audit paras and reports of PAC/Standing Committee.

11.3 Status of Action Taken Notes of the Audit Paras concerning Department of Revenue

S. No.	Year		Details of the Paras/PA reports on which ATNs are pending		
		No. of paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations and Audit is awaiting their resubmission by the Ministry	No. of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to the PAC
1	1995	-	2	-	-
2	2000	1	1	-	-
3	2003	-	1	-	-
4	2004	-	-	1	-
5	2006	3	-	1	-
6	2007	1	-	1	1
7	2008	-	1	4	-
	Total	**5**	**5**	**7**	**1**

12. Implementation of Official Language Policy

The Department of Revenue has a full-fledged Official Language Division which is entrusted with the implementation of Official Language Policy of the Government of India. The Division is headed by a Director (OL) and operates through four Official Language Sections; each headed by an Assistant Director (OL) and supervised by two Deputy Directors (OL). The Division deals with matters relating to implementation of Official Language Policy of the Union and takes follow up action on the orders and instructions issued by the Department of Official Language from time to time. Entire translation work of the Department from English to Hindi and vice-versa is ensured by the Official Language Division.

The Department of Revenue is notified under Rule 10(4) of the Official Language Rules, 1976. Twelve sections have been specified under Rule 8(4) of the Official Language Rules, 1976 for doing official work in Hindi.

12.2 Performance of the OL Division during the year under report

a. All the documents pertaining to CBEC, CBDT & Revenue HQs were invariably issued bilingually as per the requirement under Section 3(3) of the Official Languages Act,1963;

b. All gazette notifications, replies to Parliament Questions and Assurances pertaining to CBEC, CBDT and Revenue HQs were furnished bilingually;

c. Notes and monthly summaries for the Cabinet, Action Taken Reports(ATRs) on the Report of the Comptroller & Auditor General of India, Annual Report and Outcome Budget of the Ministry of Finance were translated and made available bilingually; and

d. A number of Double Tax Avoidance Agreements entered into with various countries were translated into Hindi.

12.3 Hindi Salahkar Samiti and OLIC meetings:

12.3.1 The extended term of the Joint Hindi Advisory Committee of the Department of Revenue, Department of Expenditure, Department of Disinvestment and Office of the Comptroller and Auditor General of India expired on 10 April, 2009. Action to re-constitute the Joint Hindi Advisory Committee has been initiated after the constitution of the 15th Lok Sabha. At present, nomination of 4 members, 2 from the Lok Sabha and 2 from the Rajya Sabha, is awaited from the Ministry of Parliamentary Affairs. Thereafter, the case would be submitted to the Hon'ble Minister of Finance for nomination of 4 scholars of Hindi, before submitting it for the formal approval of the Department of Official Language.

12.3.2 The meetings of the Official Language Implementation Committee of the Department of Revenue were held at regular intervals. In the meetings, members discussed the steps required to be taken for effective implementation of the Official Language Policy of the Union. Representative of the OL Division of the Department of Revenue also attended the Official Language Implementation Committee meetings of the attached and subordinate offices situated in Delhi.

12.3.3 The representatives of the Department also attended the meetings of the Central Official Language Implementation Committee held under the chairmanship of the Secretary, Department of Official Language and follow-up action was taken by the Department to implement the decisions taken in these meetings.

12.4 Inspection related to Official Language:

12.4.1 The officers of the Hindi Division carried out inspections of 11 sections of the Department during the year under report with the view to assess the progress in the use of Hindi in the Department and suggested ways to accelerate the use of Hindi in the official work in these offices. Also, 1 office of Central Excise under the administrative control of this Department was inspected by the third Sub-Committee of the Committee of Parliament on Official Language during the year and action to implement the valuable suggestions received for the use of Official Language Hindi in the day-to-day work were taken by the respective office.

12.5 Hindi Day/Hindi Pakhwara:

12.5.1 On the occasion of Hindi Day, appeals were issued by the Home Minister, Finance Minister, Cabinet Secretary and Additional Secretary(Revenue) exhorting all officers/employees to do their maximum day-to-day work in Hindi.

12.5.2 Hindi Pakhwara was celebrated from 01 September, 2009 to 14 September, 2009. Various competitions like Hindi noting & drafting, Essay writing, Extempore Hindi Poetry competition, Extempore Speech competition, Quiz competition, Hindi debate, Hindi dictation for group 'D' employees were organized during the Hindi Pakhwara. Those who secured first, second and third positions in these competitions will be given cash prizes of Rs. 5000/- (First prize), Rs. 3000/- (Second prize) and Rs. 2000/- (Third prize) and 3 consolation prizes of Rs. 1000/- each.

12.6 Incentive Schemes:

12.6.1 Under the incentive scheme of the Department of Official Language, cash awards of Rs. 1000/-, Rs. 600/- and Rs. 300/- are given to those officials who do noting/drafting and other official work in Hindi.

12.6.2 In order to encourage original and creative book writing in Hindi, two Incentive Schemes have been run by the Department for reviewing and writing original books in Hindi on subjects of Income Tax, Central Excise, Customs, Narcotics and Service tax for the year 2008-10. These schemes are open to all the citizens of India. There are attractive prizes in each category (i.e. original book writing in Hindi and reviewing) for winners. The Schemes have been published in the newspapers and the particulars have been posted on the Department's website to give it a wide publicity.

12.7 Training:

During the year 2009-10, 12 LDCs/UDCs/Assistants and 7 Stenographers were nominated for training in Hindi typing and Hindi stenography, respectively.

13. National Committee for Promotion of Social and Economic Welfare

Constituted in early 1992 under the Chairmanship of Justice P.N. Bhagwati former Chief Justice of India, the Committee recommends projects for promotion of sports, social and economic welfare and pollution control to the Central govt. for notification under Section 35AC of the Income Tax Act. The funding of the approved projects is through donations on which the donors are entitled to 100 percent tax exemption under the Income Tax Law.

13.1.1 The National Committee is constituted for a term of three years and consists of 14 members with its chairman being former Chief Justice of India and other 13 members of public eminence hailing from various walks of life. The Secretariat of the Committee comprises of:

(i) Secretary (National Committee),

(ii) Director (NC)

(iii) Section Officer.

13.1.2 The present Committee was formed on 1st February, 2008.The names of the Committee members as follows:-

1.	Mr. Justice S.P.Bharucha (Chairman)	Mumbai
2.	Prof.(Ms.) Sabra Habib	Lucknow
3.	Prof. Margaret Ch. Zama	Mizoram
4.	Ms. Atiya Habib Kidwai	New Delhi
5.	Dr. Jagdish Krishnaswamy	Bangalore
6.	Mrs. Veena Singh	New Delhi
7.	Shri L.D. Sharma	Rajasthan
8.	Dr. Kaanchana Kamalanathan	Tamil Nadu
9.	Dr. A.M. Arun Murugaiah	Tiruchirapalli
10.	Dr. J. Prabhakar Reddy	Hyderabad
11.	Shri Ajit Pal Singh	New Delhi
12.	Dr. Bhagirath Prasad	Indore
13.	Dr. Md. Abbas Ali	Hyderabad
14.	Shri Morris Sabastian	Ahmedab

13.1.3 In the financial year 2008-09, 5 Business Meetings were held in which 689 applications were considered and 249 cases were approved.

So far, in the current financial year 4 Business Meetings were held in which 411 cases were considered and 137 cases were approved.

14. Appellate Tribunal for Forfeited Property

The Appellate Tribunal for Forfeited Property (ATFP) was constituted under Smugglers and Foreign Exchange Manipulators (Forfeiture of property) Act, 1976 [SAFEMA]. It started functioning w.e.f. 03.01.1977. Subsequently, the Tribunal was also constituted as the Appellate Tribunal under the Narcotics Drugs and Psychotropic Substances Act, 1985 (NDPS) after its amendment in the year 1989.

14.2 The Tribunal comprises a Chairman (who is or has been a Judge of the High Court or Supreme Court) and two Members (who are not below the level of Joint Secretary to the Government of India). It is situated at New Delhi without any benches elsewhere. However, in order to provide justice at the door step of public, the Tribunal holds camp sittings at different places in the country under the provisions of the above Acts.

14.3 The Tribunal hears appeals and allied matters filed against the forfeiture or other orders passed by the officers designated as Competent Authorities for forfeiture of illegal properties of the persons convicted under the Customs Act, 1962 or NDPS Act, 1985 or detained under COFEPOSA, 1974 or PITNDPS Act,1988 and also the properties held by such persons in the names of their relatives and associates and for seizure or freezing of illegally acquired property of the persons covered under NDPS Act.

14.4 The appeals and petitions are decided by the Benches consisting of at least two Members and constituted by the Chairman. During the period from 1st January, 2009 to 31st December,2009, a total number of 27 Appeals and 43 Miscellaneous Petitions under SAFEMA(FOP)A, and 36 Appeals and 25 Miscellaneous Petitions under NDPS Act, 13 appeals and 11 miscellaneous petitions under PMLA Act were filed. During the same period, 45 Appeals and 27 Miscellaneous petitions were disposed of under SAFEMA, 60 appeals and 30 miscellaneous petitions under NDPS Act and 23 appeals and 8 miscellaneous petitions under PMLA were disposed.

15. Customs, Excise & Service Tax Appellate Tribunal

The Customs, Excise & Service Tax Appellate Tribunal (earlier Customs Excise & Gold (Control) Appellate Tribunal) was created to provide an independent forum to hear the appeals against orders and decisions passed by the Commissioners of Customs & Excise under the Customs Act, 1962, Central Excise Act, 1944 and Gold (Control) Act, 1968. The Gold (Control) Act, 1968 has now been repealed. Presently Service Tax appeals have been included.The Tribunal is also having appellate jurisdiction in Anti dumping matters and the special bench headed by the President, CESTAT, hears the appeals against the orders passed by the designated authority in the Ministry of Commerce. The Head Quarter as well as the Principal Bench of the Tribunal is situated at Delhi and other regional benches are situated at Mumbai, Kolkata, Chennai, Bangalore and Ahmedabad. Each bench consists of a Judicial member and a Technical Member. To expedite the disposal of small cases with financial stake involving upto Rs. 10,00,000/-[ten lacs], a single member bench is also constituted. The Tribunal is the appellate authority in the cases of classification and valuation. An appeal against the Tribunal's order lies before the Hon'ble Supreme Court.

15.2 As a result of an amendment by the Finance Act, 1995 the distinction between the special benches and other benches was done away with and now any bench of two or more members is competent to hear all the matters which were earlier being heard at Delhi except anti-dumping matters.

15.3 The Tribunal is headed by the Hon'ble President. There are two posts of Vice-President and 18 posts of Members(Judicial) and Members (Technical).

15.4 In spite of various constraints, including vacancies of Members & required staff, the disposal of the appeals has not been affected. A comparative statement showing the institution and disposal of appeals is given below:

Year	Institution of Appeals	Disposal of Appeals
From April 2009 to Nov. 2009	11,902	7,967

15.5 Other issues related to CESTAT

- The website of the Tribunal was launched in August 2003 and now the cause lists and orders of the Tribunal are being displayed on it. Important judgments are being highlighted specially in separate ICON. The process to computerize two more regional benches of CESTAT viz., Bangalore and Kolkata, has already been started and efforts are being made to complete the work in the current financial year itself. The process of computerization of another two regional benches is also under-way.
- To redress the grievances of women, a complaint committee under the Chairmanship of Hon'ble Smt. Archana Wadhwa, Member (Judicial), CESTAT, has been constituted.

16. Income Tax Settlement Commission

The Settlement Commission was constituted w.e..f. 01.04.1976 the Chapter XIX-A of the Income Tax Act, 1961 and Chapter V-A of Wealth Tax Act, 1957 for settlement of income tax and wealth tax cases. There are four benches of the Settlement Commission as under:

i) Principal Bench at New Delhi.

ii) Additional Bench at Mumbai.

iii) Additional Bench at Kolkata.

iv) Additional Bench at Chennai.

16.1.1 The Principal Bench consist of one Chairman and two Members. The Additional Benches consist of one Vice-Chairman and two Members each. The Chairman is the presiding officer of the Principal Bench and the Vice Chairman are the presiding officers of their respective Benches.

16.2 Each settlement application involves computation of income/wealth for a number of assessment years. The statistics of pendency/ disposal for the period 2009-2010 (consolidated for all Benches) and immediately preceding years are given below. A majority of cases settled pertained to search and seizure operations and involved complex investigations. But as per the new provisions of the Income Tax Act, 1961 , cases pertaining to the Search and seizure has been barred from filing the Settlement Applications. Now only, cases pertaining to the regular Assessment years which are pending before the assessing officer can approach to the Settlement Commission. In the normal course, these cases would have involved protracted litigation possibly upto the Supreme Court level.

Statement of Consolidated Receipt and Disposal of Applications by the Settlement Commission (IT&WT)

Financial Year	No. of cases pending for admission at the beginning of year i.e.1st April	No. of admitted cases pending at the beginning of year i.e. 1st April	Total No. of cases pending at the beginning of the year i.e. 1st April 2(a)+2(b)	No. of Applications Received during the year	Addition due to High Court Order	Total for disposal	Cases admitted u/s 245D(1)	Cases rejected	Disposal during the year u/s 245D(4)	Total pendency reduced 5(b)+5(c)	Balance Pending as on date u/s 245D(1)	Balance pending as on date u/s 245D(4)	Total 7(a)+7(b)
1	2(a)	2(b)	2(c)	3	3(a)	4	5(a)	5(b)	5(c)	6	7(a)	7(b)	7(c)
2001-02	330	1608	1938	671	-	2609	365	17	323	340	593	1650	2243
2002-03	593	1650	2243	560	-	2803	521	55	218	273	577	1953	2530
2003-04	577	1953	2530	491	-	3021	328	33	155	188	707	2126	2833
2004-05	707	2119	2826	434	-	3260	317	159	214	373	665	2222	2887
2005-06	665	2222	2887	479	-	3366	311	103	198	301	730	2335	3065
2006-07	730	2335	3065	602	-	3667	397	55	295	350	880	2438	3318
2007-08	819	2422	3241	668	-	3909	1271	191	1654	1845	25	2039	2064
2008-09	15	2039	2054	39	-	2093	35	4	795	799	15	1295	1310
2009-10	15	1439	1454	25	-	1479	27	6	105	111	7	1312	1319

17. Customs & Central Excise Settlement Commission

17.1 Function & working of the Organization and set up of the Division, including its various advisory Boards and Councils:

17.1.1 The Central Government have constituted the Customs & Central Excise Settlement Commission under section 32 of the Central Excise Act 1944 vide notification No.40/99-CX(NT) dated 09.06.99 and 41/99-CX(NT). The Commission consists of a Principal Bench presided over by the Chairman at New Delhi and having two other members and 3 Additional Benches at Chennai, Mumbai and Kolkata presided over by Vice Chairman with 2 Members in each Bench. The present sanctioned strength of the Commission is 118 Officers and staff – 30 each for New Delhi, Mumbai and Kolkata and 28 for Chennai. The Commission functions under the Department of Revenue, Ministry of Finance as an Attached Office.

17.1.2 The basic objective in setting up of the Settlement Commission is to expedite payments of Customs and Excise duties involved in disputes, by avoiding costly and time consuming litigation process and to give an opportunity for tax payers who may have evaded payment of duty to come clean. Settlement Commission is therefore set up as an independent body, manned by experienced tax officers of "integrity and outstanding ability", capable of inspiring confidence in the Trade and Industry and entrusted with the responsibility of defining and safeguarding "Revenue Interest." Settlement Commission has thus given an opportunity for providing a channel for expeditious settlement of tax disputes under the Customs & Central Excise laws in a spirit of conciliation, rather than prolonging them through adversarial attitude. Any assessee, importer or exporter desirous of settling a tax dispute by the Settlement Commission has to invoke the jurisdiction of the Settlement Commission voluntarily in accordance with eligibility conditions, making full and true disclosure of the duty liability accepted by him and in turn for the same, the Settlement Commission is vested with the powers to grant him immunity either fully or partially from penalty and fine under the provisions of Customs & Central Excise Acts and immunity from prosecution under the provisions of above Acts.

17.2 Highlights of the Performance and achievements during the last year:

During the last year 231 cases and 857 applications were filed before the Commission. 49 cases and 99 applications were rejected and 162 cases and 569 applications were settled. Duty amounting to Rs. 125.43 crores was settled which accrued to the Central Exchequer.

Performance/achievements upto the last year:-

Chart Showing Receipt & Disposal of Cases/Applications Upto 2009-10

Year	Receipt		Disposal				
	No. of Cases	No.of Applications	Rejected		Settled		
			No. of Cases	No. of Applications	No. of Cases	No. of Applications	Duty Settled (Rs. in crore)
1999-2000	3	3	1	1			
2000-01	139	327	16	28	52	146	21.28
2001-02	224	559	42	63	75	153	26.64
2002-03	321	656	53	105	176	365	187.51
2003-04	374	753	76	141	211	431	114.04
2004-05	545	1273	98	205	483	1143	181.25
2005-06	656	1587	137	283	532	1207	129.09
2006-07	816	1960	104	219	580	1434	239.02
2007-08	594	1596	157	369	809	2274	507.92
2008-09	231	857	49	99	162	569	125.43
2009-10 (upto Oct)	131	326	19	49	104	338	34.91
Total	4034	9897	752	1562	3184	8060	1567.09

18. Authority for Advance Rulings (Income Tax)

18.1 Introduction

18.1.1 The Authority for Advance Ruling (Income Tax) is a quasi-judicial body under the Ministry of Finance, which is chaired by a retired Supreme Court Judge. It was established in 1993 as per the provisions of Chapter XIX B of the Income Tax Act 1961 inserted by Finance Act 1993 w.e.f. 01.6.1993. The Authority gives binding rulings on the taxation issues raised by non-residents relating to a transaction undertaken/ proposed to be undertaken with a resident. It also gives rulings in the case of P.S.Us subject to necessary clearance.

18.1.2 The Authority has been quite active since its inception and much in demand by the Industry. The Authority has been mainly dealing with the interpretation of various provisions of the IT Act and that of Double Taxation Avoidance Agreements. The feedback from the industry is that with increasing foreign investment in India, it has become absolutely necessary for the investors to ascertain in advance, tax implications of their proposed transactions and ventures. It is a matter of pride that some of the recent Advance Rulings have been favorably discussed in International and National Conferences such as the IFA Conferences in Japan and BMA International Tax Conferences held in Mumbai annually and other conferences.

18.2 Organisational set-up:

The Authority, headed by a retired judge of the Supreme Court of India and having two members of the rank of Additional Secretary to the Govt. of India – one each from Indian Revenue Service & Indian Legal service, is a quasi-judicial body having powers of a Civil Court. The Authority is assisted by a secretariat, which is headed by a Commissioner of Income-Tax designated as Secretary of the Authority.

18.3 Functions:

18.3.1 As Authority for Advance Rulings (Income-Tax)

Non-residents or specified categories of residents, desirous of obtaining an advance ruling relating to Income tax can make an application in the prescribed form stating the facts relating to the transaction and the question on which the advance ruling is sought. After examining the application and obtaining the report of the designated Commissioner of Income-tax and the relevant records wherever available, the Authority passes an order in writing either admitting or rejecting the application. But no application can be rejected without giving the applicant an opportunity of being heard. After hearing the Commissioner and the applicant in detail, a ruling on the issues referred to, is pronounced by the Authority in writing. The ruling is binding on the tax authorities and also on the applicant. No appeal is provided against the ruling. Majority of rulings involving interpretation of tax laws and the Double Taxation Avoidance Agreements between India and foreign countries are published in tax journals.

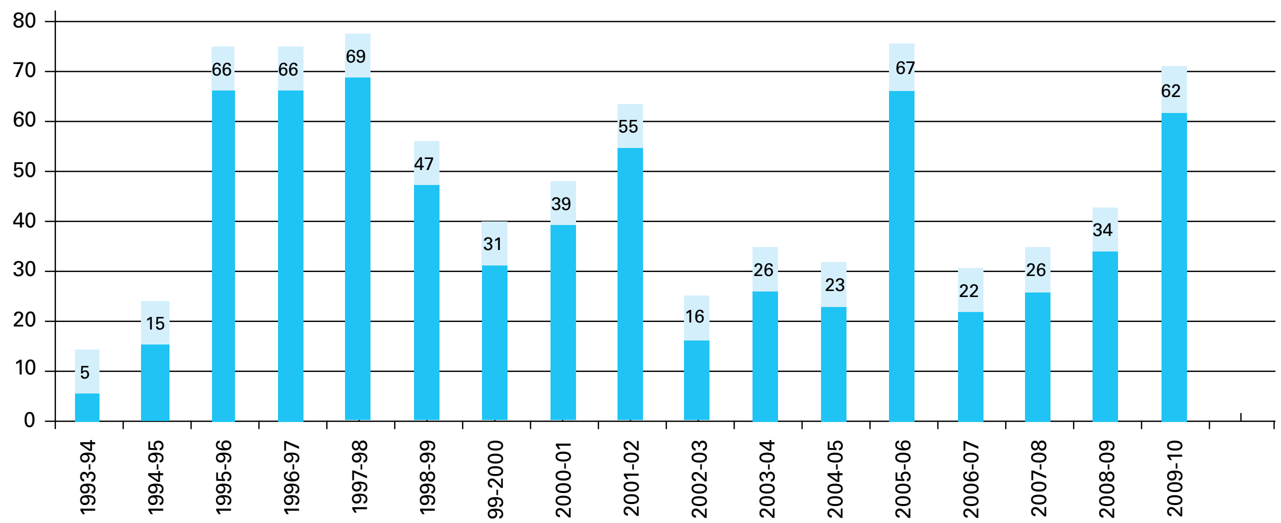
18.3.2 As Central Sales Tax Appellate Authority

The Authority of Advance Rulings has also been notified vide notification dated 17.3.2005(as amended

Financial Year	Opening balance	Applications received	Total	Decision	C/f
1993-94	Nil	05	05	Nil	05
1994-95	05	15	20	06	14
1995-96	14	66	80	42	38
1996-97	38	66	104	55	49
1997-98	49	69	118	75	43
1998-99	43	47	90	37	53
1999-2000	53	31	84	48	36
2000-2001	36	39	75	25	50
2001-2002	50	55	105	31	74
2002-2003	74	16	90	18	72
2003-2004	72	26	98	36	62
2004-2005	62	23	85	65	20
2005-06	20	67*	87	26	61
2006-07	61	22	83	66	17
2007-08	17	26	43	15	28
2008-09	28	34	62	37	25
2009-10					
(upto 31.12.2009)	25	62	87	29	58

*(30 applications from one applicant only)

The bar chart giving the data of applications received is as below: -



There is an upward trend in number of applications being received in the Authority. This year 62 applications have been received only in 9 months from 01.04.09 to 31.12.09.

by Notification dated 07.6.2005) as Central Sales Tax Appellate Authority to settle Inter-state disputes falling under section 6A read with section 9 of the Central Sales Tax Act, 1956. It started functioning as CSTAA w.e.f 01.3.2006 vide notification-dated 03.2.2006.

18.4 Performance:

18.4.1 The Authority has so far pronounced rulings/ passed orders in more than 500 cases, on intricate questions of law and facts which have facilitated the non-residents in their investment ventures in India. Many of the questions coming up before the Authority are such where, generally decisions of High Courts or the Supreme Court are not available. Although the rulings are binding only in the case of applicant, coming from a high-powered authority, the rulings have a persuasive value, and their applicability in any other case on same or similar facts cannot be denied. This also helps achieving uniformity in application of the legal provisions and ensuring equality before law. Owing to the uniqueness of these features, the setting up of the Authority for Advance Rulings in India has been welcomed by everyone as a step in the right direction.

18.4.2 Statistical information about the performance of the Authority since inception till 31.12 09 is given in the following table:

18.4.3 In view of the amendment in Section 25 (as substituted by section 7 of the Central Sales Tax (Amendment Act, 2005) of the Central Sales Tax Act, 1956 all appeals except the appeals filed against orders of the Highest Appellate Authority of the State, pending before the Central Sales Tax Appellate Authority were transferred to the Highest Appellate Authority of the concerned state wef 01st March, 2006. The pendency position after 01.4.2006 till 31.12.2009 is given as under:

18.4.4 A number of active and fruitful efforts have been made by this Authority for widening the awareness of the facility available to Foreign Investors through AAR.

i) The official website of the Ministry has been modified and kept upto date with the latest rulings and have been publicised in various countries through the brochures on AAR which was distributed on all the conferences mentioned

Financial Year	Opening balance	Applications received	Total	Disposal	C/f
2006-07	5	18	23	3	20
2007-08	20	08	28	08	20
2008-09	20	14	34	14	20
2009-10					
(upto 31.12.2009)	20	11	31	16	15

earlier.This has evoked lot of interest in the system of AAR as well as the rulings on interpretation of DTAA

ii) The recently published Edition of Handbook on Advance Ruling has an international look. The book has been circulated at all forum widely and has been received well.The book is also available on the official website of the office.

19. Authority for Advance Rulings (Central Excise, Customs & Service Tax)

19.1 Functions and working of the Organisation

19.1.1 To facilitate foreign investment into the country a number of steps has been taken by Government of India in the recent past. Setting up an Authority for Advance Rulings (Central Excise, Customs & Service Tax) to give binding Rulings, in advance, on Customs, Central Excise and Service Tax matters pertaining to an investment venture in India is one such measure. Legal provisions relating to Advance Rulings have been introduced in the respective statutes through the Finance Acts of 1999, 2003 and 2005. The scheme of Advance Rulings has assumed greater and special significance in the context of greater emphasis on FDI. This is evident from the statutory changes brought about to expand the ambit of the Authority.

19.1.2 Authority for Advance Rulings, (Central Excise, Customs & Service Tax), is a high level quasi-judicial body comprising of a retired judge of the Supreme Court of India and two Members (of Additional Secretary rank) – who have wide experience in technical and legal matters. At present Hon'ble Mr. Justice P.V. Reddi is the Chairman and Smt. Chitra Saha and Sh. A. Sinha are Members. Office of the Authority is located on 4th Floor, Hotel Samrat, Kautilya Marg,Chanakyapuri, New Delhi – 110 021.

19.1.3 Under the scheme of Advance Rulings the following categories of investors are eligible to apply for an advance ruling:

(a) a non-resident investor setting up a joint venture in India in collaboration with a non-resident or a resident;

(b) a resident setting up a joint venture in India in collaboration with a non- resident,

(c) a wholly owned subsidiary Indian company of which the holding company is a foreign company who or which, as the case may be, proposes to undertake any business activity in India;

(d) a joint venture in India;

'Explanation. - For the purposes of this clause, "joint venture in India"

means a contractual arrangement whereby two or more persons undertake an economic activity which is subject to joint control and one or more of the participants or partners or equity holders is a non-resident having substantial interest in such arrangement;'.

(e) A resident falling within any such class or category of persons as the Central Government may by notification in the official gazette specify in this behalf. The Central Government has specified the following categories of persons as being eligible to seek advance rulings:-

(f) Public Sector Undertakings;

(g) Residents proposing to import goods under the project import facility (heading 9801 of the Customs Tariff) for seeking rulings under the Customs Act,1962;

(h) Residents proposing to import goods from Singapore under the Comprehensive Economic Co-operation Agreement for seeking rulings on origin of goods under the Customs Act,1962.

["Non-resident", "Indian company" and "Foreign company" have the meanings respectively assigned to them in clauses (30), (26) and (23A) of section 2 of the Income Tax Act, 1961.]

19.1.4 Advance rulings can be sought in respect of the following questions/issues:-

(i) Classification of goods under the Customs Tariff Act, 1975, Central Excise Tariff Act, 1985, and of taxable services under Chapter V of the Finance Act, 1994 (Service Tax);

(ii) Principles of valuation under the Customs Act, 1962, and the Central Excise Act, 1944;

(iii) Applicability, of notifications issued under the Customs Act, 1962, Customs Tariff Act, 1975, Central Excise Act, 1944 and Central Excise Tariff Act, 1985 having a bearing on the rate of duty; and of notifications issued under Chapter V of Finance Act, 1994;

(iv) Admissibility of input-tax credit under Central Excise law (CENVAT);

(v) Admissibility of credit of Service Tax under Chapter VA of the Finance Act, 1994;

(vi) Valuation of taxable services for charging Service Tax under the Finance Act, 1994;

(vii) Determination of Origin of goods in terms of the Rules notified under the Customs Tariff Act,1975 and matter relating thereto;

19.1.5 The process of obtaining an advance ruling is simple, inexpensive and transparent (only Rs. 2500/- have to be deposited through a Demand Draft with each application). Obtaining a ruling is highly expeditious as the Authority is statutorily required to deliver the same within 90 days of receipt of an application. Rulings are pronounced after providing an opportunity of being heard by the Authority and in pursuance of other accepted judicial norms. Advance Rulings pronounced by the Authority are binding on departmental officers engaged in assessment of goods and services and on the applicant, and hence rule out possibilities of disputes and litigation, subsequently. Advance Rulings are not appealable either by the department or the applicant, under the Customs, Central Excise or Service tax law. An Advance Ruling remains valid unless there is a change in law or the facts on basis of which the ruling was pronounced.

19.1.6 Advance rulings would indicate, in advance, the duty liability in respect of an 'activity', viz. 'import' or 'export' under the Customs Act, 'production' or 'manufacture' of goods under the Central Excise Act and 'taxable services' under the Service Tax law, proposed to be undertaken / provided by an applicant. (Service Tax law is administered by Central Excise officers).

19.2 Highlights of the performance and achievements during the year

19.2.1 Prompt disposal of the applications in accordance with the provisions of the statutes relating to advance rulings and the principles of natural justice is the USP of the Authority. During the period 1.04.09 to 30.11.09, 03 applications seeking advance rulings were received. Total number of applications for pronouncement of advance rulings by the Authority was 07 inclusive of 04 pending applications from the previous period. As on date (30.11.2009) 05 applications have been disposed off and 02 applications are pending.

19.2.2 Advance Rulings have been issued in 3 applications- 1 relating to Customs and 2 to Central Excise issues. Orders were issued in 02 cases. Besides above orders, as mentioned hereinafter, for allowing or rejecting the applications for advance rulings were also issued. 5 orders relating to Customs were issued under section 28I(2) of the Customs Act, 1962, 1 relating to Service Tax was issued under section 96 D(2) of the Finance Act, 1994(Service Tax provisions) and 1 relating to Central Excise was issued under section 23D (2) of the Central Excise Act,1944.

19.2.3 Publicity measures were undertaken in order to create awareness among the trade and industry. All the Commissionerates / field officers were informed of the amendments brought about by the Finance Act, 2008 and requested to issue Public/Trade Notices for the information of trade and industry and public in general.

19.2.4 Authority's website- www.cbec.gov.in/cae/aar/aar.htm is being updated on a regular basis to incorporate the latest Advance Rulings and Orders issued by the Authority. Due care is taken to promptly upload any statutory changes brought about by the Finance Act, each year, and any other legislation, like RTI Act, 2005 related to the Authority.

19.3 Performance/achievements upto the last year

19.3.1 The Authority became functional in the financial year 2002-03. The Customs (Advance Rulings) Rules, 2002 and Central Excise (Advance Rulings) Rules, 2002 were notified vide Notfn. Nos. 55/2002-Cus (N.T.) and 28/2002-Central Excise (N.T.) both dated 23.08.2002. The Service Tax (Advance Rulings) Rules were notified vide Notfn. No. 17/2003-S.Tax(N.T.) dated 23.07.03. The procedure to regulate the functioning of the Authority was laid down vide Authority for Advance Rulings (Procedural) Rules, 2003 issued vide Notification 1/2003-AAR dated 21.03.2003. Consequent upon the expansion in the scope of advance rulings and the experience gained, these Rules were streamlined and superseded vide Advance Rulings (Customs, Central Excise and Service Tax) Procedure Regulations, 2005 issued vide Notfn. No. 1/2005 dated 07.01.2005.

19.3.2 The first application seeking an advance ruling was received on 20.11.2002. During the period 20.11.2002 to 31.03 2009, 127 applications were received, out of which rulings were pronounced in 79 cases (65 relating to Customs, 8 relating to Central Excise and 6 relating to Service Tax). During this period Orders were also issued in 42 cases (15 relating to Customs issued under section 28I (2) of the Customs Act, 1962; 6 relating to Central Excise issued under section 23 D(2) of the Central Excise Act, 1944 and 21 relating to Service Tax issued under section 96 D(2) of the Finance Act, 1994).

2 applications were withdrawn by the applicants within 30 days for which no formal orders permitting

withdrawal are required to be issued under the provisions relating to advance rulings. As on 31.03.2008, 4 applications were pending.

19.3.3 Brochures containing the basic essential information about the Authority were updated and got printed and distributed / circulated amongst the prominent chambers of trade & industry within the country to make them aware of this new organization entrusted with the responsibility of implementing a totally new concept under the Customs, Central Excise and Service Tax Law. Advertisements were also published in leading newspapers to create awareness especially among the trade and industry.

20. Adjudicating Authority under Prevention of Money Laundering Act, 2002

The Prevention of Money Laundering Act (PMLA), 2002 was enacted by the Parliament to prevent money laundering and connected activities, confiscation of proceeds of crime and setting up of agencies and mechanism for coordinating measures for combating money laundering.

20.2 The Director, Directorate of Enforcement has been designated as the Director for exercising powers under the PMLA, 2002 and is authorized to provisionally attach the property allegedly involved in money laundering. The Adjudicating Authority is empowered to confirm the Provisional Attachment after hearing the aggrieved parties to ensure that property is not disposed off during the pendency of trial for scheduled offence or offence of money laundering.

20.3 The Adjudicating Authority consists a Chairperson and two Members. During 2009 the Adjudicating Authority has received 230 Enforcement Case Information Report (ECIR), 15 Provisional Attachments and 15 Original Complaints (OCs). Final orders have already been passed in 13 OCs and two are in the process of hearing.

21. Appellate Tribunal under Prevention of Money Laundering Act

The Appellate Tribunal under the Prevention of Money Laundering Act, 2002 (PMLA) was brought into force w.e.f. 1st July, 2005.

21.2 The Tribunal comprises a Chairman (who is or has been a Judge of the High Court or Supreme Court) and two Members. One of the Members is an Accountant Member, who has been in the practice of accountancy as a Chartered Accountant for at least ten years and the other Member is a person who is or has been a judge of a High Court or who is a member of Indian Revenue Service and has held the post of Commissioner/Joint Secretary or equivalent post in Indian Legal Service, Income Tax, Indian Economic Service, Indian Customs and Central Excise Service or Indian Audit and Accounts Service in that service for at least three years.

21.3 The Appellate Tribunal under PMLA is National Tribunal having its headquarter at New Delhi. The Tribunal adjudicates appeals and allied petitions filed against the attachment/forfeiture orders passed by the Adjudicating Authority for attachment/forfeiture of properties involved in money laundering under PMLA. It also adjudicates appeals filed against the orders imposing fine passed by the Director-Financial Intelligence Unit India (FIU-India). The Benches of the Appellate Tribunal sit at New Delhi without any benches elsewhere in the country.

21.4 The appeals and allied petitions are disposed off by the Benches as constituted by the Chairperson with one or two Members as the Chairperson may deem fit. During the period 01.04.2009 to 31.12.2009, 13 appeals and 11 miscellaneous petitions were filed and 23 appeals and 08 miscellaneous petitions were disposed.

22. National Institute of Public Finance and Policy

The National Institute of Public Finance and Policy has no direct dealing with general public, therefore there is nothing to reflect their endeavour towards excellence in public service delivery. However, this year also the Institute's contribution by way of policy advice has led to a large extent to restore internal and external fiscal balance in the country.

22.2 Research conducted in matters relating to tax policy and administration, public expenditure and control, public debt and its management, inter-governmental fiscal relations, economics and pricing of public and industrial enterprises in addition to other aspects of public finance have resulted in efficiency and growth potential and competitiveness of the Indian economy in medium to long term time frame.

22.3 The Institute has enhanced and improved understanding of the above issues by conducting several training courses, seminars, and policy dialogue for public servants and policy makers and disseminating its research output. Expert advice of the NIPFP faculty in the successive Finance Commissions, high level committees have aided policy makers to devise schemes for eliminating revenue deficit to bring about greater fiscal discipline".

23. Implementation of the Right to Information Act, 2005

23.1 Revenue Headquarters

The Right to Information Act, 2005 stands implemented in Revenue Hqrs. The details of Central Public Information Officers are available on Department's website. Also all the manuals have been put on the website of the Department. The internal procedure formulated for handling the applications/requests for information is working smoothly.

23.2 Central Board of Direct Taxes

i) For the implementation of the Right of Information Act, 2005 information pertaining to the Income Tax Department is duly uploaded and updated on the site of incometaxindia.gov.in

ii) The compilation of the case laws as decided by Central Information Commission is also placed on the same website.

iii) The session on RTI Act 2005 and its implementation is an integral part of Induction Training and the training of newly promoted Assistant Commissioners of Income-tax

23.3 Central Economic Intelligence Bureau

During the period 2008-2009 (till 31.12.2009), the Bureau has received 14 nos. of application under the Act, which have been disposed off within the time frame.

23.4 Narcotics Control Division

23.4.1 Central Bureau of Narcotics: The various provisions relating to the Right to Information Act, 2005 have been implemented in the Central Bureau of Narcotics. Central Public Information Officer have been nominated. Detail functions and various aspects of the work done by the Department are also available on CBN website http://www.cbn.nic.in

23.4.2 Government Opium and Alkaloid Works: A cell in each unit of this organization, such as the factories at Ghazipur and Neemuch, as also at the Delhi and Gwalior office of the CCF have been set up. These cells function directly under the officials designated as CPIO/APIO. The applications received are regularly disposed off within the prescribed time-frame.

23.5 State Tax Section

Necessary action has been taken under section 4 of the RTI Act, 2005 to publish the information/ manuals on various aspects of functioning of the Sales Tax Section. These Manuals have been posted on the website of the Ministry of Finance to facilitate easy access to the general public. The information is being updated from time to time. Further, all the records in the Section are being properly maintained, so that as and when any information is sought, the same can be readily furnished. Upto 15.12.2009, 27 applications seeking information under RTI Act, 2005 were received in the State Taxes Section and all these applications have been disposed off.

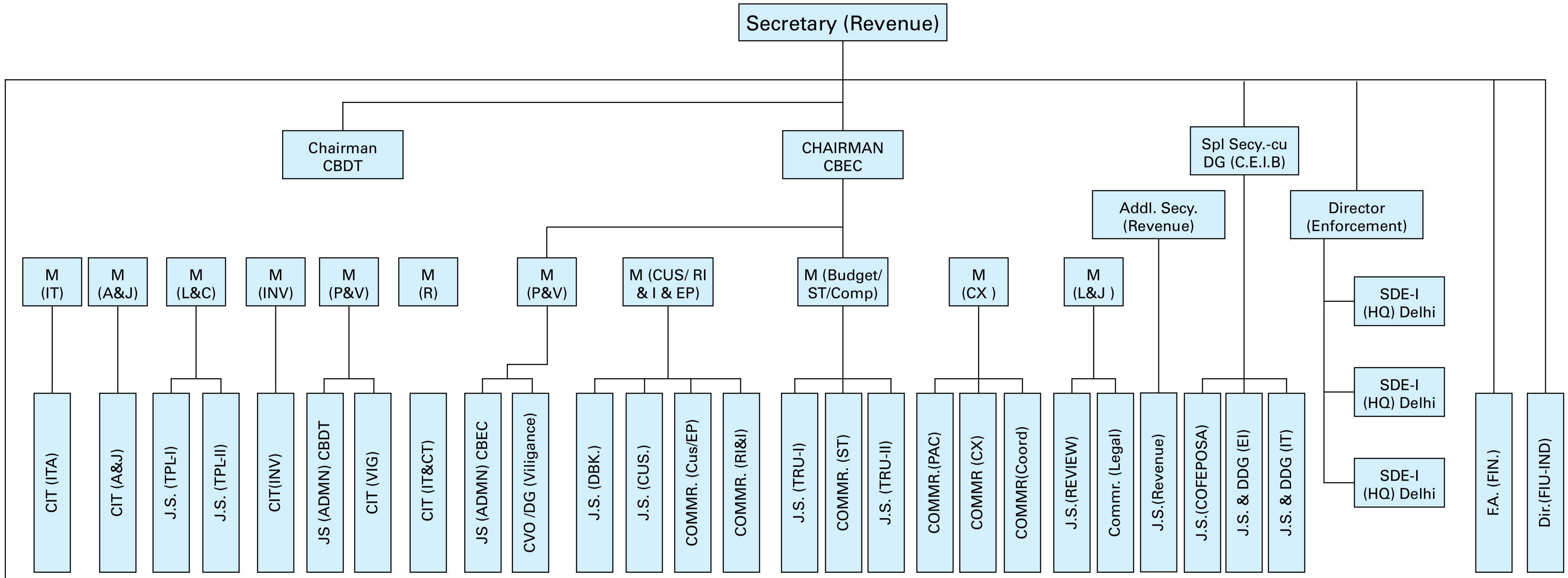
23.6 Authority for Advance Rulings (Central Excise, Customs & Service Tax)

Right to Information Act, 2005 has been implemented. Twelve manuals, as prescribed under Right to Information Act and related to the Authority, were duly prepared and up-loaded on the website of the Authority i.e. www.cbec.gov.in/cae/aar.htm. PIO under the said Act has also been duly notified and details posted on the website as well as on the Notice Boards of the Authority.

23.7 Customs, Excise & Service Tax Appellate Tribunal

Public Information Officer and 1st Appellate Authority have been nominated by the Public Authority in each Bench of the Tribunal, and they are acting in accordance to the provisions of the Right to Information Act, 2005, in dispensing the information.

Organization Chart of Department of Revenue



LEGEND
CBDT: Central Board of Direct Taxes
CBEC: Central Board of Excise & Customs
M (IT): Member (Income Tax)
M (A&J): Member (Audit & Judicial)
M(L&C)): Member (Legal & Computerization)
M (Inv.): Member (Investigation)
M (P&V) : Member (Personnel & Vigilance)
M(R): Member (Revenue)
M(P&V): Member(Personnel & Vigilance)
M (Cus/RI&I & EP) Member (Customs/Revenue Intelligence and Investigation/Export Promotion)
M(Bgt/ST/Comp.): Member(Budget/Service Tax/ Computerization)
M(CX): Member (Central Excise)
M(L&J): Member(Legal & Judicial)
NCPSEW: National Committee for Promotion of Social & Economic Welfare
CVO & DG (VIG) : Chief Vigilance Officer & Director General (Vigilance)
J.S.: Joint Secretary
CIT: Commissioner of Income Tax
COMMR. : Commissioner
CIT (MC) : Commissioner of Income-Tax (Media coordinator)

LEGEND

SDE :- Special Director Enforcement
TRU: Tax Research Unit
CUS: Customs
DBK: Drawback
ADMN: Administration
TPL: Tax Planning and Legislation.
FT&TR: Foreign Tax and Tax Research
FA (FIN): Financial Advisor (Finance)
RA: Revision Application
Rev.: Revenue
JS (COFEPOSA): Joint Secretary (Conservation of Foreign Exchange & Prevention of Smuggling Activities)
CEIB: Central Economic Intelligence Bureau
DDG: Deputy Director General
PAC: Public Accounts Committee
Enf. : Enforcement.
ITA: Income Tax Assessment
Coord : Coordination

Attached Offices/ other Bodies of the Deptt. of Revenue (H.Q.)

1. Enforcement Directorate
2. Central Economic Intelligence Bureau
3. Central Bureau of Narcotics
4. Chief Controller of Factories
5. Competent Authorities (SAFEM (FOP) Act & NDPS Act
6. Committee of Management.
7. National Committee for Promotion of Social & Economic Welfare
8. Custom & Central Excise Settlement Commission
9. Income Tax Settlement Commission
10. Appellate Tribunal for Forfeited property
11. Custom Excise & Service Tax Appellate Tribunal
12. Authority of Advance Ruling (Income Tax)
13. Authority of Advance Ruling (Customs & Central Excise)
14. Financial Intelligence Unit-India (FIU-IND)
15. Income Tax Ombudsman
16. National Institute of Public Finance & Policy (NIPFP)

Department of Disinvestment

Chapter - IV

Department of Disinvestment

1. Functions and Organisational Structure

1.1 The Department of Disinvestment was set up vide Notification No. CD/551/99 dated 10th December, 1999. It was renamed as Ministry of Disinvestment vide Notification No. CD-442/2001 dated 6th September, 2001. Subsequently, it was again converted into a Department under the Ministry of Finance vide Notification No. CD-160/2004 dated 27th May, 2004.The following work has been allotted to the Department:

i) (a) All matters relating to disinvestment of Central Government equity from Central Public Sector Undertakings.

(b) All matters relating to sale of Central Government equity through offer for sale or private placement in the erstwhile Central Public Sector Undertakings. *

(ii) Decisions on the recommendations of Disinvestment Commission on the modalities of disinvestment, including restructuring.

(iii) Implementation of disinvestment decisions, including appointment of Advisors, pricing of Shares, and other terms and conditions of disinvestment.

(iv) Disinvestment Commission.

(v) Central Public Sector Undertakings for purposes of disinvestment of Government equity only.

(vi) Financial policy in regard to the utilization of the proceeds of disinvestment channelised into the National Investment Fund.

* All other post disinvestment matters, including those relating to and arising out of the exercise of Call option by the Strategic Partner in the erstwhile Central Public Sector Undertakings, shall continue to be handled by the administrative Ministry or Department concerned, where necessary, in consultation with the Department of Disinvestment.

1.2 Consequent upon change in the policy of the Government the term of Disinvestment Commission was not extended further and it was wound up with effect from 31st October, 2004.

1.3 Shri Sunil Mitra assumed the charge of Secretary, Department of Disinvestment in the forenoon of 1st August, 2009.

1.4 Secretary, Department of Disinvestment is assisted by three Joint Secretaries besides the Chief Executive Officer, NIF (Joint Secretary level officer). The Department functions on the Desk Officer pattern and the disinvestment work is handled at the minimum level of Under Secretary

2. Organisational Structure

The Organisational Structure is placed at page 218

3. Policy on Disinvestment

3.1 The policy on disinvestment articulated in the President's Speech to Joint Session of Parliament on 4th June, 2009 and Finance Minister's Budget Speech on 6th July, 2009 requires the development of "people ownership" of Central Public Sector Undertakings (CPSUs) to share in their wealth and prosperity, with Government retaining majority shareholding and control. This objective is relevant to profit-earning CPSUs as it is only these that will sustain investor-interest for sharing in their prosperity.

3.2 In line with this policy announcement, Government has decided that:

(i) Already listed profitable CPSUs not meeting the mandatory public shareholding of 10% are to be made compliant;

(ii) All CPSUs having positive networth, no accumulated losses and having earned net profit for three preceding consecutive years, are to be listed through public offerings out of Government shareholding or issue of fresh equity by the company or a combination of both; and

(iii) Proceeds from disinvestment would be channelised into National Investment Fund and during April 2009 to March 2012 would be available in full for meeting the capital expenditure requirements of selected Social Sector Programmes decided by the Planning Commission/Department of Expenditure. The status quo ante will be restored from April 2012.

4. Performance/achievements

(i) NHPC Ltd. : In August, 2009 Public Offering comprising of 5% equity of the Company out of Government shareholding along with fresh issue of equity of 10% of the pre-issue paid up capital of NHPC Ltd. was completed and Government realized an amount of Rs. 2012.85 crore and the shares of the company got listed on the stock exchanges.

(ii) Oil India Ltd. : In September, 2009 Public Offering of 11% post issue paid up capital of Oil India Ltd. was completed and simultaneously Government divested 10% equity of the company out of Government shareholding in favour of Indian Oil Corporation, Hindustan Petroleum Corporation Ltd. and Bharat Petroleum Corporation Ltd. in the ratio of 2:1:1. The government realized an amount of Rs. 2247.05 crore and the shares of the company got listed on stock exchanges.

5. Cases under implementation in 2009-10:

(a) NTPC Ltd. – Disinvestment of 5% equity of NTPC Ltd. out of Government shareholding through Further Public Offering in the domestic market is under implementation. The transaction is likely to be completed by 31st March 2010.

(b) SJVN Ltd. – Disinvestment of 10% equity of SJVN Ltd. out of Government shareholding through Initial Public Offering in the domestic market is under implementation. The transaction is likely to be completed by 31st March 2010.

(c) NMDC Ltd. – Disinvestment of 8.38% equity of NMDC Ltd. out of Government shareholding through Further Public Offering in the domestic market is under implementation. The transaction is likely to be completed by 31st March 2010.

(d) REC Ltd. – Disinvestment of 5% equity of the company out of Government shareholding in conjunction with issue of fresh equity of 15% of the company is under implementation by REC Ltd. The transaction is likely to be completed by 31st March 2010.

6. Proceeds from disinvestment

Rs. 4259.90 crore has accrued from disinvestment during 2009-10 up to December, 2009.

7. National Investment Fund (NIF)

7.1 The Government had constituted the National Investment Fund (NIF) in November 2005, into which the proceeds from disinvestment of Government equity in Central Public Sector Enterprises (CPSEs) are to be channelised. The Fund was however formally launched in October, 2007 as there has been no divestment during the years 2005-06 and 2006-07. NIF is professionally managed by selected Public Sector Mutual Funds viz. LIC Mutual Fund Asset Management Company Ltd., SBI Funds Management Pvt. Ltd., UTI Asset Management Company Pvt. Ltd. to provide sustainable returns without depleting the corpus.

7.2 75 per cent of the annual income of NIF will be used to finance selected social sector schemes, which promote education, health and employment. The residual 25 per cent of the annual income of NIF will be used to meet the capital investment requirements of profitable and revivable CPSEs that yield adequate returns, in order to enlarge their capital base to finance expansion/ diversification.

7.3 NIF is being operated by the selected Fund Managers under the 'discretionary mode' of the Portfolio Management Scheme, which is governed by SEBI guidelines. The work of NIF is being supervised by Chief Executive Officer (CEO) of NIF. A part time Advisory Board consisting of three members has also been constituted by the Government, to advise CEO of NIF, on various aspects of its functioning.

7.4 An amount of Rs. 994.82 crore, being the 1st tranche of NIF received from the sale of Government Equity in Power Grid Corporation India Ltd. (PGCIL) had been handed over to the Fund Managers on 6th October, 2007 by the Finance Minister.

7.5 Subsequently, an amount of Rs. 819.63 crores received from the sale of Government Equity in Rural Electrification Corporation (REC) formed the 2nd tranche of funds and were released in two installments on 26.3.08 and 30.5.08.

7.6 An income payout of Rs. 84.81 crores and Rs. 209.24 crores has been received for the first (2007-08) and second (2008-09) year of investment and credited to the Consolidated Fund of India (CFI). During 2009-10, a provision of Rs. 185.90 crores has been allocated to National Programme of Nutritional Support to Primary Education (Mid-Day Meal Scheme).

7.7 However, keeping in view the difficult economic slowdown of 2008-09 and a drought this year, both of which are likely to adversely affect the 11th Plan growth performance, the Government has decided that with effect from April, 2009 to March 2012, the proceeds from disinvestment would be channelised into NIF and would be available in full as a one-time exemption, for meeting the capital expenditure requirements of selected social sector programmes decided by the Planning Commission and Department of Expenditure.

7.8 From April, 2009, a total amount of Rs. 4259.90 crores has been realized from the disinvestment proceeds of National Hydro Power Corporation Ltd. (NHPC) and OIL India Ltd. and credited to the CFI. The funds would be transferred to NIF and allocated for capital expenditure in identified social sector schemes as decided by the Planning Commission/Department of Expenditure.

8. Official Language Policy

The Department has a full-fledged Official Language Unit for handling all work relating to Official Language.

9. E-Governance

9.1 Personnel computers with requisite software have been provided to all officers and personal assistants. Local Area Network is also functioning. Twenty-four hour internet connectivity is available to all officers through National Informatics Centre (NIC). E-mail ID numbers have also been issued to all officers. The Officers and staff have been receiving training in computer operations at NIC from time to time.

9.2 The website of the Department (www.divest.nic.in) contains data and information (bilingual) regarding policy, guidelines, procedures and progress relating to the disinvestment cases including manuals etc., as required under the Right to Information Act, 2005. The site is updated on a regular basis. All advertisements, tender etc., are placed on the website. The publications of the Department are also available on the website.

10. Grievance Redressal

The Joint Secretary in-charge of Administration has been nominated as Director of Public Grievances. However, the nature of the allocated business of the Department does not envisage much of interface with the public at large.

11. Vigilance Machinery

The initial examination and handling of disinvestment related matters is done at the level of Under Secretary/Deputy Secretary /Director. The Personnel, Administration, Security Common services and Vigilance matters are dealt with by a multifunctional services section. The Administration Wing which includes vigilance is handled by one of the Joint Secretaries.

12. Implementation of Right to Information Act, 2005.

12.1 In pursuance of the Right to Information Act., 2005, Shri S.K. Nag, Deputy Secretary and Ms. Minakshi Ghose, Joint Secretary have been appointment as Central Public Information Officer (CPIO) and Appellate Authority, respectively.

12.2 A manual indicating various aspects of the functioning of Department of Disinvestment has been posted on the Department's website. The information is also updated from time to time

13. Audit paras/objections

(a) Pertaining to Accounts of the Department :

The office of the Principal Director of Audit conducted audit of the accounts in April, 2008. The report submitted by them contained 3 points for the year 2006-2007, along with certain other points for the previous years which had remained unsettled. These have been noted for compliance.

14. Integrated Finance Unit

The Integrate Finance Unit works under Joint Secretary & Financial Adviser (Finance) and deals with expenditure and Budget related proposals under Grant No. 44 – Department of Disinvestment which includes Secretariat General Services covering the establishment budget for the Department of Disinvestment. The allocations under Grant No. 44 are as under:-

The Integrate Finance Unit has expeditiously examined and disposed the financial and expenditure proposals pertaining to the Department of Disinvestment including the proposals for appointment of consultants, deputation abroad of officers, grants-in-aid, transfer of disinvestment proceeds and therefrom for investment with the Fund Managers or allocation to the social sector schemes, duly observing General Finance Rules and austerity instructions issued from time to time. All budget related matters including issues concerning the Standing Finance Committee on Finance also come within the purview of this unit. Similarly, all the C & AG audit paras of the Department of Disinvestment were monitored and cleared.

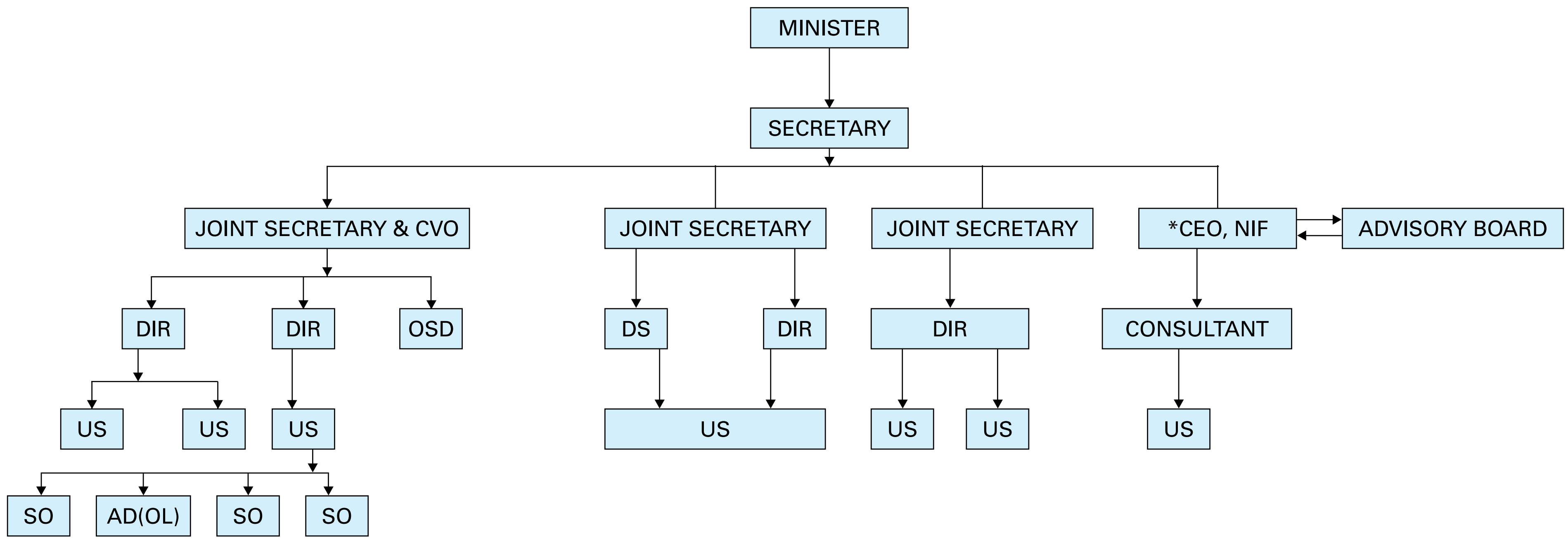
The expenditure trend of the Department is consistently monitored and strict control is exercised over the Government expenditure.

(Rs. in crore)

Grant No.	Budget Estimates 2009-10			Revised Estimates2009-10		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
44 - Department of Disinvestment	---	2258.78	2258.78	---	42.20	42.20

Organisational Structure

DEPARTMENT OF DISINVESTMENT



* Chief Executive Officer (National Investment Fund)

Department of Financial Services

Chapter - V

Department of Financial Services

1. Functions and Organisation

With effect from 28.6.2007, the erstwhile Banking and Insurance Division of the Department of Economic Affairs, Ministry of Finance has become a separate Department namely, Department of Financial Services (DFS). The Department of Financial Services functions under the overall direction and control of Secretary (Financial Services) who is assisted by Additional Secretary (Financial Services), four Joint Secretaries, one Economic Adviser and twelve Directors/Deputy Secretaries. The Organisation Chart of the Department is at Page 246. The staff strength of SC/ST/OBC employees of DFS is at Annex I.

The main functions of the Department are described below:

1.1 Banking Division

1.1.1 The Banking Division looks after various issues including policy matters relating to Public Sector Banks (PSBs) and Financial Institutions.

1.1.2 The main functions of the Banking Division include:-

- Legislative, administrative and policy matters relating to Public Sector Banks and Development Finance Institutions (DFIs) i.e. NABARD, NHB, SIDBI, IIFCL, EXIM Bank, IDFC, IWRFC, IIBI
- Legislative proposals relating to banks, non-banking financial companies (NBFCs), chit fund companies etc.
- Policy matters relating to private banks, foreign banks and NBFCs.
- Appointment of -
  - Chief Executives and Government nominee Directors/ non-Directors on the Boards of Public Sector banks (PSBs) and DFLs.
  - Chief Vigilance Officers (CVOs) in Public Sector Banks and Insurance Companies.
  - Chairpersons and Members of BIFR and AAIFR, and
  - Workmen employee directors in PSBs
- Industrial sickness and coordination between industry, banks and financial institutions.
- Establishment of Debt Recovery Tribunals (DRTs), Debt Recovery Appellate Tribunals (DRATs) and Office of Custodian.
- Monitoring credit flow to priority sectors including agriculture; housing; education; micro, small and medium enterprises etc.
- Policy matters of Government credit linked self employment programs. Administration of the Regional Rural Banks Act, 1976 and all Acts on Banks and DFIs.
- Wage settlement and reservation policy in banking and insurance industry.

1.2 Insurance Division

The functions of the Insurance Division include formulation of policy for the orderly growth of the insurance sector, monitoring of the performance of the nationalized insurance companies, framing of rules and regulations in respect of service conditions of employees of nationalized insurance companies; framing of rules in respect of terms and conditions of service of the Chairpersons and Members of Insurance Regulatory and Development Authority (IRDA), appointment of Chief Executives and Directors on the Boards of nationalised insurance companies, framing of rules under IRDA Act, 1999 and appointment of Chairperson and Members of the IRDA.

The following main Acts, inter alia, are administered by this Department:

(i) Insurance Act, 1938;

(ii) Life Insurance Corporation Act, 1956

(iii) General Insurance Business (Nationalization) Act, 1972

(iv) Insurance Regulatory and Development Authority (IRDA) Act, 1999

(v) Actuaries Act, 2006

1.2.2 In addition to the above, the Insurance Division administers special socially oriented insurance schemes such as the Universal Health Insurance Scheme (UHIS), Janshree Bima Yojana, Varishta Pension Bima Yojana and Aam Aadmi Bima Yojana, etc..

1.3 Pension Reforms

1.3.1 The Pension Reforms Section of the Department of Financial Services is concerned with the issues and policy matters relating to pension reforms including the New Pension System (NPS).

1.3.2 The Pension Reforms Section is responsible for formulating legislative proposals concerning the Pension Fund Regulatory and Development Authority (PFRDA).

13.3 The Pension Reforms Section is also responsible for administrative issues concerning the Interim Pension Fund Regulatory and Development Authority (Interim PFRDA).

1.3.4 The pension sector reforms were initiated in India to establish a strong and financially self-sustainable social security arrangement in the country against the backdrop that only about 12-13 per cent of the total workforce was covered by any formal social security system. The New Pension System (NPS) was introduced by the Government from January 1, 2004 for new entrants to the Central Government service, except the Armed Forces. The features of the NPS design are self-sustainability, portability and scalability. Based on individual choice, it is envisaged as a low-cost and efficient pension system backed by sound regulation. As a pure "Defined Contribution" product with no defined benefit element, returns would be totally market-related. The NPS provides various investment options and choices to individuals to switch over from one investment option to another or from one fund manager to another, subject to certain regulatory restrictions.

1.4 Extent and Coverage of the New Pension System

1.4.1 It has been made mandatory for all new recruits to the Government (except armed forces) with effect from 1st January, 2004 replacing the existing system of defined benefit pension system. NPS has been adopted by 23 state governments /UTs and it covers central autonomous bodies and state autonomous bodies, etc. NPS has also been rolled out to all citizens with effect from 1st May, 2009 on a voluntary basis. The process of making NPS available to all citizens entailed the appointments of NPS intermediaries, including twenty nine institutional entities as Points of Presence (POPs) that will serve as pension account opening and collection centres, a Centralised Record Keeping and accounting Agency (CRA) and six Pension Fund Managers to manage the pension wealth of the investoRs. Interim PERDA adopted a transparent, non-discretionary, competitive bidding process for selection of NPS intermediaries, in line with best international practice, which ensured high quality service delivery of NPS subscribers at optimum cost.

1.4.2 At present, out of 23 State Governments/Union Territory Governments which have notified to join the NPS, 9 States have already signed agreement with NPS Trust and 11 States have signed agreements with CRA for carrying forward the implementation of the New Pension System. The other States are at different stages of preparation for roll out of NPS. In addition, over 7 lakh employees of the Central and various State Governments are already a part of the NPS. The corpus being managed under the NPS has crossed Rs.3700 crore.

1.5 Key achievements during the year 2009-10

- Transfer of legacy data pertaining to the accumulated corpus in respect of Government subscribers.
- Opening of the NPS to all citizens
- Appointment of NPS intermediaries including 29 Points of Presence (including the Department of Posts) and 6 Pension Fund Managers for the unorganized sector
- Establishment of New Pension System Trust to supervise the Pension Fund Managers and ensure adherence to prescribed investment guidelines and to the provisions of the Investment Management Agreements

1.5.2 In order to expand the reach of the NPS country-wise, Interim PERDA invited the Department of Posts to join the NPS as a POP. After a series of discussions and receipt of a formal proposal from the Department of Posts, Interim PERDA appointed the Department of Posts as a POP in November, 2009. The Department of Posts has proposed to initially start with 817 branches and eventually extend its NPS network to all of its electronically connected branches. This will enable the Department of Posts to make NPS available within the easy reach of all citizens in the remotest corners of the country. In addition, Interim PERDA appointed 7 more entities as POPs in December, 2009, giving further fillip to the NPS distribution network. Several new initiatives were started like: adding a Tier II to the NPS that will serve as a saving account for the pension subscriber with effect from 1st December, 2009, and development of CRA - Lite – a low cost version of NPS meant to enroll people of lower economic strata like self help groups, affinity groups etc. Interim PERDA has approved the increase in the maximum entry age under the NPS to 60 years, as against the prevailing 55 years to enable more people to join the NPS.

1.5.3 Under the NPS for all citizens, a subscriber has the facility to open NPS account at any of the registered branches (880 branches so far) of the 29 PoP appointed by Interim PERDA. Initially, PoPs are offering NPS at limited number of branches. However, in due course, the number of such branches will grow and cover every part of the country. The offer document containing details of the NPS, application form for opening NPS account and welcome brochure is available on the website of Interim PFRDA (www.pfrda.org.in) as well as the website of other NPS intermediaries. Details of NPS intermediaries including Points of Presence and Pension Funds are also available on the Interim PFRDA website.

In the first year of their operation i.e. FY 2008-09, the three pension fund managers appointed for the government sector provided a weighted average annual return of 14.82% on the corpus managed by them.

2. Banking Operations

i. Amalgamation/Mergers

State Bank of India (SBI) had submitted a proposal for acquisition of State Bank of Indore and sought permission to enter into negotiations with State Bank of Indore u/s 35 (1) of SBI Act, 1955. Government has granted permission to SBI, vide letter dated 8th October, 2009, for proceeding with the negotiations with State Bank of Indore for acquiring its business.

ii. Restructuring/Infusion of Capital of Public Sector Banks – United Bank of India

To strengthen the Balance Sheet of the banks, besides providing it with flexibility to raise capital at a competitive cost and meet its capital requirement for future growth, the Government after consulting Reserve Bank of India restructured the equity capital of United Bank of India. The Union Cabinet, in its meeting held on 30.03.2009, considered and approved the proposal for restructuring the equity capital of the United Bank of India by return of excess paid-up capital of Rs.1,266 crore to the Government and simultaneous infusion of this amount by the Government to the 'Capital Reserves' of the Bank and, thereby, reducing the paid-up capital of the Bank to Rs.266.43 crore. Accordingly, requisite Budget provision in this regard was made and the paid-up Equity Capital of United Bank of India was restructured on 30.12.2009.

iii. Infusion of Capital Funds in 4 Nationalised Banks

Rs.4,600 crore – Central Bank of India (Rs.1,400 crore), UCO Bank (Rs.1,200 crore), Vijaya Bank (Rs.1,200 crore) and United Bank of India (Rs.800 crore).

To enable the public sector banks (PSBs) maintain a comfortable level of CRAR for supporting the credit requirements of the productive sectors of the economy and to ensure compliance with Basel II regime, Government infused a sum of Rs.1,900 crore in four nationalised banks (Central Bank of India – Rs.700 crore, UCO Bank – Rs.450 crore, Vijaya Bank – Rs.500 crore and United Bank of India – Rs.250 crore) during the year 2008-09.

iv. Permission to Public Sector Banks (PSBs) to raise equity capital through Public Issues

During the year 2009-10, United Bank of India and UCO Bank were accorded approval of the Government for raising Equity Capital through IPO / FPO, as under –

(a) United Bank of India - Approval granted to the United Bank of India for its Initial Public Offer (IPO) for issue of 5 crore Equity Shares of Rs.10 each (totaling Rs.50 crore) through book-building process, at a premium to be decided by the Bank at the time of Public Issue.

(b) UCO Bank - Approval granted to the UCO Bank for its Follow-on Public Issue (FPO) for issue of 6 crore Equity Shares of Rs.10 each (totaling Rs.60 crore) through book-building process, at a premium to be decided by the Bank at the time of Public Issue.

v. World Bank Loan for 'Capital assistance to Public Sector Banks (PSBs)'

Government is considering to provide capital assistance to those public sector banks which require such funds to be able to meet the credit requirement of the economy while maintaining Capital to Risk Weighted Assets Ratio (CRAR) of 12%, through World Bank assistance. To meet the capital requirements of PSBs, Government has negotiated with the World Bank for a Banking Sector Support Loan (BSSL) of US $ 2 billion.

2.2 Action taken on the Announcements made in President's Address during the Budget Session of Parliament in 2009

2.2.1 The relevant extracts of para-16 of the Hon'ble President's speech dated 04.06.2009, which pertains to Department of Economic Affairs is as follows:

"Towards this end my Government will recapitalise the public sector banks to strengthen their financial position and also bring legislation to establish a regulator for the pension sector."

Action taken: To enable the public sector banks to meet the credit requirements of the productive sectors of the economy commensurate with the economic growth of the country, the Government has already infused capital funds amounting to Rs.1,900 crore in four nationalized banks (Rs.700 crore to Central Bank of India, Rs.500 crore to Vijaya Bank, Rs.450 crore to UCO Bank and Rs.250 crore to United Bank of India). Besides, the Government has entered into agreement with the International bank for Reconstructions and Development (World Bank) on 22.09.2009 for the first Banking Sector Support Loan of USD 2 billion.

2.3 Legislative Proposals

2.3.1 State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Bill, 2009 -

After the acquisition of the State Bank of Saurashtra by the State Bank of India, the State Bank of Saurashtra ceased to exist and therefore, it was necessary to repeal the State Bank of Saurashtra Act, 1950. Accordingly, State Bank of Saurashtra (Repeal) Bill, 2009 was passed by both Houses of Parliament in December, 2009 and subsequently, received the assent of the President.

2.3.2 State Bank of India (Subsidiary Banks Laws) Amendment Bill, 2009

The transfer of ownership of the State Bank from the Reserve Bank to the Central Government was carried out pursuant to the coming into force of the State Bank of India (Amendment) Act, 2007 (30 of 2007). There are certain provisions in the State Bank of

India (Subsidiary Banks) Act, 1959 and the State Bank of Hyderabad Act, 1956 dealing with the approval of or consultation with the Reserve Bank (in the capacity as owner of SBI) in the management and functioning of the subsidiary banks. Due to the change in the ownership, those provisions need to be suitably modified to reflect the change in ownership. Further, after the acquisition of the State Bank of Saurashtra by the State Bank of India, it is not necessary to retain such provisions in the State Bank of India (Subsidiary Banks) Act, 1959. Therefore, the amendment was necessary in the provisions of the said Act, in so far as they relate to the State Bank of Saurashtra. Accordingly, the State Bank of India (Subsidiary Banks Laws) Amendment Bill, 2009 was introduced in the Lok Sabha on 18th December, 2009. After introduction, the Bill has been referred to the Standing Committee on Finance by the Speaker of Lok Sabha for examination and report.

2.3.3 State Bank of India (Amendment) Bill, 2009

The proposal through this Bill is to increase the authorized capital of State Bank of India from Rs.20 crore to Rs.5,000 crore, to enable the State Bank to raise resources from the market by public issue or preferential allotment or private placement of equity or preference shares to meet minimum capital requirements under Basel II and expand its business, to issue bonus shares to the existing shareholders, to reduce the statutory limit of minimum shareholding of the Central Government from 55% to 51%, to accept monies in installments, make calls and forfeit unpaid shares, to provide nomination facility in respect of shares, to abolish the post of vice-chairman, to allow the Central Government to appoint not more than four managing directors, to specify qualification for elected directors, to confer power on the Central Government to supersede the Central Board of the bank, to allow holding of the Central Board meetings through video conferencing, to provide for transfer of unclaimed dividend and to entitle shareholders to adopt the balance sheet in the AGM, etc.

The Cabinet has approved the above proposal in its meeting held on 03rd December, 2009. The Bill is likely to be introduced and passed during the Budget Session of Parliament 2010.

2.4 Policy Related Issues

2.4.1 Proposal for setting up of Central Electronic Registry to record transactions related to mortgages -

2.4.2 Chapter IV, Section (20) of the SARFAESI Act, 2002 makes provisions for setting up or cause to set up by Central Government, a Registry being known as Central Registry for the purpose of registration of transaction of securities and reconstruction of financial assets and creation of security interest.

- In order to give effect to this provision, a proposal is under examination of this Department in consultation with RBI, IBA, NHB and few Public Sector Banks.
- A Working Group was constituted by Indian Banks Association, which has submitted its report to this Department. The report was examined by all stake holde Rs.
- After detailed deliberations, inputs and suggestions from the participating members, it was decided that the issues like structure of the company, revenue model, composition of the share holders, etc. should be taken up for further examination by the Government/ IBA/RBI.
- Establishment of Central Electronic Registry is one of the components of Mission Mode Project of National & E-Government Plan.

2.5 Grievance Redressal Mechanism in Public Sector Banks.

In order to further strengthen the grievance redressal mechanism in Public Sector Banks this Department has been using extensively the CPGRAMS portal (Centralized Public Grievance Redress and Monitoring System) developed by DARPG (Department of Administrative Reforms & Public Grievances). Through this system this Department has integrated the banking Division with the Customer Service Department of all the Public Sector Banks, the 15 banking Ombudsman Offices situated all over the country and other regulatory agencies like Reserve Bank of India, NABARD etc. All the Sections of this Department have also been integrated with the CPGRAMS portal and User IDs and Passwords issued to them. The system also facilitates the citizens to lodge their grievances on-line directly on the website. The grievances received by the Department from individuals complaints, DARPG, DPG are transmitted on-line to all the Banks, Banking Ombudsman offices etc. and responses to these grievances can also be submitted by these agencies on-line. The system helps the complainant to monitor the status of the complaints on-line and also generate action taken reports.

2.6 Debts Recovery Tribunals/Debts Recovery Appellate Tribunals

2.6.1 The Central Government has established 33 Debts Recovery Tribunals (DRTs) and 5 Debts Recovery Appellate Tribunals (DRATs) established all over the country under the provisions of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 for expeditious adjudication and speedy recovery of debts due to banks and financial institutions and matters connected therewith or incidental thereto.

2.6.2 DRTs are providing valuable services to the banks and Financial Institutions for effecting recovery of dues. The role of the DRTs has been further enhanced by the enactment of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, which provides for aggrieved parties to make appeals before the DRTs.

2.6.3 As per data available from DRTs, a total number of 9585 cases involving revenue implications of about Rs.13028 crore were disposed off by the DRTs during the period 1.4.2009 to 31.12.2009.

2.7 HR Matters

2.7.1 The wage settlement of officers and employees is negotiated by the Indian Banks' Association (IBA) representing the managements of such banks, which have mandated it to negotiate on their behalf, with the major workmen Unions/ Associations representing the employees and officeRs. The wage revision exercise includes revision of pay and allowances, basic service conditions, perquisites and retiral benefits etc. The Unions/ Associations present their Charter of Demands to IBA and thereafter negotiations are held by IBA with the Unions/ Associations to arrive at a settlement.

2.7.2 The IBA Negotiating Committee and United Forum of Bank Unions (UFBU), representing five major Workmen Unions and four major Officers' Associations, concluded the Bipartite Wage Negotiations pertaining to IXth Bipartite Settlement on 27th November, 2009.

2.8 Regional Rural Banks

Revitalizing Regional Rural Banks (RRBs)

With a view to strengthen the RRBs for playing a greater role in agriculture, rural lending and financial inclusion the following measures were taken during the year:

- Opening of new branches - On the advice of Central Government through NABARD, RRBs have been advised to undertake expansion of branches aggressively, especially to cover the uncovered districts and to open the branches in un-served areas. In pursuance, thereof, RRBs have opened 715 branches from April, 2007 to March 31, 2009 (provisional data). Further, RRBs have been advised to open 2000 new branches in the next two years i.e. by March 2011.

- Recapitalization of RRBs - 27 RRBs having negative net worth were identified to be recapitalized in a phased manner. The total amount of recapitalization was assessed at Rs.1,795.97 crore. The Central Government has released its share of contribution, amounting to Rs.897.98 crore, along with the release of the share of contribution by the State Government concerned and the sponsor banks. Out of 27 RRBs, the Government released its share amounting to Rs.303.11 crore on 31.3.2008 and the remaining share of Rs.594.87 crore stands released as on 31.7.2009. Thus, all the 27 RRBs have been recapitalized.

- Amalgamation of RRBs - The Government initiated a process for structural consolidation of RRBs by amalgamation of RRBs sponsored by the same bank within a State in September 2005. The amalgamated RRBs are expected to provide better customer service due to better infrastructure, computerization of branches, pooling of experienced work force, common publicity and marketing efforts, reap benefits of a large area of operation and enhanced credit exposure limits. As a result of the amalgamation, the number of RRBs has reduced from 196 to 83 as on date including one new RRB established on 26.3.2008 viz. Puduvai Bharthiar Grama Bank sponsored by Indian Bank in the UT of Puducherry. The proposal for the amalgamation of the Lucknow Kshetriya Gramin Bank and Triveni Kshetriya Gramin Bank is under process.

- Committee on HR Policy for RRBs - A Committee under the Chairmanship of Dr. Y.S.P. Thorat then Chairman, NABARD was constituted in May, 2007 to review and make recommendations on H.R. policies in RRBs. The Report of the Committee was approved by the Government on 20.8.2008 with few modifications. The Report inter-alia addresses issues like categorization of RRBs on the basis of the number of the branches and business level, staffing pattern in headquarter, controlling offices and branches, career progression of RRB employees, etc. Due to better promotional avenues in the revised staffing pattern it is expected that it will result in perceptible improvement in the performance of RRBs. The Committee, inter-alia, recommended a comprehensive review of the existing provisions of the Regional Rural Banks Officers and Employees Service Regulations, 2000, to incorporate the required changes for which the Government of India constituted a Committee under the Chairmanship of Shri Amaresh Kumar, ED, NABARD. The terms of reference of the Committee were as under:

  o To study, review and suggest suitable amendments of the Model Regional Rural Banks Officers & Employees Service Regulations, 2000.

  o To examine the issue of having separate Service Regulations for Officers and Employees of RRBs.

  o Any other matters relating to Service Regulations of RRBs.

Based on the recommendations, the Committee submitted its report in February, 2009. The draft final notification of the RRB Recruitment & Promotion Rules/ Regulations has been prepared and shall be notified shortly.

- Capital-To-Risk-Weighted Assets Ratio (CRAR):- The Finance Minister has set up a Committee under the Chairmanship of Deputy Governor, RBI to examine the financials of RRBs with CRAR of less than 7% as on March 31, 2009 and to suggest measures to bring the CRAR of RRBs to at least 7% in a time bound manner. The Committee may also examine whether the capital base in case of capitalized RRBs needs further strengthening. The report of the Committee is still awaited.

- Core Banking Solutions (CBS) in RRBs :- The Government has advised all RRBs to migrate to Core Banking Solutions (CBS) by September 2011. The Sponsor Banks shall provide the necessary support required to rollover the RRBs to CBS. By adopting the Core Banking Solutions, RRBs shall be able to provide a wider range of facilities to their customers, more efficiently.

3. Agricultural Credit Sector

3.1 Agriculture Credit Sector

A target was set in 2004-05 to double agricultural credit in three yeaRs.This goal was achieved in two years The target for the credit flow to agriculture and allied sector had been fixed at Rs.2, 80,000 crore during 2008-09. Against this target, the total credit flow to agriculture by Public & Private Sector Commercial Banks (CBs), Cooperative Banks and Regional Rural Banks (RRBs) was of the order of Rs.2,43,570 crore exceeding annual target by Rs.12,437 crore. As against the farm credit target of Rs.3,25,000 crore for the year 2009-10, an amount Rs.2,00,000 crore was achieved upto November, 2009.

Year	Target	Achievement
2004-05	1,05,000	1,25,309
2005-06	1,41,000	1,80,486
2006-07	1,75,000	2,29,400
2007-08	2,25,000	2,43,570
2008-09	2,80,000	2,92,437
2009-10	3,24,000	*2,00,000

* Provisional figures upto November, 2009

3.2 Agriculture Debt Waiver and Debt Relief Scheme (ADWDRS) 2008

3.2.1 The Scheme of Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS) 2008 for farmers has been implemented by its due date i.e. 30.06.2009. However, the last date for payment of 75% by 'Other Farmers' under OTS Scheme was extended from 30.6.2009 to 31.12.2009. The last date for submission of grievances has been extended till 31.01.2010. As per reports received from RBI, NABARD, SLBCs and PSBs so far, the total debt waiver/debt relief is Rs.65, 318.33 crore covering 3, 68,77,818 farmers (provisional figures).

3.2.2 All the PSBs have uploaded the ADWDRS data on their respective Websites. Besides, NABARD has uploaded ADWDRS data of all RRBs on its Website. A link of these websites has also been created in the website of Ministry of Finance viz. www.finmin.nic.in.

3.2.3 The Government has released 1st and 2nd installment of reimbursable claims of the lending institutions under the Agricultural Debt Waiver and Debt Relief Scheme, 2008 of Rs.40,000 crore.

3.3 Main Programmes and Schemes

Some of the important Programmes and schemes of AC Section during the year were:

* Agricultural Debt Waiver and Debt Relief Scheme, 2008
* Revitalisation of the Short Term Cooperative Credit Structure;
* Interest Subvention Scheme for interest relief to farmers on short term production credit

3.4 Other Legislations

The Micro Finance (Development and Regulations) Bill, 2010, for promotion, growth, development and regulation of Micro Finance Sector in rural and urban areas, is under formualtion in the Ministry.

3.5 Revitalisation of Short Term Cooperative Credit Structure

The report of the Task Force under Prof. A Vaidyanathan on Revitalisation of the Cooperative Credit Structure in the country with regard to Short Term Cooperative Credit Structure has been accepted by the Government. Under the Scheme, the expenditure is to be shared by the Government of India, State Government and the Cooperative Credit Societies in the ratio of 68:28:04. The States willing to implement the package are required to sign a MoU with the Central Government and NABARD. Twenty five states have so far executed such MoUs. So far Rs.8,230.63 crore as the Government of India share has been released to NABARD towards implementation of the Scheme.

3.6 Revitalisation of Long Term Cooperative Credit Structure

The revival package for the Long Term Cooperative Credit Structure (LTCCS), based on the recommendations of Vaidyanathan Task Force-II was approved by the Government of India. Total outlay for implementation of this Revival Package is for Rs.3,070 crore (Rs.2,206 crore for GoI, Rs.482 crore for State Governments and Rs.382 crore for Agriculture and Rural Development Banks or LTCCS). Rs.20 crore has been released to NABARD for implementation of this Package during 2008-09. A provision of Rs.1,000 crore has been made in the BE 2009-10 for the same. To assess the impact of the implementation of Agricultural Debt Waiver & Debt Relief Scheme (ADWDRS), 2008 and the STCCS package on the financial health of the LTCCS, the Government of India has constituted a Task Force.

3.7 Interest Subvention Scheme

3.7.1 In 2006-07, an amount equal to two percentage points of the borrower's interest liability on the principal amount upto Rs.1,00,000/- , on crop loans availed by the farmers for Kharif and Rabi 2005-06, were credited to borrower's account.

3.7.2 Further, the Government provided interest subvention @ 2% to Public Sector Banks, Regional Rural Banks (RRBs) and Cooperative credit Institutions (CCIs) on the amount of loans disbursed out of their own resources and concessional refinance to Cooperative Banks and RRBs by subventing the interest differential between the cost of funds and the rate of refinance by NABARD during the year 2006-07 and 2007-08 to ensure that the farmer receives short-term credit @ 7% p.a., with an upper limit of Rs.3,00,000/- on the principal amount per farmer. During the year 2008-09 with the same stipulations except that the interest subvention is being provided @ 3% to Public Sector Banks, Cooperative Banks and Regional Rural Banks on the amount of loan disbursed out of their own resources.

3.7.3 This scheme continues during the year 2009-10 and Government has provided interest subvention @ 2% to the lending institution for loans disbursement out of their own resources to farmer for short term crop loans upto Rs.3 lakh. Further an additional subvention of 1% was given as an incentive to those farmers who repay their short term crop loans on schedule. Thus, the interest rate for farmers paying timely comes to 6 per cent per annum. Around Rs.870 crore, Rs.1,856 crore, Rs.2,472 crore and Rs.3083 crore have already been reimbursed to the lending institutions during the years 2005-06, 2006-07, 2007-08 and 2008-09 respectively for implementation of the Scheme. A provision of Rs.2,011 crore has been made in the BE 2009-10 for the same.

3.8 SHG-Bank Linkage Programme

The Self Help Group (SHG) – Bank Linkage Programme has emerged as the major micro finance programme in the country. The focus under this programme is largely on those rural poor who have had no sustainable access to the formal banking system. Upto 31.03.2008, 50,09,794 SHGs were linked to banks with the total savings aggregating to Rs.3,78,538.94 crore. Besides, the loans amounting to Rs.16,99,90.66 were outstanding against 36,25,941 SHGs to the Banking System.

3.9 Rural Infrastructure Development Fund (RIDF)

The Corpus of RIDF, which was Rs.5,500 crore during the year 2003-04, has increased to Rs.14,000 crore for the year 2009-10 (RIDF-XV). A separate window under RIDF for rural roads with a corpus of Rs.4,000 crore each, during 2006-07, 2007-08, 2008-09 and Rs.4,500 crore during 2009-10, has also been created. Projects worth Rs.8207.69 crore have been sanctioned while Rs.5,119.04 crore disbursed against the normative allocations for the States under RIDF-XV till 31.10.2009. Besides, Rs.4,500 crore has been disbursed to NRRDA by NABARD for the Rural Roads Component of Bharat Nirman for 2009-10.

3.10 Financial Inclusion

3.10.1 Based on the recommendations for the interim report of the Committee on Financial Inclusion, headed by Shri C. Rangarajan, the Government has constituted the "Financial Inclusion Fund" (FIF) for meeting the cost of developmental and promotional interventions for ensuring financial inclusion, and the "Financial Inclusion Technology Fund" (FITF), to meet the cost of technology adoption. Each Fund consists of an overall corpus of Rs.500 crore, to be contributed by the GoI, RBI and NABARD in a ratio of 40:40:20, in a phased manner over five years, depending upon utilization of funds. For the year 2007-08, a contribution of Rs.25 crore was to be made to each of these funds by the GoI, RBI and NABARD in the ratio 40:40:20 for which the GoI has already contributed Rs.10 crore in each of these two Funds. Both the funds are housed in NABARD. There is a provision of Rs.20 crore for both funds in RE 2009-10 as the Government of India share. The Advisory Boards for these two Funds are holding meetings at regular intervals to plan strategy and consider proposals for financial inclusion.

3.10.2 IBA and NABARD have advised the Scheduled Commercial Banks and RRBs to achieve the target of adding 250 rural household accounts every year at each of their rural and semi-urban branches.

3.10.3 There remain 99 unbanked blocks in the country out of which 86 are in North Eastern (NE) Region and 13 are in Non- NE region, efforts are being made to open bank branches here at the earliest.

4. Institutional Finance

4.1 Small Industries Development Bank of India

4.1.1 Small Industries Development Bank of India (SIDBI) was set up on April 2, 1990 under an Act of Parliament. As on December 31, 2009, the Authorised Capital of SIDBI is Rs.1000 crore and Paid Up Capital is Rs.450 crore. SIDBI is the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector. The Bank also co-ordinates the functions of the institutions engaged in similar activities. Presently, the Bank provides refinance support through a network of eligible member lending institutions for onward lending to MSMEs and direct assistance is channelised through the Bank's network of 100 branch offices. SIDBI also extends financial assistance in the form of loans, grants, equity and quasi-equity to Non Government Organisations / Micro Finance Institutions (MFIs) for on-lending to micro enterprises and economically weaker sections of the society, enabling them to take up income generating activities on a sustainable basis.

4.1.2 SIDBI has initiated various schemes for upliftment of the MSME sector and continues to be the prime lending institution for MSME sector. In the Budget Announcement 2008-09, it was announced to create two funds of Rs.2000 crore each in SIDBI-one for risk capital and the other for providing refinance on financial assistance to the MSME sector. On December 7,2008 in the package containing measures for stimulating the economy, it was announced that to facilitate the flow of credit to MSMEs, RBI would extend a refinance facility of Rs.7000 crore for SIDBI, which will be available to support incremental lending, either directly to MSMEs or indirectly via banks, NBFCs and SFCs. In order to support the Micro and Small Enterprises (MSEs) sector, Hon'ble Finance Minister in his Budget speech for FY 2009-10 has announced creation of a Special Fund of Rs.4000 crore under SIDBI. The details of these facilities are given below:

o **MSME (Refinance) Fund** - Following the Budget announcement by the Hon'ble Union Finance Minister, RBI had set up an MSME Refinance Fund with SIDBI with a corpus of Rs.1600 crore, which was subsequently enlarged to Rs.3600 crore. As against Rs.3600 crore, an amount of Rs.3326 crore was received as on December 31,2009. The fund is to be utilized for refinancing 50 per cent of the incremental lending to Micro and Small Enterprises (MSEs) by banks.

o **MSME (Risk Capital) Fund** - Following the Budget announcement by the Hon'ble Union Finance Minister to create a fund of Rs.2000 crore for risk capital, RBI had set up an MSME (Risk) Capital fund with SIDBI with a corpus of Rs.1000 crore during FY 2009, the balance Rs.1000 crore was allocated during the current financial year. As on December 31, 2009, an amount of Rs.499.43 crore has been received by SIDBI. In turn, SIDBI has sanctioned Rs.574.53 crore directly to MSMEs and venture capital funds.

o **Special Refinance Facility of Rs.7000 crore from RBI** - In order to enhance credit delivery to the employment - intensive MSE sector, RBI had provided further Refinance Facility of Rs.7000 crore to SIDBI which in turn was fully allocated to public sector banks (Rs.6390 crore) and SFCs (Rs.610 crore). Under the above facility, as on December 31, 2009, Rs.4726 crore was channelized through PSBs which would have increased MSE lending by banks to the extent of almost Rs.9500 crore (refinance being 50% of banks incremental lending to MSEs) and Rs.645 crore through SFCs.

o **Special Fund of Rs.4000 crore** - In order to support the Micro and Small Enterprises (MSEs) sector, Hon'ble Finance Minister in his Union Budget speech for FY 2009-10 had announced creation of a Special Fund of Rs.4000 crore to SIDBI for refinancing 50 per cent of the incremental lending to Micro and Small Enterprises (MSEs) by banks and SFCs . SIDBI has sanctioned Rs.3800 crore to Public Sector Banks (comprising Rs.2800 crore for refinance to micro enterprises and Rs 1000 crore for refinance to small enterprises) and Rs.200 crore to State Financial Corporations (SFCs), for refinance against term loans to micro enterprises. The fund is to be utilized during the current financial year. As on December 31, 2009, a sum of Rs.1900 crore to 10 banks has been disbursed under the Fund.

• **Credit Guarantee Scheme for Micro and Small Enterprises** -The Ministry of Micro, Small and Medium Enterprises, Govt. of India, (the then Ministry of SSI) and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Small Industry (CGTSI) which has been recently renamed as Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Scheme (CGS). The scheme was formally launched on August 30, 2000. Under the scheme, credit facilities, which are extended without third party guarantee on collateral security by eligible lending banks/Financial Institutions, are covered. Numerous initiatives have been taken by the Government to enhance the coverage of credit guarantee to incentivise collateral-free lending to MSE sector. The initial corpus of CGTSME of Rs.125 crore has gradually increased and as on December 31, 2009, it was Rs.1906.56 crore. It is proposed to be raised to Rs.2500 crore.

4.1.3 During the FY 2008-09 following improvements were made in the CGS to enhance the coverage under the Scheme:

- Credit facility eligible for guarantee cover was enhanced from Rs.50 lakh to Rs.100 lakh.
- The lock-in-period for filing claims against loans covered under the CGS was reduced from 24 to 18 months, to encourage banks to cover more loans under the guarantee scheme.
- Guarantee coverage for loans upto Rs.5 lakh was increased to 85%, and
- Guarantee fee was reduced for loans upto Rs.5 lakh.

4.1.4 As on December 31, 2009, guarantee approvals were extended to 2,49,164 proposals covering credit assistance of Rs.9,192.27 crore by the CGTMSE. The enterprises covered under the scheme employed around 24 lakh persons having aggregate turnover of about Rs.50,000 crore. As on December 31, 2009, the membership of CGTMSE comprised 99 banks and Financial Institutions.

- **Venture Capital Fund**

In order to provide risk capital to the MSME sector, a SIDBI Venture Capital Limited (SVCL) has been set up, which is presently managing National SME Growth Fund for textiles, retailing, logistics, pharmaceuticals, light engineering, knowledge based industries etc. Total commitment as on December 31, 2009 by the SME Growth Fund is Rs.467.08 crore. Earlier, SVCL has already implemented the first fund viz. National Venture Fund for Software and IT Industry (NFSIT) with a corpus of Rs.100 crore successfully.

- **SME Rating Agency of India Ltd. (SMERA)**
  - o SMERA, operational from September, 2005, is a third-party credit rating agency exclusively set up for MSMEs. It provides ratings that are comprehensive, transparent and reliable and which would enable the rated units to raise bank loans at competitive rates of interest.
  - o As on December 31, 2009, SMERA had cumulatively completed 5389 ratings, including 1945 MSMEs ratings during Apr –Dec, 2009.
  - o Risk profiling studies in respect of 13 MSME clusters have been completed.
  - o SMERA has signed MoU with 26 banks for offering interest rate concession to the better rated units.
  - o RBI has been requested for accreditation of SMERA.
  - o Initiatives undertaken for SC/ST and other weaker section of society Details at Annexure-I & II

4.2 National Housing Bank (NHB)

4.2.1 National Housing Bank (NHB), a wholly owned subsidiary of Reserve Bank of India (RBI), was set up by an Act of Parliament in 1987. NHB is an apex financial institution for housing. It commenced its operations on 9th July 1988. NHB has been established with an objective to operate as a principal agency to promote housing finance institutions both at local and regional levels and to provide financial and other support incidental to such institutions and for matters connected therewith.

NHB registers, regulates and supervises Housing Finance Companies (HFCs), keeps surveillance through On-site & Off-site Mechanisms and co-ordinates with other Regulators.

4.2.3 Special Refinance Facility (SRF)

A Special Refinance Facility of Rs.4000 crore was provided by the Reserve Bank of India (RBI) to the National Housing Bank (NHB) to meet the liquidity requirements of Housing Finance Companies (HFCs) for housing loans upto the individual loan size of Rs.20 lakh. Under the facility, NHB has provided assistance to HFCs at 8 per cent per annum on monthly compounding basis upto 16.1.2009 and 7 per cent thereafter. The interest rate rebate upto 25 bps is provided on loans upto Rs.5 lakh at the end of one year or on the repayment of the refinance whichever is earlier. A cap of Rs.400 crore on disbursements under the Facility per HFC has been stipulated to ensure broad based utilization. As on 31.12.2009, the outstanding refinance under SRF is to Rs.3,646.44 crore.

4.2.4 Rural Housing Fund (RHF)

4.2.4.1 Rural Housing Fund (RHF) was announced in the Union Budget 2008-09 to enhance the refinance operations of NHB in the rural sector, by tapping the resources of Scheduled Commercial Banks to the extent that they fall short of their obligation to lend to the priority sector. Accordingly, a Fund of Rs.1200 crore for NHB was indicated in the Budget Speech. Subsequently, the Reserve Bank of India increased the corpus to Rs.2000 crore. The funds under RHF are to be utilized for extending financial assistance to the "Weaker Sections " as defined in the priority sector guidelines of RBI and to the rural population with annual income not exceeding Rs.2 lakh, under various refinance schemes to the rural housing sector, both existing and prospective, including refinance under GJRHRS, top-up loan under Indira Awas Yojana, refinance under Productive Housing in Rural Areas (PHIRA), rural housing microfinance etc., to financial intermediaries other than Scheduled Commercial Banks.

4.2.4.2 In line with the previous year, a budget announcement of Rs.2000 crore has been made under the Fund for the year 2009-10, of which the Bank has received Rs.998.68 crore from various commercial banks and disbursed Rs.724.84 crore to various Housing Finance Companies and Banks as on December 31, 2009.

The rate of interest charged by NHB has been reduced from 7-8 per cent to 6-7 per cent per annum on lending to the PLIs.

4.2.5 Refinance of Construction finance for Affordable Housing

NHB introduced a new refinance scheme for construction finance for affordable housing. NHB under the scheme is extending support to the housing activities with special focus on Tier II and Tier III cities through various intermediaries by way of refinance. Slum redevelopment in metros is also being covered under the scheme in addition to industrial worker housing, working women hostels and old age homes, housing projects financed under the JNNURM or any other similar Central Government/State Government scheme such as natural disaster affected housing. The Scheme incorporates certain key restrictions on unit cost, unit area, land price etc., to ensure that refinance is not used for higher income housing.

4.2.6 National Housing Bank (NHB)'s Activities and Operations

a) Resource Mobilization

During the financial year 2008-09 (July-June), NHB mobilized Rs.18,166.75 crore from various sources. Of these, an amount of Rs.7,417.90 crore was repaid during the same year with net borrowings during the year amounting to Rs.10,748.85 crore. During the current financial year so far (July 1, 2009 to December 31, 2009), NHB has mobilized a gross amount of Rs.12,120 crore through Commercial Papers, Certificate of Deposit, Bonds, Term Loans, Deposits etc. from commercial banks, RBI, Mutual Funds etc.

b) Deployment of Funds

Disbursements during 2008-09 amounted to Rs.10,889.03 crore of which Refinance Disbursements were Rs.10,853.62 crore and Project Finance was Rs.35.41 crore. During the current year so far (July 01, 2009 to December 31, 2009) disbursements have amounted to Rs.2,161.24 crore out of which Refinance Disbursements were Rs.2,156.06 crore and Project Finance was Rs.5.18 crore.

Table 5.1

The institution-wise break-up of the Refinance releases made during 2009-10 (July 1, 2009 to December 31, 2009)

Institution Category	Regular Scheme	GJRHRS	RHF	SRF	Total	% of Total
HFCs	547.22	239	706.34	100	1592.56	73.86%
Co-operative Sector	95	00	00	0	95	4.41%
Banks	0	450	18.50	0	468.50	21.73%
Total	**642.22**	**689**	**724.84**	**100**	**2156.06**	**100%**

c) Refinance Operations

During the year 2009-10 (July 1, 2009 to December 31, 2009), refinance aggregating Rs.2,156.06 crore was disbursed, out of which Rs.724.84 crore was disbursed under the Rural Housing Fund (RHF), Rs.689 crore under Golden Jubilee Rural Housing Refinance Scheme and Rs.100 crore under Special Refinance Facility (SRF).

d) The institution-wise break-up of the releases made during the 2009-10 (July 1, 2009 to December 31, 2009) is given in Table 5.1.

e) Performance under the Rural Housing Fund (RHF) & Golden Jubilee Rural Housing Refinance Scheme (GJRHRS)

Out of the total term releases of Rs.2,156.06 crore made during the year (upto December 31, 2009), 65.58 per cent aggregating Rs.1,413.84 crore have been made under the RHF and GJRHRS in respect of loans given by Primary Lending Institutions (PLIs) in rural areas.

f) Equity Participation by NHB

Under its promotional role, NHB has equity participation outstanding in three HFCs, namely, GRUH Finance Limited, Cent Bank Home Finance Limited and Mahindra Rural Housing Finance limited. The realizable value of equity holding in these three HFCs as on 30.06.2009 stood at Rs.6.95 crore.

g) Financial Performance: 2008-09

During the year under review, profit before tax has amounted to Rs.350.30 crore as against Rs.257.60 crore during the previous year, registering a growth of 36 per cent. Profit after tax worked out to be Rs.235.62 crore as against Rs.169.70 crore during the previous year, registering a growth of 39 per cent. As a result of the increase in profit, the return on equity capital for the year 2008-09 rose to 52.4 per cent as against 37.7 per cent for the previous year. The plough back of Profit to Reserves led to increase in Net Owned Funds of the Bank from Rs.1,998.80 crore to Rs.2,230.49 crore.

h) Fraud Management Cell: Role of NHB

As a promotional endeavor for dissemination and sharing of critical information, a 'Fraud Management Cell' was set up in NHB in 2003. This was done in view of apprehension and concern regarding possible frauds in housing loan transactions. Information relating to frauds in the sector is collected from HFCs and IBA and the modus operandi and causative factors are identified and shared with HFCs to make them aware so that instances of such frauds may be prevented.

- **Reporting by HFCs**

  HFCs are required to submit information on fraudulent transaction to NHB on a quarterly basis in two returns. The first one pertains to details of fraud cases detected during the quarter and the second pertains to follow-up action on the fraudulent transactions detected earlier.

- **Issue of Caution Advice**

  NHB issues caution advices to all the registered HFCs. Individual details of fraudulent home loan borrowers are shared along with the modus operandi and causative factors involved on the lines of similar information being shared by the Reserve Bank of India/Indian Banks Association to member banks. It is expected that NHBs caution list would help in instituting checks and balances among the various lending institutions, the larger objective being to prevent recurrence of frauds in the housing sector.

i) Reverse Mortgage Loan (RML)

NHB has conceptualized the Reverse Mortgage Loan (RML) product, exclusively for covering house owning Senior Citizens. Pursuant to the announcement made in the Union Budget speech of the Hon'ble Finance Minister on February 28, 2007, NHB notified Operational Guidelines for Reverse Mortgage Loan (RML) in May 2007, after extensive consultation with the Housing Finance Companies (HFCs) and Banks. Further, NHB, in consultation with reputed legal firms, prepared and circulated model formats of the loan documents for adoption suitably by the HFCs and Banks in connection with their lending under RML.

The Hon'ble Finance Minister in the Union Budget Speech for the year 2008-09 made two major announcements relating to the proposed amendments to the Income Tax Act. These are (i) a new sub-section (xvi) to Section 47 of the Income Tax Act providing that reverse mortgage would not amount to "transfer" and (ii) insertion of a new sub-section (43) under Section 10 of the Income Tax Act to the effect that the stream of payments received by the senior citizen under RML under a Scheme notified by the Central Government, would not be "income", as they are in the nature of capital receipts.

Reverse Mortgage Scheme has since been notified by a Gazette notification by Government of India on 30-09-2008. Necessary amendment has also been made by the Income Tax Department that the stream of income received by the senior citizens under RML would not be income as they are in the nature of capital receipt.

NHB has been widely disseminating information on RML. Seminars/Workshops/Interactions have been held during the current year 2008-09 at different centres such as Kolkata, Bengaluru, Mysore and Chennai.

NHB has taken a new initiative to popularize the RML Scheme by utilizing the Financial Literacy Counselling Centres (FLCC) of Banks to include RML Scheme along with their existing credit schemes. All SLBC convener Banks have been asked to take up the progress of implementation of the Scheme through its FLCC as an agenda item in their meetings.

NHB launched a Reverse Mortgage Loan Counselling Programme for Senior Citizens, adopting a 'partnership approach' with reputed NGOs engaged in addressing the issues of senior citizens to operate the programme. Seven Counselling Centres have since been established under this programme. During the year 2008-09, Counselling centres were opened at Chandigarh and Kolkata in association with Helpage India, at Bengaluru with Nightingale Medical Trust and at Chennai with Consumer Association of India.

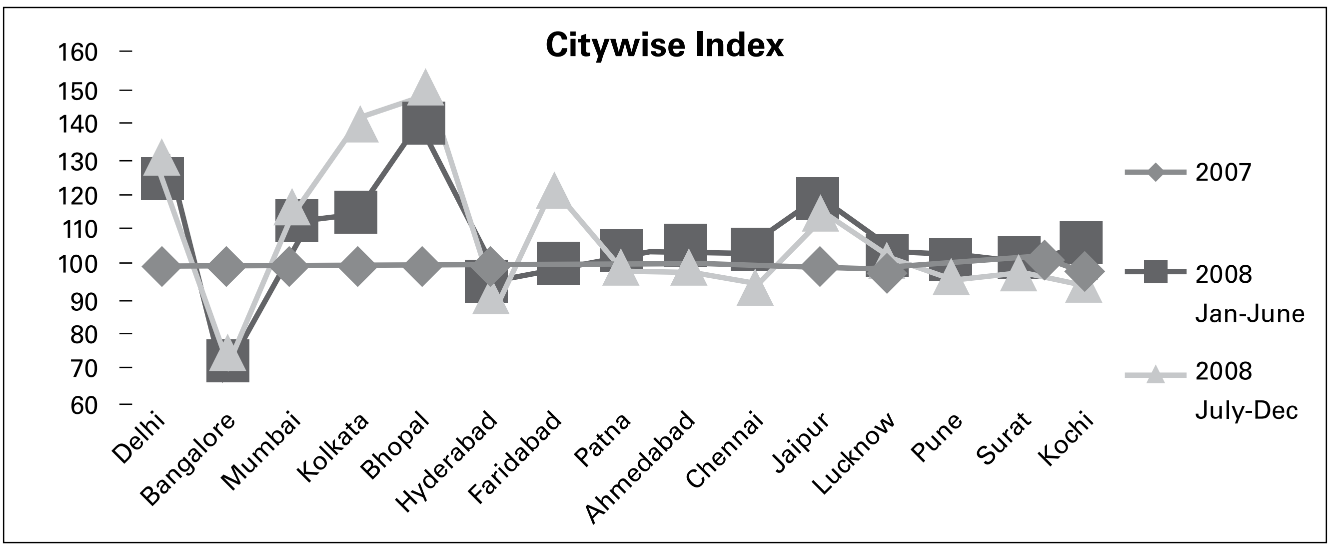
j) Residential Real Estate Price Indices (NHB-RESIDEX)

Keeping in view the prominence of housing and real estate as a major area for creation of both physical and financial assets and its contribution in overall National Wealth, a need was felt for setting up a mechanism, which could track the movement of prices in the residential housing segment. Accordingly, National Housing Bank, at the behest of the Ministry of Finance, undertook a pilot study to examine the feasibility of preparing such an index at the National level. The pilot study covered 5 cities viz. Bangalore, Bhopal, Delhi, Kolkata and Mumbai. Besides, a Technical Advisory Group (TAG), with Adviser, Ministry of Finance, as its Chairman and comprising of experts' members from RBI, NSSO, CSO, Labour Bureau, NHB and other market players, was constituted to deal with all the issues relating to methodology, collection of data and also to guide the process of construction of an appropriate index. Based on the results of the study and recommendations of the TAG, NHB launched RESIDEX for tracking prices of residential properties in India, in July 2007. NHB RESIDEX is based on actual transactions prices to reflect the market trends.

In addition to five cities covered in the pilot study, NHB RESIDEX has been expanded in 2008 to cover ten (10) new cities, viz, Ahmedabad, Faridabad, Chennai, Kochi, Hyderabad, Jaipur, Patna, Lucknow, Pune and Surat. At the time of updation and expansion of the index, the base year has been shifted from 2001 to 2007. With 2007 as base year, NHB RESIDEX has been updated up to December, 2008, with two half yearly updates (January - June and July - December) during 2008. NHB RESIDEX for fifteen selected cities for two years 2007 and 2008 (divided into two halves January-June and July-December) is presented in Table 5.2. below:

Table 5.2
Citywise Index

Cities	2007	2008 Jan- June	2008 July- Dec
Delhi	100	124	130
Bangalore	100	73	76
Mumbai	100	112	117
Kolkata	100	114	140
Bhopal	100	139	151
Hyderabad	100	96	92
Faridabad	100	100	121
Patna	100	103	100
Ahmedabad	100	106	100
Chennai	100	104	95
Jaipur	100	119	115
Lucknow	100	103	102
Pune	100	101	97
Surat	100	101	98
Kochi	100	106	95



4.3 Main Programmes and Schemes:

4.3.1 Scheme of 1% Interest Subvention on Housing Loan up to Rs.10 lakh

The Finance Minister had announced a Scheme of 1% Interest Subvention on Housing Loan up to Rs.10 lakh. An allocation of Rs.1,000 Crore was also announced for the purpose.

4.3.2 Pursuant to the above mentioned announcement, the Government of India has approved a Scheme of Interest Subvention on Housing Loan up to Rs.10 lakh, provided the cost of the unit does not exceed Rs.20 lakh. The Scheme will be implemented throughout the country and will be in operation for a period of 1 year starting from 1st October, 2009 to 30th September, 2010. Interest subsidy of 1%, by way of reduction in interest rate by 100 basis point per annum, will be applicable for first 12 months of eligible loans sanctioned and disbursed during the currency of the Scheme.

4.3.3 The Scheme will be implemented through the Scheduled Commercial Banks (SCBs) and Housing Finance Companies (HFCs) registered with National Housing Bank (NHB). The Reserve Bank of India (RBI) and NHB will be Nodal Agencies for the Scheme for SCBs and HFCs respectively.

4.3.4 The Government has allocated an initial sum of Rs.300 crore for implementation of the Scheme during the current financial year. The Department of Financial Services (DFS) has framed guidelines for implementation of the Scheme.

4.3.5 The Scheme guidelines along with Operational modalities have been circulated among the HFCs. National Housing Bank has received claims totaling Rs 87.80 lakh from 4 HFCs as on 31.12.2009. Accordingly, The Ministry of Finance has been requested for release of interest subsidy for onward release of the same to the HFCs concerned.

5. Credit Monitoring and Development

5.1 Educational Loans

5.1.2 The Government recognizes that education is central to the Human Resources Development and empowerment of the country. Knowledge and information would be the driving force for economic growth in the coming yeaRs.However, Higher Education has progressively moved into the domain of private sector and has become more and more costly. It was thus felt that there is need for institutional funding in this area. The Educational Loan Scheme aims at providing financial support from the banking system to deserving/ meritorious students for pursuing higher education in India and abroad. The main objective of the scheme is to see that every meritorious student is provided with an opportunity to pursue education with financial support from the banking system and that no deserving student is denied the opportunity to pursue higher education for want of financial support. Based on recommendations made by a Study Group, IBA had prepared a Model Educational Loan Scheme in the year 2001 which was advised to banks for implementation by Reserve Bank of India in April, 2001. The scheme was subsequently modified in 2004 and guidelines for the Revised Model Educational Loan Scheme were issued in August, 2004 by the Indian Banks' Association (IBA). Based on recommendations of a Working Group and also suggestions of the Government, the Scheme was again modified in 2007-08. The main features of the revised Education Loan Schemes are as under:

i) Enhancement of quantum of finance from maximum of Rs.7.5 lakh to maximum of Rs.10 lakh for studies in India and from maximum of Rs.15 lakh to maximum of Rs.20 lakh for studies abroad.

ii) Inclusion of regular degree/diploma courses like aeronautical engineering, pilot training, shipping etc., approved by Director General of Civil Aviation/Shipping, as additional courses to the indicative list of courses in the Scheme.

iii) Co-obligation of parents as joint-borrower has been made obligatory for sanctioning of all education loans under the security norms.

iv) Inclusion of life insurance policy for students availing education loans.

v) Inclusion of life policy and mutual fund units as permissible security for loan.

vi) Provision of multiple loans for a family unit.

vii) Provision of top-up loan for students for further studies.

viii) Inclusion of spouse/parents-in-law as co-obligator for loans.

5.2 Performance of Education Loans

5.2.1The total outstanding loans of Public Sector Banks (PSBs) for education as on 31st March, 2009 stood at Rs.27646 crore, in 1603385 accounts. The increase in total loans outstanding over previous year in absolute and percentage terms was Rs.7829 crore and 39% respectively. Year-wise break-up of education loans outstanding as on March 31, 2004 to as on March 31, 2009 is given below:

As on March 31st	No. of Accounts	Amt. outstanding (Rs.Crore)	Year on Year Growth (%)	
			No. of Accounts	Amount
2004	319337	4550		
2005	468207	6713	46.62	47.54
2006	679945	10012	45.22	49.14
2007	944397	14283	38.89	42.65
2008	1246870	19817	32.03	38.75
2009	1603385	27646	28.59	39.51
As on 30th Sept. 2009#	1715016	32367	6.96*	17.08*

Source: IBA. # Figures are provisional. * Growth over March 2009.

5.2.2 Bank-wise (PSBs) details of education loan outstanding as on 30st September, 2009 are given at Annex-II

5.3 Initiatives taken to improve performance under the Scheme

5.3.1 In order to facilitate disbursement of loans for education, the Public Sector Banks have been advised to introduce online system for processing education loan applications with the following features:

- Registration of loan application and immediate automatic reply with reference number for future correspondence;

- Processing of application within stipulated time and conveying sanction in principle to the student to approach the concerned branch.

5.3.2 Apart from the above, at the request of Government, the IBA has advised its member banks on 16th August, 2008 and 12th December, 2008 that the educational loan applications should not be rejected or passed on to other bank/branch on the ground of area of operation.

5.3.3 IBA has also advised the member banks on September 27, 2008 that teacher training courses/ nursing courses/B.Ed. courses will be eligible for education loan provided the training institutions are approved either by the Central Government or by State Government and that such courses should lead to degree or diploma awarded and not only just certification. The fee to be considered for the purpose should be the fee structure as stipulated in Central/ State Government colleges.

5.4 Concession for Girl Students on Interest Rates

IBA on February 4, 2009 has, at the request of Government, advised its member banks that at least 0.50% concession in interest rates may be provided to girl students on education loans studies in India or abroad.

5.5 Credit Linked Government Sponsored Schemes for Self Employment

5.5.1 Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

5.5.1.1 The SJSRY Scheme is in operation since December 1, 1997 in all-urban and semi urban areas of India. Among other components the scheme has two sub- schemes where bank credit is involved, namely Urban Self Employment Programme (USEP) and Development of Women& Children in Urban Areas (DWCUA). The beneficiaries are identified by the Urban Local Bodies (ULB) on the basis of house-to-house survey. Under the scheme, women are to be assisted to the extent of not less than 30 per cent, disabled at 3 per cent and SC / STs at least to the extent of the proportion of their strength in the local population. The scheme is funded on 75:25 basis by the central and respective state government. Under USEP, underemployed and unemployed urban youth whose annual family income is below the poverty line, who are educated up to ninth standard and included in ULB list are to be assisted with bank loans. Projects costing up to Rs.50, 000 are financed by banks. Subsidy is provided by Government at 15 per cent of the project cost subject to a maximum of Rs.7, 500. The borrower has to bring in 5 per cent of the project cost as margin money. Interest is charged as per interest rate directives issued by RBI from time to time. Partnerships are also permitted.

5.5.1.2 Under the Development of Women & Children in Urban Areas (DWCUA) programme, women beneficiaries may take up self-employment ventures in group. DWCUA group should consist of at least 10 urban poor women. The group is entitled to a subsidy of Rs.1, 25,000 or 50 per cent of the project cost, whichever is less.

5.5.1.3 During the year 2008-09, disbursements amounting to Rs.282.23 crore were made to 73,837 applicants (out of 87,792 applications sanctioned) as on March 2009. Of these, Rs.72.29 crore were disbursed to 20,399 SC/STs, Rs.63.70 crore to 16,676 women and Rs.3.29 crore were disbursed to 792 disabled persons.

5.5.1.4 The Ministry of Housing & Urban Poverty Alleviation has comprehensively revised the SJSRY Scheme. The main objective of the revamped SJSRY scheme are:

- addressing urban poverty through gainful employment to the urban unemployed or under-employed poor by encouraging them to set up self-employment ventures (individual or group) with support for their sustainability, or undertake wage employment;
- supporting skill development through training to enable urban poor to undertake self employment and;
- empowering the community to tackle the issues of urban poverty through suitable self managed community structures.

5.5.1.5 All the scheduled commercial banks have been advised by RBI in this regard in October 2009.

5.5.1.6 Performance of SJSRY under USEP/DWCUA Components:

The Performance of scheduled commercial banks under the scheme during the years 2006-07, 2007-08, 2008- 2009 is given below:

(Amount in Rs.lakh)

Pro-gramme Year	Loan Sanctioned		Loan Disbursed	
	No of A/c	Amount	No of A/c	Amount
2006-2007	73,644	25,965	59,338	20,043
2007-2008	83,579	31,365	67,342	23,720
2008-2009	87,792	35,050	73,837	28,223

Source: RBI

5.6 Swarnajayanti Gram Swarozgar Yojana (SGSY)

5.6.1 SGSY was introduced from April 1, 1999. It is a holistic poverty alleviation scheme covering all aspects of self employment such as organization of poor into self-help groups, training, credit, technology, infrastructure and marketing. The scheme is funded on 75:25 basis by the Central and the respective State Government and is implemented by District Rural Development Agency (DRDA) through Panchyat Samitis. The scheme aims at establishing a large number of micro enterprises in the rural areas. The objective of the scheme is to bring every assisted BPL family above the poverty line in three years by providing them income-generating assets through a mix of bank credit and government subsidy. The Financial year 2008-09 is the tenth year of implementation of the scheme. A total number of 13,72,238 Swarozgaris received bank credit amounting to Rs.1,282.73 crore (Government Subsidy amounting to Rs.416.08 crore) under SGSY as at the half year ended March 2009.

5.6.2 Performance of Banks under SGSY

The Performance of scheduled commercial banks under the scheme during the years 2006-07, 2007-08, and 2008- 2009 is given below:

(Amount in Rs.lakh)

Year	Total No. of Loans Sanctioned	Total Amount Disbursed
2006-2007	12,36,517	1,14,121
2007-2008	14,33,228	1,27,285
2008-2009	13,72,238	1,28,274

Source: RBI

5.6.3 Developments in the North-Eastern States

In the North Eastern States, during the year 2008-2009 (up to March 2009), under SGSY, scheduled commercial banks extended bank credit amounting to Rs.5,439.11 lakh in 57,312 cases with Government subsidy of Rs.7,666.91 lakh. Of these, 17,929 were from Scheduled Castes /Scheduled Tribes, 22,917 were women beneficiaries and 500 were disabled.

5.7 Differential Rate of Interest Scheme

5.7.1 The Differential rate of Interest (DRI) scheme provides bank finance at a concessional rate of interest of 4 per cent per annum to the weaker sections of the society for engaging them in productive and gainful activities. Subsequent to Budget announcement 2007-08, Reserve Bank of India (RBI) issued a circular dated June 13, 2007 to revise the limit of loans available under DRI from Rs.6, 500 to Rs.15, 000 and the limit of the housing loan was raised from Rs.5, 000 to Rs.20,000 per beneficiary. The housing loans can also be used as top-up loans for the Indira Awas Yojana (IAY). In addition to this, physically handicapped persons are also eligible to avail of assistance up to Rs.5,000 (maximum) for acquiring aids, appliances, equipments, provided they are eligible for assistance under the scheme.

5.7.2 Further, as announced in the Union Budget 2008-09, the eligibility criteria regarding annual family income limits under DRI Scheme have been revised to Rs.18,000 in rural areas and Rs.24,000 in urban and semi urban areas vide RBI circular dated April 10, 2008 and August 5, 2008.

5.7.3 Banks have been advised by RBI to ensure proper implementation of the revised guidelines regarding the borrower's eligibility criteria in order to achieve the target of 1 percent of the previous year's advances under DRI Scheme. As on March 31, 2009 the outstanding amount of credit extended by the public sector banks under DRI scheme stood at Rs.753.15 crore to 3.11 lakh borroweRs.

6. Priority Sector Lending and Lending to Women and Minorities

6.1 Priority Sector Lending

All domestic Scheduled Commercial Banks (excluding Regional Rural Banks) are required to lend at least 40 per cent of their Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Exposures (OBE), whichever is higher to the priority sector. Within this overall target banks are required to lend 18 per cent of ANBC or credit equivalent amount of Off-Balance Exposures, whichever is higher to agriculture sector and 10 per cent of ANBC or credit equivalent amount of Off-Balance Exposures, whichever is higher to the weaker sections. The outstanding priority sector advances of public sector banks increased from Rs.6,10,450 crore as on the last reporting Friday of March 2008 to Rs.7,20,083 crore as on the last reporting Friday of March 2009 (provisional). Advances to agriculture by PSBs amounted to Rs.2,98,211 crore, constituting 17.23 per cent of ANBC as on the last reporting Friday of March, 2009 provisional). As reported by Reserve Bank of India, sector-wise break up of priority sector advances of PSBs as on the last reporting Friday of March 2008 is given at Annex-III. Bank-wise details of advances to agriculture and weaker sections are given at Annex-IV.

6.2 Economic Empowerment of Women

6.2.1 Recognizing the problems being faced by women in India in reaching out to the formal banking system and in order to improve the credit delivery to women, the public sector banks (PSBs) were advised in December, 2000 to implement a 13 Point Action Plan under which the banks were advised, inter alia, to earmark 5 per cent of their net bank credit (NBC) for lending to women by March 2004.

6.2.2 The banks have been making all-out efforts by redefining their policies/ long-term plans by taking into account women's credit requirements. The credit to women at 2.36% of net bank credit at the end of March 2001 has increased to 6.29% at the end of March 2009. There has also been progress in regard to establishment of women cells at bank's Head Offices and at some branches, simplification of procedural formalities, orientation of bank officers/ staff on gender issues, launching awareness programmes/ publicity campaigns about schemes available for women, conducting entrepreneurship development programmes for women, strengthening existing schemes, ensuring sanction of collateral-free loans, involving Non- Government Organisations(NGOs)/ Self Help Groups(SHGs) in providing credit facilities to women entrepreneurs, etc. Eight public sector banks have opened 23 specialized branches for women as at the end of March 2009. Particulars of Credit to women are given at Annex-V (a), Annex-V (b) and Annex-V(c).

6.3 Prime Minister's New 15 Point Programme for the Welfare of Minorities:

6.3.1 In order to ensure improved financial services for the welfare of minorities, Reserve Bank of India issued a Consolidated Master Circular dated July 1, 2008 to all Scheduled Commercial Banks advising them to take care to see that minority communities secure, in a fair and adequate measure, the benefits flowing from various Government sponsored special programmes. This Master Circular also envisages creating a separate cell in each bank to ensure smooth flow of credit to minority communities and also covers the role of the lead bank in the 121 districts identified for purpose of earmarking of targets and location of development projects under the Prime Minister's New 15 Point Programme for the welfare of minorities. Minority Communities have also been included in the category of "Weaker Sections" for availing credit within the Priority Sector advances.

6.3.2 The following are some of the major instructions/ guidelines issued by RBI vide Master Circular dated July 5, 2007 to all scheduled commercial banks on Credit facilities to Minority Communities to ensure adequate credit flow to the minority communities:-

- RBI has advised banks that the field level functionaries should ensure that there is no inordinate gap/ delay between the sanction of applications and disbursement of loans, which causes unnecessary hardship to the eligible beneficiaries;
- Branch Managers should be vested with adequate discretionary powers to sanction proposals under the various welfare schemes. The exercise of these powers should not require reference to any higher authority;
- Banks should adopt simple and transparent procedure eliminating middlemen operating between beneficiaries and the banks, and expedite timely disposal of applications;
- Proper record of receipt and disposal of applications to be maintained;
- Banks should not insist on deposit amount or documents, guarantees, etc. not envisaged in the scheme.

6.3.3 Apart from the above, the Public Sector Banks (PSBs) have been directed by the Government of India in October, 2007 to step up lending to minorities from the existing level of 9 per cent of total priority sector advances to 15 per cent over the next three years, i.e., up to the end of FY 2009-10. As per progress reported by PSBs, total outstanding loans to Minority communities as on 31st March, 2009 stood at Rs.82,311 crore which works out to 11.43 per cent of total priority sector advances of PSBs. Total outstanding loans to Minority communities as on 30st September, 2009 stood at Rs.96160 crore as against the target of Rs.130462 crore for the year 2009-10. Further, as per reports of PSBs, the total number of new branches opened by PSBs in Minority concentration Districts/ areas as on March 31, 2009 was 534 and during the year 2009-10, upto 30th September, 2009 the total number of new branches opened by PSBs in these areas was 327.

7. Financial Institutions

7.1 India Infrastructure Finance Company Ltd. (IIFCL)

7.1.1 The Finance Minister in his Budget Speech 2005-06 had announced the setting up of a Special Purpose Vehicle (SPV) to finance infrastructure projects in specified sectors such as roads, ports airports and tourism. The SPV would lend funds, especially debt of longer term maturity, directly to the eligible projects to supplement other loans from banks and financial institutions.

7.1.2 India Infrastructure Finance Company Ltd. (IIFCL) was set up, under the Companies Act 1956, as a wholly owned Government company to finance viable infrastructure projects. IIFCL was incorporated in January, 2006 and is governed by SIFTI – (Scheme for Infrastructure Financing). IIFCL's authorized capital is Rs.2,000 crore and present paid up capital is Rs.1800 crore. IIFCL is financing eligible infrastructure projects as per SIFTI to support financial closure of infrastructure projects. By the end of December, 2009, IIFCL has sanctioned loans for an amount of Rs.21,001 crore to 125 projects involving a project cost of Rs.1,72,497 crore. Out of these 121 projects have achieved financial closure and in 97 projects, and amount of Rs.7110 crore has been disbursed.

7.1.3 Following the announcement of the Hon'ble Finance Minister in the Union Budget 2007-08, IIFC (UK) Ltd. has been set up at London as a wholly owned subsidiary of India Infrastructure Finance Company. The main objective of the company is to borrow funds from the RBI to provide financial support to Indian companies implementing infrastructure projects in India for the purpose of meeting their capital expenditure out-side India and for import of capital equipment and machineries and to co-finance external commercial borrowings for such infrastructure projects. RBI has agreed to provide a term loan of US$ 5 billion to IIFC (UK) Ltd. IIFC (UK) began its operations from April 2008 and has so far sanctioned USD 1371 million to 9 infrastructure projects in the power and mass rapid transport (metro rail) sectoRs. IIFC (UK) has raised the first tranche of USD 250 million from Reserve Bank of India and disbursed USD 10 million.

7.1.4 The Government had announced a stimulus package on 7.12.2008, which included inter-alia measures to support financing of infrastructure projects. As per the stimulus package, IIFCL has raised tax-free bonds of Rs.10,000 crore in tranches by March, 2009. Further for stimulating the economy, Government had announced a second package on 02.01.2009, which included measures to fund infrastructure projects of about Rs.75,000 crore at competitive rates over the next 18 months. For this IIFCL will be enabled to access in tranches an additional Rs.30,000 crore by way of tax free bonds once funds raised in the current financial year are effectively utilized. This amount has been revised to Rs.25,000 crore by Government.

7.2 Irrigation & Water Resources Finance Corporation (IWRFC)

7.2.1 In the Budget Speech for 2008-09, the Finance Minister made an announcement that keeping in view the massive investments required to be made in irrigation projects, Government proposes to establish the Irrigation and Water Resources Finance Corporation (IWRFC) with an initial capital of Rs.100 crore contributed by the Central Government to mobilize the very large resources that will be required to fund major and medium irrigation projects.

7.2.2 In compliance with the above Announcement, Irrigation and Water Resources Finance Corporation Limited (IWRFC) has been set up as a Company under the Companies Act, 1956 on March 29, 2008 with an initial paid up capital of Rs.100 crore contributed by Central Government. State Governments have been invited to contribute to the equity of IWRFC and the response of State Governments is awaited.

7.3 Export-Import Bank of India (Exim Bank)

7.3.1 Export-Import Bank of India, set up in 1982 by an Act of Parliament for the purpose of financing, facilitating and promoting foreign trade of India, is the principal Financial Institution in the country for coordinating working of institutions engaged in financing exports and imports. It is wholly owned by the Government of India. Exim Bank lays special emphasis on extension of Lines of Credit (LOC) to overseas entities, national governments, regional financial institutions and commercial banks. During the year 2008-09, Exim Bank extended 25 LOCs, aggregating US$ 783.5 million, to support export of projects, goods and services from India. Several of these lines have been extended at the behest of Government of India.

7.3.2 During the financial year 2008-09, the Bank approved loans of Rs.33,628 crore as against Rs.32,805 crore during 2006-07. Disbursements during the year amounted to Rs.28,933 crore as compared to Rs.27,159 crore during the previous year. Loan assets increased to Rs.34, 156 crore as on March 31, 2009 from Rs.28,777 crore as on March 31, 2008.

7.3.3 Exim Bank also actively supports and facilitates outward investments by Indian companies in their quest for enhanced access to global markets. As per Government measures to stimulate the economy, EXIM Bank had obtained from RBI a Line of Credit of Rs.5,000 crore to provide pre-shipment and post-shipment credit, in rupees or dollars, to Indian exporters at competitive rates and a swap facility for US $ 1 billion towards disbursement of lines of credit extended by the Bank to overseas banks / financial institutions / government, for financing import of goods / services from India.

7.4 Interest Subvention to Exporters

7.4.1 To help the exporters, in the wake of rupee appreciation, the Government had allowed interest subvention to 11 categories of exporters (including all exporters in the SME sectors) from 13th July, 2007 which was initially applicable upto 31st March, 2008. However, scheme was continued till 30th September, 2008.

7.4.2 Again, with a view to insulate the employment oriented export sector from the global slowdown, the Government of India decided to extend Interest subvention of 2% w.e.f. 1.12.2008 till March 31, 2009 on pre shipment credit, for seven employment oriented export sectoRs. The Subvention would be provided to the Banks through the RBI as per existing RBI guidelines. The Readymade Garment sector has now been included in the scheme. Also, the Rupee export credit by Scheduled Urban Cooperative Banks holding Authorised dealer-category 1 license has also been included in the scheme. The scheme has been extended till 31/03/2010.

7.5 International Cooperation

(i) India-Japan

A MoU was signed between Japan Bank for International Cooperation (JBIC) and IIFCL / Delhi-Mumbai Industrial Corridor Development Corporation (DMICDC) during the Hon'ble PM visit to Japan on 22-23 October, 2008. As per the MoU, JBIC, IIFCL & DMICDC have agreed to cooperate in the realization of a loan of upto 75 million US$ / or in equivalent currency to be advanced by JBIC on mutually agreed terms and conditions. The Loan Agreement between JBIC & IIFCL for US$ 75 million for on lending to DMICDC was signed by 28.12.2009 at New Delhi.

(ii) India-Oman

It is proposed to set up an India-Oman Joint Investment Fund with an initial corpus of US $ 100 mn. SBI has been designated as the Agency for operationalisation of the Joint Investment Fund. An MoU was signed on 08.11.2008 between the State Bank of India and the State General Reserve Fund of Sultanate of Oman for making joint investment in infrastructure and other projects. The process for establishment of the fund is underway.

(iii) India-Qatar

Qatar indicated its intention to invest upto US $ 5 billion in India during Prime Minister's visit to Qatar in November, 2008. Qatari side gave a draft MoU to be signed between GOI and Qatar Investment agency (QIA) during delegation level talk in New Delhi in February 2009. The MoU was signed on November 14, 2009. To execute the decisions taken, a 6 member Joint Committee (JC) – 3 members from each side, is to be set up. From Indian side officers from the Departments of Economic Affairs, Financial Services and Industrial Policy and Promotion are members of the Joint Committee.

8. Insurance Sector

8.1 The Insurance Regulatory and Development Authority Act (IRDA), 1999

The insurance sector was opened up to private participation with the enactment of the Insurance Regulatory and Development Authority Act (IRDA), 1999. The core functions of the Authority include (i) licensing of insurers and insurance intermediaries; (ii) financial and regulatory supervision; (iii) protection of the interests of the policyholders etc. With a view to facilitating development of the insurance sector, the Authority has issued regulations on protection of the interests of policyholders; obligations towards the rural and social sectors; micro insurance and licensing of agents, corporate agents, brokers and third party administratoRs. This is in addition to the regulatory framework provided for registration of insurance companies, maintenance of solvency margin, investments and financial reporting requirements, etc.

8.2 New entrants in the insurance industry: Since opening up, the number of participants in the industry has gone up from six insurers (including Life Insurance Corporation of India, four public sector general insurers and General Insurance Corporation as the National Re-insurer) in the year 2000, to 45 insurers as on November 2009 operating in the life, non-life and re-insurance segments (including specialized insurers, viz. Export Credit Guarantee Corporation and Agriculture Insurance Company of India Limited (AICIL). Two of the general insurance companies viz. Star Health and Alliance Insurance Company and Apollo DKV Health Insurance Company function as standalone health insurance companies. Of the twenty two life insurance companies which have set up operations in the life segment post opening up of the sector, nineteen are in joint venture with foreign partneRs.Of the fifteen that have commenced operations in the non-life segment, fourteen had been set up in collaboration with the foreign partneRs. Thus, thirty-seven insurance companies in the private sector are operating in the country in collaboration with established foreign insurance companies from across the globe.

8.3 Life Insurance Industry: The post liberalization period has witnessed tremendous growth in the insurance industry, more particularly in the life segment. The total premium underwritten by the industry has grown from Rs.34,898.47 crore in 2000-01 to Rs.221791.26 crore in 2008-09. The first year premium, which is a measure of new business secured, underwritten by the life insurers during 2008-09 was Rs.87006.23 crore as compared to Rs.9,708 crore in 2000-01. During the current year, the life industry has reported growth of 22.10% in new business premium underwritten during April – November 2009 as against growth of 1.44% in April-November, 2008.

8.4 In terms of linked and non-linked premium, during the first eight months of the current year 50.57% of the premium was underwritten in the linked segment while 49.43% of the business was in the non-linked segment.The corresponding previous year proportion was 63.01: 36.99.

Non-life Insurance Industry: The non-life insurers (excluding specialized institutions like Export Credit Guarantee Corporation (ECGC) and Agriculture Insurance Company of India Limited (AICIL) and the standalone health insurance companies) underwrote premium within India of Rs.30351.84 crore in 2008-09, as against Rs.9,806.95 crore in 2000-01. During the year, the non-life industry reported growth of 9.40% in Gross Direct Premium as against 12.63% in 2007-08. The health premium accounted for 20.06% (Rs.6088 crore) of the gross premium underwritten by the non-life insurance industry in 2008-09 as against 18.10% (Rs.5066 crore) in 2007-08. Post de-tariffing, while the growth in premium has slowed down during the last two year (other than in Health and Motor segments) on account of reduction in rates, the number of policies underwritten have exhibited an increase. In addition, standalone health insurers underwrote premium of Rs.558.00 crore in 2008-09 as against Rs.171.15 crore in 2007-08.

8.5 Recent Initiatives: The IRDA, which is responsible for the development of the insurance sector in the country, has taken the following initiatives for the growth of this sector during the year:

i) Financial Sector Assessment Programme: Recognizing the need to persevere with the financial sector development and with a view to assessing the financial system stability and the status of implementation of financial standards and codes, the Government of India in consultation with the Reserve Bank of India constituted a Committee on Financial Sector Assessment (CFSA) in 2007 to carry out self-assessment to evaluate the progress made since the first exercise and to assess the current status. The exercise was conducted by the Government of India in consultation with the financial regulators, including the insurance regulator, and experts drawn from the financial sector.

Since insurance is a special subject IRDA set up two independent technical groups to assess the financial regulation and supervision standards pertaining to the insurance markets viz; (i) Technical Group on Macro-prudential Surveillance – Financial System Stability and Stress Testing; and (ii) Technical Group on Status and Implementation of Financial Standards and Codes. The Technical Groups comprised of eminent persons drawn from the insurance industry, experts in the field of insurance and representatives of the Authority. The reports of the two Technical Groups were provided to the respective Advisory Panels under the auspices of the CFSA. Based on the assessment, gaps have been identified and the way forward has been laid down for the insurance sector.

ii) Detariffing: The road map for de-tariffing was notified by the Authority on 23rd September, 2005, based on the demand from various stakeholders that continuance of tariff regime was inconsistent with the opening of the sector to provide healthy competition. The roadmap laid down the systems to be put in place to ensure a smooth transition from tariffs to a free market. Various milestones were identified indicating time schedules in relation to underwriting functions, rating support, file & use compliance and corporate governance.

As a first step, de-tariffing was confined to de-control of rates only, and terms and conditions of the policy were not permitted to be changed till 31st March, 2008. De-tariffing of the non-life industry was notified w.e.f., 01-01-2007. In order to moderate the impact of tariff increase on commercial vehicle owners the Authority has retained the powers to determine the rates of Motor –Third Party premium for commercial vehicles and to ensure that all insurers take commensurate exposure to this line of business, a Motor Pool has been created under Section 34 of the Insurance Act, 1938. All non-life insurers are required to collectively participate in a pooling arrangement to share in all motor third insurance business for commercial vehicles underwritten by them w.e.f. 1st April, 2007.

The Authority has reviewed its earlier instructions to the insurance companies that they shall not vary the coverage, terms and conditions, wordings, warranties, clauses and endorsements in respect of covers which were under erstwhile tariff. The Authority decided to permit the general insurers to file variations in deductibles from those prescribed under the erstwhile tariffs subject to written disclosures and acceptance by the insured prior to finalization of the insurance policy and add-on covers over and above the erstwhile tariff covers with appropriate additional premiums w.e.f 1st January, 2009. The insurers were also permitted to extend engineering insurances to mobile/ portable equipments. IAR policies could now be issued to all industries including petrochemical industry with sum insured less than Rs.100 crore. However, the general insurers were not permitted to abridge the scope of standard covers available under erstwhile tariffs.

iii) Creation of the Motor Pool: IRDA (in consultation with the Committee constituted under Section 110G of the Insurance Act) issued directions under Section 34 of the Insurance Act, 1938 to the effect that all general insurance companies shall collectively participate in a pooling arrangement to share in all motor third party insurance business underwritten by them in accordance with the provisions specified for participation in the pooling arrangement, underwriting of motor third party, pooling mechanism through a multi lateral reinsurance arrangement, follow the instruction of General Insurance Council in matter of procedure in underwriting-documentation-accounting, speedy and efficient settlement of claims, GIC to act as Administrator of the pooling arrangement under an agreement between the insureRs.The pooling arrangement to share in motor third party insurance (commercial vehicles) became effective from 1st April, 2007.The Authority reserves the right to issue such directions as may be considered necessary from time to time on review of the operation of the pooling arrangement and the need for regulation of the premium rates and terms of cover.

The pools premium and claims figures up to December 2009 is as under :

(Rs. in crore)

	1/1/2008 to 31/12/2008	1/1/2009 to 31/12/2009
Premium	2824.34	3059.19
Claims Intimated	1370.23	2213.55
Claims Paid	109.77	622.09
Claims Outstanding	1260.45	2961.69

iv) Initiatives on Health Insurance: Already, health insurance has been the fastest growing segment in the non-life insurance industry in India in recent years, and has grown 31.19 per cent during 2008-09 to command a market (in non-life companies) of over Rs.6646 crore as against 51.58 per cent during 2007-08. It is also emerging as an increasingly significant line of business for life insurance companies, and many prominent life insurance companies now have products in the health insurance space. IRDA has been taking a number of proactive steps as part of the initiatives for the spread of health insurance. The Authority had set up a National Health Insurance Working Group in 2003, which provided a platform for the various stakeholders in the health insurance industry to work together and suggest solutions on various relevant issues in the sector. For 2007-08, the repository received data on 24.1 million insured persons, 3.7 million policies and 1.4 million claims as against 16.3 million insured persons, 3.8 million policies and 1 million claims during the year 2006-07. There has been a continuing effort at improving the quality of data received.

During the last seven years, the premium from health insurance products has grown from Rs.675 crore in 2001-02 to Rs.6646 crore in 2008-09, over 9.8 times its level in 2001-02. In the last three years alone, the growth is 202 per cent, from about Rs.2200 crore in 2005-06.

IRDA is also co-ordinating with and supporting insurance industry initiatives in standardizing certain key terminology used in health insurance documents, for better comprehension and in the interest of policyholdeRs.The General Insurance Council, comprising of all non-life insurers, evolved a consensus on a uniform definition of ‘Pre-Existing Diseases’ and its exclusion wording, which has earlier been an expression with many definitions, still more interpretations and certainly a whole lot of grievances. Such standardization, effective from 1st June, 2008 will help the insured by minimizing ambiguity and also by better comparability of health insurance products.

In November 2008, the Authority also constituted a Committee for the Evaluation of Performance of TPAs. The report of the committee has been received and is under examination.

v) Micro insurance : One of the main objectives of promoting financial inclusion packages is to economically empower those sections of society who are otherwise denied access to financial services, by providing banking and credit services thereby focusing on bridging the rural credit gap. The banking sector is focusing on financial inclusion on a priority basis. Vulnerability to various risk factors is one of the fundamental attributes of these sections of the society. Lack of protective elements may, thus, not serve the objective of promoting financial inclusion packages as the targeted section may fall back into the clutches of poverty in the event of unforeseen contingencies. Hence, to provide a hedge against these unforeseen risks, micro insurance is widely accepted as one of the essential ingredients of financial inclusion packages. Micro insurance regulations issued by IRDA have provided a fillip in propagating micro insurance as a conceptual issue.

With the positive and facilitative approach adopted under the micro insurance regulations, it is expected that all insurance companies would come out with a progressive business approach and carry forward the spirit of regulations thereby extending insurance penetration to all segments of society. There are 7250 micro insurance agents operating in the micro insurance sector as at the end of 2008-09. The new business premium secured during the year was Rs.242 crore under 1.47 crore lives was secured under group insurance stream. Nine insurance companies have filed 26 micro insurance products both in individual and group segments. It may be mentioned that some of the insurers had been selling products that fall within the parameters stipulated for eligibility to be considered as micro insurance even prior to notification of micro insurance regulations.

vi) Amendments to the regulations on Rural and Social Sector Obligations: Based on the recommendations of the Informal Group set up by the Authority, the obligations of the new insurers towards the rural and social sectors for the sixth to tenth years of their operations were notified. The obligations of the public sector insurers (both LIC and the four public sector insurers) were also revised. These obligations have been linked to there past performance in the said sectoRs.With a view to giving a fillip to micro insurance, the performance in these sectors has now been benchmarked to the insurance policies satisfying the definition of 'micro insurance' as laid down in the Micro Insurance Regulations, 2005.

The regulations have been further amended to provide for relaxation in the obligations based on whether insurance company had commenced operations in the first half or second half of the financial year. For insurance companies commencing operations in the first half of the financial year, the applicable obligations for the first year shall be 50 percent of the obligations as specified in the Regulations. In case of companies commencing operations in the second half of the financial year and is in operations for less than six months (i) no rural or social sector obligations shall be applicable for that year and (ii) the annual obligations as indicated in the Regulations shall be applicable from the next financial year of operations.

vii) Amendments to the Investments Regulations: A Working Group was set up by the Authority, to review comprehensively the current regulatory and other provisions on Investments of Insurance companies and suggest changes considered necessary in the light of experience gained / the constraints faced by Insurance Companies, as well as the developments in Financial Markets. The Working Group reviewed the statutory provisions on the pattern of Investment, Operational and Policy issues of Investment Regulations and suggested amendments that would provide flexibility to the Authority in the manner of Regulation on Investment of Life and General Insurance Companies. The Group also looked into the concurrent modifications in the formats of the prescribed Returns to reflect the changes.

The recommendations of the Working Group have been examined by the Authority in the light of legal provisions and keeping in view the interests of the stakeholdeRs.The implementation of some of the proposals requires appropriate changes in Regulations and evolution of suitable regulatory framework. It was also observed by the Authority while monitoring compliance with the regulations over a period that some of the extant instructions/guidelines also needed clarity and consistency.

The Authority has amended the provisions of IRDA Investment Regulations 2000 in order to implement the recommendations of the Working Group and also to effect such changes that were considered necessary to clarify the existing regulatory requirements.

viii) Guidelines on Anti-Money Laundering (AML) Programme: The guidelines on Anti-Money Launde ring Programme for insurance companies were issued on 31st March 2006 and became effective from 1st August 2006 in case of life insurance companies and 1st January 2007 in case of non-life insurance companies. The AML program lays emphasis on the Know Your Customer Norms (KYC norms) includes proper internal policies, procedures, and controls to carry out AML stipulations; appointment of a Principal compliance officer; recruitment and training of employees/agents; Internal Control/Audit; Reporting of suspicious transactions and certain specified cash transactions.

Insurers are required to establish and document the identity, address and sources of funds in case of their customers as specified in the guidelines. Cash acceptance towards premium/proposal deposits is limited to Rs.50000/- An exemption, from the requirements of the recent photograph and proof of residence, to mitigate the possible difficulties faced in carrying out micro insurance business, has been extended in case of an individual upto a total annual premium of Rs.10,000/- on all life insurance policies held by him/her.

Insurance companies have been advised to avoid splitting of the insurance policies/issue of number of policies to one or more entities and to refuse to accede to the requests for cash deposits especially where there is possibility of the transactions being integrated through a single remitter which facilitate individuals to defeat the spirit of the AML guidelines.

While the extent of implementation of AML framework in life insurance companies has already been inspected, inspection of non-life insurance companies is being envisaged.

IRDA has actively participated in the inter-ministerial Co-ordination Committee meetings on CFT/AML providing various inputs pertaining to insurance sector on Financial Action Task Force recommendations and has been supporting India's membership into FATF.

ix) Data Warehouse: The Authority has initiated steps to design, build and manage a data warehouse for the insurance industry recognizing that data will help the insurers to design new products and allow scientific underwriting. Further, it will help in calculations of actuarial risks, price setting and various aspects relating to claims settlement, management of hazards etc. As a first step, the Authority has designed a data set relating to health and motor vehicle insurance. The Authority now proposes to build a formal data warehouse to enable access by various stakeholders across the industry. Further, academics will be allowed to receive the data for research purposes and provide a firm statistical base for the industry.

8.6 Life Insurance Corporation of India (LIC)

LIC was established on 1st September, 1956 to take over the assets and liabilities of the erstwhile insurers and to carry on life insurance business in the country. The main objective of the organization was to spread life insurance in the country and to mobilize people's savings for nation building activities. The Corporation also directly transacts life insurance business abroad through its branch offices in UK, Mauritius, and Fiji. Besides the branch operations, the Corporation has established overseas subsidiaries jointly with reputed local partners in Bahrain Nepal, Sri Lanka, Kenya and Riyadh.

As on 31st March 2009, LIC had 8 Zonal Offices, 109 Divisional Offices, 2,048 Branch Offices and 976 Satellite Offices.

To cater to the life insurance needs of customers from all segments LIC operates through 6 marketing channels namely individual agents, Banc assurance and Alternate Channels, Direct Marketing, Micro-insurance, Chief Life Insurance Advisors and Pension & Groups Schemes.

As on 31/3/2009 the total premium income of LIC was Rs.1,67,186 crore and total income (including investment income) was Rs.2,00,280 crore. LIC's life fund and total assets were Rs.8,07,317 crore and Rs.8,73,551 crore respectively.

There was a growth of 17.63% in the first year premium and a growth of 12.06% in total number of policies during January –December 2009 as against the corresponding period. LIC has a strong agency force of 1421077 as at the end of December 2009.

Group Insurance Business: For the year ended 31st March 2009, business under group schemes, both new and renewed, was to the tune of Rs.4,17,243.60 crore providing cover to 623.90 lakh lives against Rs.3,06,711.77 crore providing cover to 494.83 lakh lives during the preceding year. Under group superannuation scheme, new annuities to the tune of Rs.347.52 crore per annum was granted to 5.69 lakh lives as against Rs.279.04 crore per annum to 4.21 lakh lives during the preceding year.

Settlement of Claims : The settlement of claims is a very important aspect of service to the policyholdeRs. Hence, LIC has laid great emphasis on expeditious settlement of the maturity as well as death claims. During the period 1/1/2009 to 31/12/2009, the Corporation has settled 1.64 crore claims compared 1.45 crore claims crore during the corresponding period of the last year. The percentage of claims outstanding at the end of the year to the claims payable during the period 1/1/2009 to 31/12/2009 is 0.28% by number and 1.08% by number compared to 1.36% as on31/12/2008.. During the period 1/1/2009 to 31/12/2009m 97.12% of maturity claims were settled on or before the date of maturity.

Social Security Schemes of LIC: The Social Security Fund (SSF) was set up in 1988 -89 for providing social security through group insurance schemes to the weaker and vulnerable sections of the society. Different group insurance schemes for the approved occupations belonging to these sections are being subsidized from this Fund. These schemes now provide a sum assured upto Rs.5,000/- on death with accident benefit of Rs.25,000/-. There are 24 approved occupational groups belonging to these sections of the society.

(a) Janashree Bima Yojana: In pursuance to Government's announcement in the Budget 2000-2001, LIC launched a new scheme of group insurance namely, 'Janashree Bima Yojana' on 10th August 2000. The scheme provides for life insurance protection to the rural and urban poor persons below poverty line and even persons marginally above poverty line provided they belong to identified occupational group. Persons between the age 18 years and 59 years are eligible. The minimum membership of the group should be 25. The scheme provides for cover of Rs.30,000 on natural death of the member, Rs.75,000/- on death / total permanent disability due to accident and Rs.37,500/- on partial permanent disability due to accident before attaining age of 60 yeaRs. The premium per member is Rs.200/- out of which 50% premium is borne out of the Social Security Fund and the balance 50% by the member or Nodal Agency or State Government. The total number of lives covered under the scheme as on 31/12/2009 were 1,83,63,595 which include a total number of 52,30,933 new lives coverage under the scheme. Finance Minister in his Budget announcement 2008-09 singled out occupation of Woman Self Help Groups (SHGs) credit linked to Banks. As on 31st December 2009 a total number of 5,61,642 Women SHGs with 51,98,132 lives have been insured under the scheme.

(b) Shiksha Sahayog Yojana (SSY): In pursuance to the Government's announcement in the Budget 2001-2002, LIC launched the 'Shiksha Sahayog Yojana' for the benefit of children of members of Janashree Bima Yojana. The scheme provides for the scholarship of Rs.300/- per quarter without any additional premium for availing the supplementary benefit of scholarship. Number of scholarships disbursed during the last 3 years are:

Year	No.of Scholarships	Total Amount
2006-07	7,41,432	Rs.43,76,10,400
2007-08	13,01,136	Rs.76,29,88,382
2008-09	13,08,858	Rs.97,21,43,040

(c) Financial Inclusion Initiatives -The Micro Insurance Regulations, 2005 provide a platform to distribute insurance products, which can be afforded by the rural and urban poor. Life Insurance Corporation has introduced an insurance plan "JEEVAN MADHUR" for people with low-income capacity. This plan was launched on 28th September, 2006 by the then Hon'ble President of India, Dr. A. P. J. Abdul Kalam. Jeevan Madhur is a simple savings related life insurance plan wherein premiums are payable regularly at weekly, fortnightly, monthly, quarterly, half-yearly and yearly intervals. On surviving the date of maturity, payment of maturity sum is paid along with vested bonus, if any. On death of the policyholder, an amount equal to total premiums payable during the entire term of the policy will be paid along with vested bonus, if any. On death arising as a result of accident during the term of the policy, an additional amount equal to sum assured shall be payable.

As a part of financial inclusion programme, LIC moved cause of spreading security, particularly to the less privileged sections of the population through Jeevan Madhur Plan. As against a New Business figure of 8,54,615 policies with a Sum Assured of 1116.42 crore and First Premium Income of Rs.1622 lakh during previous year, in 2008-09. LIC completed Micro Insurance New Business of 15,41,218 policies with a Sum assured of 2034.27 crore and First Premium Income of Rs.3120 lakh.

Life Insurance Corporation has appointed 2763 micro insurance agents in the financial year 2008-09, taking the total strength of Micro Insurance Agents to 7250 as on 31.3.2009. The response in terms of insurance coverage is on the increase. Life Insurance Corporation has been imparting twenty-five hours specialized capacity building training to the micro insurance agents as stipulated in the Micro Insurance Regulations, 2005.

Life Insurance Corporation has also put in place an IT-driven micro insurance business process. This enables better customer service, appropriate costing and wide market reach. The micro insurance efforts of the Corporation are in addition to conventional life products and social security (Government aided) schemes, which cater to the needs of the underprivileged section of the society. With the regulatory guidelines, Life Insurance Corporation is placed in a favorable position to take insurance to the poor with socio-economic viability.

On 3rd September, 2009, LIC launched its second Micro Insurance Product "Jeevan Mangal" a Term Assurance Plan with return of premium paid on maturity. So far 2,81,673 Jeevan Mangal policies have been completed.

Micro Insurance Channel of LIC introduced the Micro Insurance Bimagram Scheme for the year 2009-2010. Incentives, which can be provided, to the "MI Bimagram" village are as under:

- Room in the school/gram panchayat or setting up of a Library or constructing water tank / installing hand pumps and other similar purposes for the welfare of the villageRs.
- However, the cost of the item/facility provided should not be more than 25% of the First Premium installment and entire First Year Premium received by LIC on the qualifying MI policies sold in that village between 1/4/2009 to 31/3/2010 subject to a maximum ceiling of Rs.25000/-.

So far 66 MI Bimagram have been completed from 1/4/2009 to 31/12/2009. During the last financial year 2008-09 through similar Micro Insurance Madhur Gram Scheme LIC declared 133 villages as LIC's Madhur Grams.

Since inception of the MI business channel in 2006 the progress made till 31/12/2009 is as follows:

- MI policies sold/lives covered : 36.88 lakh
- Number of death claims settled : 4640
- Claim amount disbursed : Rs.704.19 lakh
- Number of MI Agents (NGOs/SHGs/MFIs/Corporate Agents/Brokers/Others) : 9209

(d) Varishtha Pension Bima Yojana (VPBY)

VPBY meant for senior citizens aged 55 years and above was launched on 14.7.2003. Under the scheme, the pensioner gets an assured effective yield of 9% per annum on the investment. The difference between the effective yield of 9% paid to the pensioner and that earned by the LIC is compensated as subsidy to LIC by Government of India.

(e) Aam Aadmi Bima Yojana (AABY)

AABY was launched on 2nd October, 2007 by the Hon'ble Finance Minister to provide insurance to the head of the family of rural landless household against natural death, accidental death and partial / permanent disability. The Scheme also envisages an add-on benefit of providing scholarship upto a maximum of two children of the beneficiary studying between 9th to 12th standard at the rate of Rs.300/- per quarter per child. The annual premium payable per member is Rs 200 of which 50% shall be paid by the Central Government and the remaining 50% by the State Government. Taking into account the annual cost to the Central Government, a sum of Rs.1000 crore has been placed in a Fund that will be maintained by LIC. This will take care of the premium share of Government of India. A separate fund of Rs.500 crore has been created out of the Government of India's share of LIC's valuation surplus for meeting the expenditure on the add-on benefit of granting scholarship to the children of the beneficiaries. The scheme is being operated by LIC of India. As on 31.12.2009 1,01,42467 lives have been insured in 13 states.

8.7 General Insurance Corporation of India

8.7.1 General Insurance Corporation of India (GIC-Re) was approved as 'Indian Reinsurer' on 3rd November, 2000. As an Indian Reinsurer, GIC has been giving reinsurance support to four public sector and other private general insurance companies. It continues its role as a reinsurance facilitator by managing Marine Hull Pool & Terrorism Pool on behalf of Indian insurance industry. As per the directive of IRDA, Indian Motor Third Party Insurance Pool has been set up by all General Insurers in India to collectively service commercial vehicle third party insurance. During the year 2008-09, the Corporation continued to offer maximum support for all classes of business to the Indian insurers.

8.7.2 During the year 2008-09, the net premium of the Corporation is Rs.8216.55 crore as against Rs.7255.55 crore in the previous year. The net incurred claims are Rs.6745.44 crore as against Rs.5505.58 crore in the previous year. Profit before tax is Rs.1277.84 crore as on 31st December, 2009 as compared to Rs.1834.48 crore as on 31st December 2008. Profit after tax for the year is Rs.1059.61 crore as against Rs.1488.50 crore in the previous year. The present paid up capital of the Corporation is Rs.430 crore.

8.8 Public Sector General Insurance Companies

8.8.1 After de-linking from GIC, the four general insurance companies namely National Insurance Company Limited, New India Assurance Company Limited, Oriental Insurance Company Limited, and United India Insurance Company Limited formed an Association known as General Insurers' (Public Sector) Association of India (GIPSA) with its headquarters at New Delhi. The four companies have a network of 101 Regional Offices, 1,395 Divisional Offices, 2,880 Branch Offices (including Direct Agent Branches, Extension Counters and Micro Offices). The companies also have 43 overseas offices spread over 28 countries.

8.8.2 The gross premium income of these companies during 2008-09 was Rs.19108 crore as against Rs.17812 crore during 2007-08 representing a growth of 7.27% The net worth of these four companies as on 31st March, 2009 stood at Rs.14,317 crore as against 13801 crore as on 31st March, 2008. The Profit after tax for the year 2008-09 was Rs.499 crore from Rs.2205 crore in 2007-08. The companies have paid a total dividend of Rs.141 crore in 2008-09 as against Rs.449 crore in 2007-08 to the Government. The market share of these companies has gone down to 58.92% in 2008-09 as against 60% in 2007-08.

8.8.3 Universal Health Insurance Scheme (UHIS): The four public sector general insurance companies have been implementing Universal Health Insurance Scheme for improving the access of health care to poor families. The scheme provides for reimbursement of medical expenses upto Rs.30,000,towards hospitalization floated amongst the entire family, death cover due to an accident for Rs.25,000,to the earning head of the family. The Scheme was revised in 2007-08 with an aim to increase the benefits and in the revised scheme (i) the premium for individual has been reduced from Rs.365 to Rs.300, from Rs.548 to Rs.450 for a family of 5 and from Rs.730 to Rs.600 for a family of 7 members; (ii) the pre-existing diseases have been included in the revised scheme; (iii) the upper age limit has been increased from 65 years to 70 years; (iv) the scheme has been extended to include maternity benefits (Rs.2,500 for normal delivery and Rs.5,000 for caesarian delivery); (v) the benefit of loss of wages @ Rs.50 per day subject to maximum of 15 days per policy period has been extended to spouse of insured also. The Government subsidy for individual, family up to 5 members and family up to 7 members shall continue to remain the same i.e. Rs.200, Rs.300, Rs.400. As on 31st October, 2009, the 5,28,790 families were covered and 17,85,679 persons were covered. The premium was Rs.2235.22 lakh and claims of Rs.631.42 were paid.

8.9 Agriculture Insurance Company of India Limited (AICIL)

8.9.1 Agriculture Insurance Company of India Limited (AICIL) was established on 20th December, 2002 to promote crop insurance business and to protect the farmers against the crop losses suffered due to natural calamities. General Insurance Corporation of India (GIC), NABARD and four public sector general insurance companies have contributed towards the share capital of the Company. The authorized capital of the company is Rs.1500 crore with initial paid-up capital of Rs.200 crore. The company's head office is located in New Delhi. The Company having received approval from Insurance Regulatory& Development Authority (IRDA) commenced its business operations w.e.f 1st April, 2003.

The cumulative performance under National Agricultural Insurance Scheme (NAIS) since inception in Rabi 1999-2000 till Rabi 2008-09, covering 19 seasons is given in the Table 5.3 below:-

Table 5.3					*(Figures are in crore)*
Farmers covered	Area Insured	Sum Insured	Premium	Clai ms	Farmers benefited
15.18	23.43	169129	5231	15231	3.61

The performance under NAIS during last two seasons i.e. Rabi. 2008-09, Kharif 2009 falling within the period 01.01.2009 to 31.12.2009 is given in the Table 5.4 below:-

Table 5.4						*(Figures are in crore)*
Season	Farmers covered	Area Insured	Sum Insured	Premium	Claims	Farmers benefited
Rabi 2008-09	0.62	0.88	11027	290	1427	0.20
Kharif 2009	1.71	2.49	25176	800	yet to be reported	

8.9.2 National Agricultural Insurance Scheme (NAIS): The Government of India introduced the scheme from Rabi 1999-2000 season to protect the farmers against losses suffered by them due to crop failure on account of natural calamities such as drought, flood, hailstorm, cyclone, fire, pest / diseases etc. so as to restore their credit worthiness for the ensuing season. The Scheme is currently implemented by Agriculture Insurance Company of India (AICIL). The Scheme is available to all the farmers, loanee and non-loanee, irrespective of size of their holding. The Scheme covers all food crops (cereals, millets and pulses) and oil seeds. Annual horticultural / commercial crops presently covered under NAIS are sugarcane, potato, cotton, ginger, onion, turmeric, chilly, jute, tapioca, annual banana, pineapple, jeera, garlic, cumin coriander and isabgol. Other annual horticultural / commercial crops can also be covered under NAIS, subject to the availability of the past yield data. For Kharif crops, the premium rates for Bajra and Oilseeds are 3.5% of the sum insured or actuarial rates, whichever is less, while for cereals and other millets and pulses, the premium rates are 2.5% of the sum insured or actuarial rates, whichever is less. For Rabi crops, the premium rates for wheat is 1.5% of the sum insured or actuarial rates, whichever is less, while for other cereals and millets and pulses, the premium rates are 2% of the sum insured or actuarial rates, whichever is less. At present, 10% subsidy on premium is available to small & marginal farmeRs. NAIS is presently being implemented in 25 States and 2 Union Territories namely, Andhra Pradesh, Assam, Bihar, Chattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Orissa, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand, West Bengal, Andaman & Nicobar Islands and Puducherry.

8.9.3 Weather Based Crop Insurance Scheme(WBCIS): Weather Based Crop Insurance aims to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of anticipated crop loss resulting from incidence of adverse conditions of weather parameters like rainfall, temperature, frost, humidity etc. While crop insurance specifically indemnifies the cultivator against shortfall in crop yield, Weather Based Crop Insurance is built upon the fact that weather conditions affect crop production even when a cultivator has taken all the care to ensure good harvest. Historical correlation studies of crop yield with weather parameters helps in developing weather thresholds (triggers) beyond which crop starts getting affected adversely. Payout structures are developed to compensate cultivators to the extent of losses deemed to have been suffered by them using the weather triggeRs.In other words, Weather based Crop Insurance uses weather parameters as ‘proxy’ for crop yields in compensating the cultivators for deemed crop losses. Pursuant to the budget proposals of 2007-08 of the Finance Minister, AICIL introduced a Pilot Weather Based Crop Insurance Scheme (WBCIS) in Karnataka during Kharif 2007 season, covering 70 Hoblis and eight rain-fed crops.

8.9.4 AICIL’s own Commercial Insurance Products: Besides the above Government supported crop insurance schemes, AICIL has designed and is implementing a few crop specific products (as mentioned below) to cater to the needs of diverse farming community of India to meet their diversified risks. These products are supplementing the coverage already available for the crops covered under NAIS and WBCIS. These are, viz., Varsha Bima, Rainfall Insurance, Wheat Insurance, Rabi Weather Insurance, Mango Weather Insurance, Rainfall Insurance Scheme-Coffee (RISC), Bio-Fuel Insurance, Potato Contract Farming Insurance, Pulpwood Tree insurance, Rubber Insurance, Apple Insurance, Coconut Insurance, Cardamom Insurance. Important products in the pipeline are Cardamom Insurance, Medicinal Plants Insurance.

8.9.5 Agriculture Insurance Company of India limited (AICIL) has received the Agriculture Leadership Award 2009 instituted by the prestigious magazine

The performance under Pilot WBCIS during last two seasons i.e. Rabi. 2008-09, Kharif 2009 falling within the period 01.01.2009 to 31.12.2009 is given in the Table 5.5 below:-

Table 5.5 *(Figures are in lakh)*

Season	Farmers covered	Area Insured	Sum Insured	Premium	Claims	Farmer
benefited						
Rabi 2008-09	1.69	1.93	42623	3590	26.10	1.12
Kharif 2009	11.35	14.60	198602	19873	Under process	

The Head Office and Regional Offices of public sector non-life insurance companies have set-up separate Grievances Redressal Departments headed by officer experienced in customer services. During the period 2008-09, the performance of the companies is given below:

Company	Grievance Outstanding as on 1.4.2008	Grievance Reported in 2008-09	Grievances Redressed in 2008-09	Grievances Outstanding as on 31.3.2009
National Insurance Company Limited	414	1526	1621(83.56%)	319
New India Assurance Company Limited.	493	1118	1046(64.93%)	565
Oriental Insurance Company Limited	97	2019	2044(96.59%)	72
United India Insurance Company Limited	248	1663	1659(86.81%)	252

'Agriculture Today'. The award was received by CMD from the of Dr Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, in a function organized in Delhi on 5th September 2009.

Varsha Bima and Rainfall Insurance: Varsha Bima gives a payout against deficit rainfall whereas Rainfall Insurance was designed covering both deficit & excess rainfall. These schemes provide for crop-stage-specific adverse deviations in rainfall with flexible premiums. Maximum liability is linked to cost of cultivation that varies from crop to crop. The schemes allow for speedy settlement of claims, say within 4 – 6 weeks after the insurance period.

8.10 Inspection of Insurance Companies by various Parliamentary Committees

8.10.1 Details of the various Parliamentary Committees' visit to the Insurance Companies are as under:

8.10.2 Oriental Insurance Company Limited:- Study Tour of the Estimates Committee visited Hyderbad, Puduchery and Chennai from 29th January 2009 to 2nd February 2009.

8.10.3 Life Insurance Corporation of India:- The visit of Parliamentary Committee on Official language implementation to Mumbai on 22/1/2009, Udaipur on 6/2/2009 and to Khajuraho on 31/10/2009. The study tour programme of the Parliamentary Committee on Petitions to Mumbai on 9/1/2009 and visit of Committee on Government Assurance Rajya Sabha to Mumbai on 24/1/2009.

8.10.4 Agriculture Insurance Company of India Limited:- The Parliamentary Committee on implementation of Official language took note of the status of implementation of 'Hindi' in the Company during their visit on 3rd November 2009, and appreciated the conductance of the meeting.

8.11 Redressal of Public Grievances in LIC

In LIC of India, the trained personnel viz. Customers Relation Executives in the Branch Offices and Customers Relation Managers in the Divisional Offices deal with the complaints from the policyholders, agents, other offices and government agencies. Grievance Cells at all offices have been functioning effectively for attending grievances of the custome Rs.The aggrieved can meet the Grievance Redressal Officers for settlement of their grievances without prior appointment. The names of Grievance Redressal Officers are also published in leading newspapers for wide publicity.

9. Implementation of Official Language Policy in the Department of Financial Services, Banks/ Financial Institutions/Insurance Companies.

9.1 Department of Financial Services ensures implementation of Official Languages Act, 1963 and Official Language Rules, 1976 as well as instructions received from Department of Official Language, Ministry of Home Affairs, from time to time, in the Department and also in Public Sector Banks, all India Financial Institutions, Reserve Bank of India (RBI) and Insurance Companies. The Quarterly Hindi Progress Reports of Department of Financial Services, Public Sector Banks, Financial Institutions and Insurance Companies are regularly reviewed.

9.2 An Official Language Implementation Committee is functioning in the Department of Financial services. This Committee periodically reviews the progress made in the use of Hindi in RBI, Public Sector Banks and Financial Institutions and issues necessary instructions to take necessary measures for effective implementation of Official Language Policy and Annual Programme issued by Department of Official Language.These Banks and Financial Institutions send their quarterly progress reports regarding use of Hindi in their Head Offices to the Department of Financial services. These progress reports are also reviewed in the meetings of department of Fincial Services O.L.Implementation Committee. During 2009-10, such meeting were held on 23.4.2009, 21.8.2009 and 05.11.2009 respectively. RBI, Public Sector banks, Financial Institutions and Insurance Companies also have their own Official Language Implementation Committees which meet regularly to review the progress made in the use of Hindi. In addition, Town Language Implementation Committees also monitor the progress of Implementation of Official Language Policy in the Banks in different towns.

9.4 As a result of the reviews made at different levels, the use of Hindi for official purposes in Public Sector Banks, Financial Institutions and Insurance Companies has got accelerated. Letters received in Hindi are being replied to in Hind and section 3(3) of the Official languages Act, 1963 is being fully implemented. Forms and other procedural literature are also printed bilingually. The advertisements, press communiqué sand public notices of all India coverage are issued bilingually by Public Sector Banks, Financial Institutions and Insurance Companies. Annual Reports and House Journals are also being published by Banks, Financial Institutions and Insurance Companies bilingually, In addition, Hindi magazines are brought out by several banks.

9.5 Under the Rule 10(4) of the Official Language 3 Rules, 1976 various Banks, Financial Institutions and Insurance Companies have notified their branches/ Offices. The Banks, Financial Institutions and Insurance Companies have also specified some of their departments of some sections in branches for doing their entire work in Hindi as required under Rule 8(4) of the Official Language Rules, 1976.

9.6 Consequent to the follow up action taken on the recommendations made by the Committee of Parliament on Official Language, training centers of Banks and Financial Institutions barring a few technical course, are conducting or in mixed language of Hindi and

9.7 English Handouts and training material are also available both in Hindi and in English.

9.8 Banks, Financial Institutions and Insurance Companies in addition to publishing small glossaries and booklets containing provisions of Official Languages Act, 1963 and rules made there under, annual programme, specimen of Hindi letters, standard notes and drafts, also organize Hindi workshops to impart training for their staff for working in Hindi.

9.9 All papers are required to be placed before Parliament. Parliamentary committees, Monthly Summaries for the Cabinet and all Cabinet Notes are prepared bilingually in the Department of Financial Services. Essay Competitions were organized for different categories of employees and officers during the Hindi fortnight 2009.

9.10 Officers of DFS inspected 4 Head offices of PSBs, Financial Institutions and Insurance Companies located at Delhi and outside Delhi during the year under report to have an on the spot assessment of implementation of various requirements of O.L Policy. Essay competitions were organized for different categories of employees and officers during the Hindu Pakhwada from 14th Sept to 25th Sept 2009 and winners were awarded prizes.

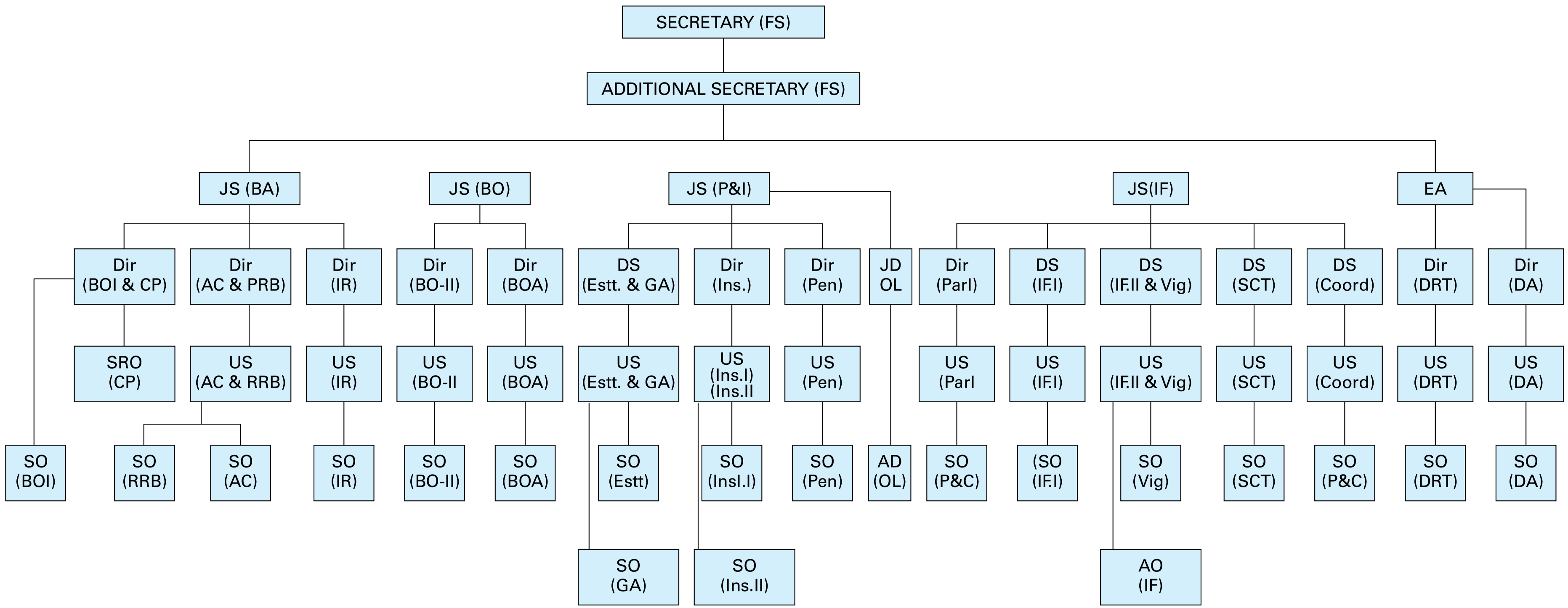
10. Implementation of the Right to Information Act 2005 in the Department of Financial Services

10.1. Under the Right to Information Act 2005 being implemented in the Department of Financial Services, the Directors/ Deputy Secretaries have been appointed as Appellate Authorities, and Under Secretaries / SRO as CPIOs. The relevant order has been put up in the official website of this department for general information. (http://bankserv/dfsmis/).

10.2. The Public Sector Banks, Financial Institutions, Public Sector Insurance Companies, Debt Recovery Tribunals (DRT) and Debi Recovery AppellateTribunals (DRAT) are also public authorities under section 2(h) of the Right to Information Act, 2005.The data regarding the total number of applications/appeals received under the RTI Act 2005 by the Public Sector Banks/ Financial Institutions/Insurance Companies/DRTs/ DRATs, as on 31.3.2009, have been uploaded on the website of the Central Information Commission.

■■■

Organisational Chart of Department of Financial Services



Legends:

FS – Financial Services, JS – Joint Secretary, EA – Economic Advisor, Dir – Director, BO – Banking Operations, BOA – Banking Operations & Accounts, OL – Official Language, JD – Joint Director, AD – Asstt. Director, AO – Accounts Officer

CP – Credit Policy, AC – Agriculture Credit, RRB – Regional Rural Banks, IR – Industrial Relations, Ins. – Insurance,

Pen – Pension, IF – Industrial Finance, Vig – Vigilance, SCT – SCs & STs, DRT – Debt Recovery Tribunals, DA – Data Analysis, P&C - Parliament & Coordination

Annex

Annex I

Statement showing the staff strength of SC/ST/OBC employees in the Department of Financial Services

Groups				No.of Employees				Number of Appointments made during the previous year						
								By direct recruitment		By promotion		By other methods		
	Total	SCc	STs	OBCs	Total	SCc	STs	OBCs	Total	SCc	STs	Total	SCc	STs
Group A	36	6	1	1	-	-	-	-	-	-	-	-	-	-
Group B	70	9	5	1	-	-	-	-	-	-	-	-	-	-
Group C	57	14	5	2	-	-	-	-	-	-	--	1*	-	-
Group D	43	15	3	3	-	-	-	-	-	-	-	1	-	-
Group D (Safai Karamchari	3	3	-	-	-	-	-	-	-	-	-	-	-	-
Total	217	47	14	7	-	-	-	-	-	-	-	2	-	-

- by Deputation

(Appointment only in respect of SRO/RO in Group A, Jr.Asstt, Librarianb, Staff Car Drivers, Despatch Rider, Electrician in Group ‘C’ and post of Daftry/Peon/Safai Karamchari/Farash/JGO in erstwhile Group ‘D’ are done by this Department. Appointment to the rest of the posts are done by the DOPT only) (Appointment only in respect of SRO/RO in Group A, Jr. Asstt, Librarianb, Staff Car Drivers, Despatch Rider, Electrician in Group ‘C’ and post of Daftry/Peon/Safai Karamchari/Farash/JGO in erstwhile Group ‘D’ are done by this Department. Appointment to the rest of the posts are done by the DOPT only)

Data on Disbursement of Education Loan by Banks as on 30th September, 2009

		Total Outstanding	
	Name of the Bank	No. of Accounts	Amt. in Rs. Crore.
1	Allahabad Bank	33717	753.27
2	Andhra Bank	74766	1606.31
3	Bank of Baroda	70372	1400.15
4	Bank of India	82615	1541.52
5	Bank of Maharashtra	21237	409.81
6	Canara Bank	155994	2661.00
7	Central Bank of India	57519	998.49
8	Corporation Bank	33713	761.72
9	Dena Bank	13043	276.80
10	IDBI Bank	3866	74.63
11	Indian Bank	139489	2055.90
12	Indian Overseas Bank	88699	1180.48
13	Oriental Bank of Commerce	38840	910.44
14	Punjab & Sind Bank	7176	196.54
15	Punjab National Bank	97098	1901.56
16	Syndicate Bank	78558	1338.68
17	UCO Bank	32154	604.50
18	Union Bank of India	59986	1190.00
19	United Bank of India	19276	379.00
20	Vijaya Bank	26482	500.22
21	State Bank of India	382355	8008.00
22	State Bank of Bikaner & Jaipur	16931	349.85
23	State Bank of Hyderabad	45714	792.63
24	State Bank of Mysore	24163	459.02
25	State Bank of Indore	10770	194.17
26	State Bank of Patiala	2835	126.85
27	State Bank of Travancore	88748	1538.13
	Total	**1715016**	**32366.61**

Note: Data provisional
Source: IBA

Advances to the Priority Sectors by Public Sector Banks

(As on the last reporting Friday)

Sector	March 2006	March 2007	March 2008	March 2009@	March 2006	March 2007	March 2008	March 2009@
	2	3	4	5	6	7	8	9
Agriculture	238	251	276	294	1,55,220	2,02,614	2,49,397	2,98,211
					(15.4)	(15.4)	(17.5)	(17.2)
(i) Direct	237	237	272	288	1,44,372	1,44,372	1,77,259	2,15,643
					(11.0)	(11.0)	(13.0)	(12.8)
(ii) Indirect	14		4	6	58,242	58,242	72,138	82,569
					(4.4)	(4.4)	(5.3)	(4.9)
Small-scale industries	17	17	–	–	82,434	1,02,550	–	–
					(7.8)	(7.8)	–	–
Small Enterprise*	–	–	40	42	–	–	1,51,137	1,91,307
							(11.1)	(11.3)
Other priority sector advances	92	111	–	–	1,63,756	2,06,661	–	–
					(16.1)	(15.7)	–	–
Total priority sector advances #	358	389	401	431	4,09,748	5,21,376	6,10,450	7,20,083
					(40.3)	(39.7)	(44.7)	(42.5)
Net Bank Credit	–	–	–	–	10,17,656	13,13,840	–	–
Adjusted Net Bank Credit	–	–	–	–	–	–	13,64,268	16,93,437

@ : Provisional.

:The new guidelines on priority sector advances take into account the revised definition of small and micro enterprises as per the Micro,Small and Medium Enterprises Development Act ,2006.

* : In terms of revised guidelines on lending to priority sector, broad categories of advances under priority sector include agriculture, small enterprises sector, retail trade, microcredit, education and housing.

Note : Figures in parantheses represent percetages to net bank credit. Since 2007-08, these figures represent percentage to adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposure, whichever is higher.

Source : RBI Report on Trend and Progress, 2008-09

Advances of Public Sector Banks to Agriculture and Weaker Section

(As on the last reporting Friday of March 2009)

Sr. No.		Direct Agricultural Advances		Indirect Agricultural Advances		Total Agricultural Advances		Weaker Sections		Total Priority Sector Advances	
	Name of the Bank	Amount	Per cent to ANBC or credit equivalent of OBE, whichever is higher	Amount	Per cent to ANBC or credit equivalent of OBE, whichever is higher	Amount	Per cent to ANBC or credit equivalent of OBE, whichever is higher	Amount	Per cent to ANBC or credit equivalent of OBE, whichever is higher	Amount	Per cent to ANBC or credit equivalent of OBE, whichever is higher
1	2	3	4	5	6	7	8	9	10	11	12
	Public Sector Banks	215642.51	12.73	82568.79	4.88	298211.30	17.23	167041.08	9.86	720083.30	42.52
	Nationalised Banks										
1.	Allahabad Bank	7306.00	14.69	2262.00	4.55	9568.00	19.19	5010.00	10.08	20435.00	41.10
2.	Andhra Bank	6122.13	17.72	711.71	2.06	6833.84	19.78	4891.42	14.15	14955.42	43.28
3.	Bank of Baroda	10466.29	12.39	6497.91	7.69	16964.20	16.89	8156.36	9.65	39239.08	46.43
4.	Bank of India	12082.00	13.65	4219.00	4.77	16301.00	18.15	10314.00	11.65	41437.54	46.82
5.	Bank of Maha-rashtra	3181.25	10.68	1962.74	6.59	5143.99	15.18	1892.62	6.35	11933.25	40.05
6.	Canara Bank	15510.00	14.64	4634.00	4.37	20144.00	19.01	10809.00	10.20	48763.00	46.02
7.	Central Bank of India	8835.36	12.00	4803.68	6.53	13639.04	16.50	7392.17	10.04	28453.22	38.65
8.	Corporation Bank	2566.69	6.55	2725.51	6.96	5292.20	11.05	2117.63	5.40	15751.52	40.20
9.	Dena Bank	2562.85	10.96	1287.88	5.51	3850.73	15.46	1462.00	6.25	9715.19	41.55
10.	Indian Bank	6432.16	16.84	1165.77	3.05	7597.93	19.89	4059.38	10.63	18012.97	47.15
11.	Indian Overseas Bank	8116.07	14.24	2700.96	4.74	10817.03	18.74	6238.32	10.94	24294.01	42.62
12.	Oriental Bank of Commerce	4822.83	8.84	3741.98	6.86	8564.81	13.34	2984.38	5.47	22229.86	40.74
13.	Punjab National Bank	18529.47	15.35	5276.95	4.37	23806.42	19.72	13509.11	11.19	50136.38	41.53

14.	Punjab & Sind Bank	1762.65	9.57	1206.55	6.55	2969.20	14.07	1670.15	9.07	7388.00	40.13
15.	Syndicate Bank	8154.47	13.89	2641.24	4.50	10795.71	18.39	6218.39	10.59	27445.13	46.76
16.	Union Bank of India	8607.93	11.49	4625.27	6.17	13233.20	15.99	6278.09	8.38	35746.57	47.70
17.	United Bank of India	2382.00	8.46	1487.00	5.28	3869.00	12.96	2595.00	9.22	11652.20	41.39
18.	UCO Bank	6890.00	13.84	3317.00	6.66	10207.00	18.34	5520.00	11.09	23776.00	47.77
19.	Vijaya Bank	3053.03	9.54	1460.15	4.56	4513.18	14.04	3045.27	9.51	13449.35	42.00
20.	IDBI Bank Ltd.	4799.00	5.81	3512.00	4.25	8311.00	10.06	1469.00	1.78	22737.78	27.52
	State Bank Group										
21.	State Bank of India	52253.00	13.81	17026.00	4.50	69279.00	18.31	43597.00	11.53	160892.00	42.53
22.	State Bank of Bi-kaner & Jaipur	3986.06	15.57	841.50	3.32	4827.56	19.06	2708.81	10.69	11121.67	43.91
23.	State Bank of Hyderabad	4907.92	13.61	1739.72	4.83	6647.64	18.11	4627.02	12.84	14787.93	41.02
24.	State Bank of Indore	2574.80	14.03	768.60	4.19	3343.40	18.21	2164.22	11.79	10052.09	54.76
25.	State Bank of Mysore	2902.63	13.62	936.23	4.39	3838.86	18.01	2185.90	10.26	8688.37	40.76
26.	State Bank of Patiala	4405.00	11.99	635.00	1.73	5040.00	13.72	3322.84	9.05	13779.00	37.52
27	State Bank of Tra-vancore	2430.92	7.35	382.44	1.16	2813.36	8.51	2803.00	8.48	13210.77	39.96

Notes : 1. Data are provisional.

2. ANBC - Adjusted net bank credit. 2 ANBC - Adjusted net bank cre it or credit equivalent amount of off-balance sheet exposures, whichever is higher, with effect from April 30, 2007.

3. Indirect agriculture is reckoned up to 4.5 per cent of ANBC for calculation of percentage for Agriculture.

Source: RBI

Annex V(a)

Statement Showing Particulars of Credit to Women in the Books of Public Sector Banks for the Quarter Ended March-2009

Sr. No.	Name of the Bank	Adjusted Net Bank Credit	Credit to Women			Of Credit to Women				Of the credit to Women under Priority Sector							
						Under P/S		Under Non P/S		Under Mircro Credit		Under SSI		Under Govt. Sponsored Programme		Others	
			No. of A/cs	Amt. O/s	% to ANBC	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s
1.	Allahabad Bank	4972047	282007	248896.00	5.01	213053	156953.00	68954	91943.00	89393	48723.00	24202	60233.00	81588	21900.00	17870	26097.00
2.	Andhra Bank	3455642	493761	268377.00	7.76	390643	202353.00	103118	66024.00	219876	161655.00	4012	10842.00	67629	20241.00	61126	9615.00
3.	Bank of Baroda	8450331	519658	492797.66	5.83	448989	379899.07	70669	112898.59	18022	3324.86	18319	13118.53	72585	35111.61	340063	328344.07
4.	Bank of india	8851330	388289	968816.00	10.95	286062	305034.00	102227	663782.00	132129	49218.00	7993	69906.00	86077	40757.00	59863	145152.00
5.	Bank of Maharashtra	2979800	167168	159721.04	5.36	103414	107899.18	63754	51821.86	14830	2822.21	8598	5827.07	57546	26884.49	26745	73126.21
6.	Canara bank	13505000	1003411	1214700.00	8.99	831163	770200.00	172248	444500.00	71392	53500.00	16004	110600.00	70599	27500.00	673168	578600.00
7.	Central bank of India	7361926	435071	372259.00	5.06	331632	246845.00	103439	125414.00	71250	60843.00	13557	40531.00	142403	65990.00	104422	79481.00
8.	Corporation Bank	3918557	134877	201698.25	5.15	94809	143329.78	40068	58368.47	16009	21975.40	6909	14602.94	7666	4252.96	123145	187966.77
9.	Dena Bank	2338116	95818	118500.00	5.07	70982	87262.00	24836	31238.00	9912	2985.00	2799	15426.00	26734	6552.00	31537	62299.00
10.	Indian Bank	3820408	550750	373707.14	14.28	394603	258257.48	156147	115449.66	4113	2497.90	2894	9237.32	12134	3945.40	375462	242576.86
11.	Indian Over-seas Bank	5700508	489044	309528.00	5.43	363628	184569.00	125416	124959.00	147249	66889.00	4215	20088.00	127648	42091.00	84516	55501.00
12.	Oriental Bank of Commerce	5456583	115027	292053.72	5.35	86847	216657.91	28180	75395.81	5289	1950.27	2701	24943.13	19878	6045.52	58979	183718.99
13.	Punjab ational Bank	12072200	844356	608486.00	5.04	722573	449188.00	121783	159298.00	44022	24440.00	16804	36803.00	128639	53265.00	654891	493978.00
14.	Punjab & Sind Bank	1840901	39845	97038.00	5.27	26823	54783.00	13022	42255.00	1976	4090.00	1798	6137.00	11152	6689.00	11897	37867.00
15.	Syndicate Bank	5869430	523467	447445.19	7.62	383866	326784.88	139601	120660.31	16863	11247.11	21801	28881.80	20265	9289.26	324937	277366.71
16.	Union Bank of India	7493447	426000	403511.00	5.38	396437	324949.82	29563	78561.18	97332	33949.03	11080	51650.66	81604	29608.48	206421	209741.65
17.	United Bank	2815200	317526	162989.45	5.79	270753	112607.38	46773	50382.07	107881	31440.36	25130	13756.86	112650	27814.90	33647	38848.93
18.	UCO Bank	4977400	264852	343242.73	6.90	233916	191470.58	30936	151772.15	57580	31790.83	7785	10629.02	111297	50236.27	57254	98814.46
19.	Vijaya Bank	3201900	156908	205211.24	6.41	126720	140721.81	30188	64489.43	20541	18501.76	9774	8100.29	18005	7013.06	78400	107106.70
20.	State Bank of India	37826500	2240852	2351883.00	6.22	1551293	1460418.00	689559	891465.00	143794	194213.00	30817	256045.00	152651	140620.00	1376682	1010160.00
21.	State Bank of Bikaner & Jaipur	2532989	136405	130306.00	5.14	97698	82645.00	38707	47661.00	10366.00	3539.00	4097	1518.00	19008	7287.00	35185	99511.00
22.	State Bank of Hyderabad	3604836	373159	270201.00	7.50	291894	192473.00	81265	77728.00	840	637.00	125	1314.00	90350	58173.00	200579	132349.00
23.	State Bank of Indore	1835622	98219	123904.00	5.44	62958	62568.46	35261	61335.54	7088	8919.35	5449	8787.25	29642	12040.04	20779	32821.82
24.	State Bank of Mysore	2131400	112327	109128.00	5.12	65943	55928.00	46384	53200.00	22196	6281.00	4556	1659.00	15166	7894.00	24025	40094.00
25.	State Bank of Patiala	4396100	72284	130113.00	2.95	51868	93294.00	20416	36819.00	47112	84455.00	1220	1516.00	3301	5142.00	235	1857.00
26.	State Bank of Travancore	2875667	241752	261979.00	9.11	159219	169951.00	82533	92028.00	68448	42076.00	17125	42752.00	25021	20704.00	48625	64419.00
27.	IDBI Bank	8263234	44405	180420.00	2.18	25699	94901.00	18706	85519.00	186	60.00	114	284.00	6990	2080.00	10795	92537.00
	Total	**172547074**	**10567238**	**10846911.42**	**6.29**	**8083485**	**6871943.35**	**2483753**	**3974968.07**	**1445689**	**972023.08**	**269878**	**865188.87**	**1598228**	**739126.99**	**5041248**	**4709950.17**

Annex V(b)

Statement Showing Particulars of Credit to Women in the Books of Public Sector Banks for the Quarter Ended March-2009

Name of the Bank	Of the Credit to Women Under Non-Priority Sector				Credit Extended under different Government Sponsored Programmes											
	Under Medium & Large Industries		Others		Total Outstandings*		Against Women		Percentage		Total Outstandings		Against Women		Percentage	
	No.of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s
Allahabad Bank	342	5668.00	68612	86275.00	58064	40350.00	5534	4050.00	9.53	10.04	24949	14125.00	4532	2442.00	18.17	17.29
Andhra Bank	78	10915.00	103040	55109.00	39112	21852.00	8650	6852.00	22.00	31.00	15078	4531.00	3582	1012.00	24.00	22.00
Bank of Baroda	910	11450.79	69759	101447.80	74989	34974.01	13029	5640.38	17.37	16.13	27611	7472.00	7147	1515.71	25.88	20.29
Bank of india	167	216874.00	102060	446908.00	61238	32676.00	8824	4236.00	14.41	12.96	24514	7331.00	6699	2362.00	27.33	32.22
Bank of Maharashtra	5	4.83	63749	51817.03	32951	15059.06	6076	2690.64	18.44	17.87	8196	2396.45	3226	1165.25	39.36	48.62
Canara bank	1556	87000.00	170692	357500.00	73235	33800.00	36035	15400.00	49.00	46.00	11686	4700.00	4834	2300.00	41.00	49.00
Central bank of India	4779	14009.00	98660	111405.00	123109	67229.00	23527	12825.00	19.11	19.08	54319	18474.00	10642	4360.00	19.59	23.60
Corporation Bank	76	6268.78	39992	52099.69	14641	6600.32	3662	1554.22	25.01	23.55	3080	721.20	1572	390.27	51.04	54.11
Dena Bank	9	596.00	24827	30642.00	21856	7390.00	4252	1331.00	19.45	18.01	10266	1746.00	3470	553.00	33.80	31.67
Indian Bank	1	399.43	156146	115050.23	16116	7297.61	6174	2269.30	38.31	31.10	6335	1461.73	3286	690.45	51.87	47.24
Indian Overseas Bank	108	12257.00	125308	112702.00	42732	18742.00	14061	5851.00	33.00	31.00	10016	2318.00	5709	1298.00	57.00	56.00
Oriental Bank of Commerce	42	3468.06	28138	71927.75	40042	14504.02	6036	2631.21	15.07	18.14	12602	2777.12	2746	670.76	21.79	24.15
Punjab National Bank	55	2710.00	121728	156588.00	114053	49736.00	17087	7189.00	15.00	14.00	41573	10153.00	11252	2825.00	27.00	28.00
Punjab & Sind Bank	1554	1349.00	11468	40906.00	16795	7500.00	3183	1871.00	18.95	24.95	2895	799.00	584	172.00	20.17	21.53
Syndicate Bank	487	268.81	139114	120391.50	38814	22547.09	5931	2965.16	15.28	13.15	11914	4302.23	3485	1448.94	29.25	33.67
Union Bank of India	3324	23306.05	26239	55255.13	80233	44832.84	14543	8657.86	18.00	19.00	26588	8016.34	7056	1880.23	27.00	23.00
United Bank	1378	13022.67	45395	37359.40	41022	31563.17	7232	5977.86	17.63	18.94	9851	5524.10	2807	908.48	28.49	16.44
UCO Bank	110	43501.06	30826	108271.09	50114	37275.84	11556	7144.39	23.06	19.17	18824	6196.15	5855	1922.12	31.10	31.02
Vijaya Bank	0	0	30188	64489.43	18701	10959.29	5713	3335.21	30.55	30.43	6185	1368.19	1982	676.28	32.05	49.43
State Bank of India	17096	56545.00	672463	834920.00	390725	220872.00	58712	28396.00	15	12.90	71788	27936.00	16117	5921.00	22.50	21.20
State Bank of Bikaner & Jaipur	0	0.00	38707	47661.00	27525	13037.00	2309	1099.00	8.38	8.42	17225	3673.00	4404	859.00	25.56	23.38
State Bank of Hyderabad	219	303.00	81046	77425.00	20642	10607.00	4340	1789.00	21.03	16.87	4636	2427.00	1670	444.00	36.02	18.29
State Bank of Indore	1714	2149.32	33547	59186.22	20669	12828.99	5229	3581.12	25.00	28.00	7583	3859.64	3438	1226.43	45.00	32.00
State Bank of Mysore	296	4854.00	46088	48346.00	19660	10530.00	3995	2505.00	20.00	24	3795	1250.00	715	294.00	19	23.00
State Bank of Patiala	2109	17890	18307	18929.00	15012	5613.00	1850	1011.00	12.32	18.01	2193	712.00	451	173.00	20.56	24.29
State Bank of Travancore	391	44285.00	82142	47743.00	18915	10542.00	7755	5235.00	41.00	50.00	2894	753.00	1128	436.00	39.00	58.00
IDBI Bank	9	141	18697	85378.00	6106	4460.00	1133	804.00	19.00	18.00	2475	695.00	840	246.00	34.00	35.00
Total	**36815**	**579235.80**	**2446938**	**3395732.27**	**1477071**	**793378.24**	**286428**	**146891.35**			**439071**	**145718.15**	**119229**	**38191.92**		

Source: RBI. Note: * The Scheme has been discontinued with effect from 1st April, 2008.

STATEMENT SHOWING PARTICULARS OF CREDIT TO WOMEN IN THE BOOKS OF PUBLIC SECTOR BANKS FOR THE QUARTER ENDED MARCH-2009
Credit extended under different Govt. sponsored programmes

Name of the bank	SGSY						Others						Of total credit to Women		
	Total Outstandings		Against Women		Percentage		Total Outstandings		Against Women		Percentage		Non-Perorrming Assets		
	No.of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	% of NPA to
Allahabad Bank	342	5668.00	68612	86275.00	42.03	23.54	218153	49933.00	30052	4867.00	13.78	9.75	19322	10431.00	4.19
Andhra Bank	78	10915.00	103040	55109.00	43.00	45.00	126528	35624.00	43215	7852.00	34.00	22.00	3105	8678.00	3.23
Bank of Baroda	910	11450.79	69759	101447.80	32.00	24.81	113299	92258.76	29534	20421.79	26.07	22.14	26918	15108.01	3.07
Bank of india	167	216874.00	102060	446908.00	28.54	36.40	386015	302172.00	40886	22751.00	10.59	7.53	18790	21245.00	2.19
Bank of Maharashtra	5	4.83	63749	51817.03	48.14	56.50	208416	170348.13	37157	17900.22	17.83	10.51	18979	7110.51	4.45
Canara bank	1556	87000.00	170692	357500.00	54.00	50.00	18296	5000.00	14370	3900.00	79.00	78.00	31391	23300.00	1.92
Central bank of India	4779	14009.00	98660	111405.00	37.55	41.74	196831	75054.00	48571	22659.00	24.68	30.19	38039	15954.00	4.29
Corporation Bank	76	6268.78	39992	52099.69	66.92	73.98	28239	284074.61	822	1494.31	2.91	0.53	11067	5375.91	2.67
Dena Bank	9	596.00	24827	30642.00	46.57	51.41	21055	8534.00	7592	1996.00	36.06	23.39	15306	4730.00	3.99
Indian Bank	1	399.43	156146	115050.23	33.28	30.69	19	8.81	2	2.17	10.53	24.63	29313	15661.40	4.19
Indian Overseas Bank	108	12257.00	125308	112702.00	96.00	96.00	65502	13738.00	39676	10440.00	61.00	76.00	41378	18510.00	5.98
Oriental Bank of Commerce	42	3468.06	28138	71927.75	28.62	16.42	25180	7414.45	7132	2043.30	28.32	27.56	12197	8673.50	2.97
Punjab National Bank	55	2710.00	121728	156588.00	31.00	33.00	314835	183481.00	65483	32427.00	21.00	18.00	51236	16312.00	2.90
Punjab & Sind Bank	1554	1349.00	11468	40906.00	25.80	41.48	19064	29413.00	5172	3527.00	27.13	11.99	3845	919.00	0.95
Syndicate Bank	487	268.81	139114	120391.50	33.29	42.28	24908	7974.06	4895	1378.61	19.65	17.29	13266	7369.70	1.65
Union Bank of India	3324	23306.05	26239	55255.13	43.00	38.00	94867	42126.84	28593	11084.69	30.00	26.00	36829	12956.49	3.21
United Bank	1378	13022.67	45395	37359.40	58.87	49.01	169183	49896.83	48390	11601.78	28.60	23.25	25790	6790.86	4.17
UCO Bank	110	43501.06	30826	108271.09	45.47	42.20	208650	121081.43	60998	30312.11	29.23	25.03	21951	7445.37	2.17
Vijaya Bank	0	0	30188	64489.43	47.57	52.90	16299	16335.80	8162	1896.77	50.08	11.61	9565	7061.76	3.44
State Bank of India	17096	56545.00	672463	834920.00	18.10	19.30	116485	352838.00	24151	87840.00	20.70	24.90	113854	81746.00	3.48
State Bank of Bikaner & Jaipur	0	0.00	38707	47661.00	31.06	28.34	7394	1556.00	1544	211.00	20.88	13.56	3376	2694	2.07
State Bank of Hyderabad	219	303.00	81046	77425.00	27.34	21.91	211263	324605.00	83215	55577.00	39.39	17.12	8089	4165.00	1.54
State Bank of Indore	1714	2149.32	33547	59186.22	26.00	32.00	24315	7229.94	17349	5491.65	71.00	76.00	2831	3175.84	2.57
State Bank of Mysore	296	4854.00	46088	48346.00	48.00	43	36820	8605.00	7302	3709.00	20.00	43.00	4955	1708.00	21.64
State Bank of Patiala	2109	17890	18307	18929.00	23.85	26.47	6101	30216.00	342	3738.00	56.05	12.37	3150	1405.00	1.07
State Bank of Travancore	391	44285.00	82142	47743.00	62.00	41.00	22524	17757.00	13837	14202.00	61.00	80.00	14482	10479.00	4.00
IDBI Bank	9	141	18697	85378.00	40.00	44.00	13781	3156.00	4275	714.00	31.00	23.00	9375	5832.00	3.00
Total	**36815**	**579235.80**	**2446938**	**3395732.27**			**2694022**	**2240431.66**	**672717**	**380037.40**			**588399**	**324837.35**	

Source: RBI

Department of Expenditure

Para 8.10 under Chapter 8 of Report No. 13 for the year 2007-08: An amount of Rs. 2.73 crore was the unspent amount after re-appropriation of Rs. 1.53 crore under Major Head 2052.00.090.10.

Reply

Re-appropriation from existing savings within the sanctioned grant was done to meet the anticipated increase in expenditure under various object heads. However, major savings have occurred in 'Salaries', due to less drawal of salaries by offices than expected; due to exercise of economy in expenditure; and under 'Information Technology' due to non-materialization of some procurement proposals.

Para 8.16 – under Chapter 8 of Report No. 13 for the year 2007-08: Unspent provision under Major Head '2070.00.105.02 – other Commission was 52% and unspent provision under Major Head '3475.00.800.78 – Funding for Plan Schemes and Projects for Ministries/ Departments' was 100%.

Reply

Unspent provision under Major Head '2070.00.105.02- Other Commission' was due to less expenditure incurred by the Secretariat of Sixth Central Pay Commission as the Secretariat was closed during mid of the year. Savings under Major head '3475.00.800.78 – Funding for Plan Schemes and Projects for Ministries/Departments' occurred because the funds were parked/allocated by the Budget Division to meet the unforeseen expenditure towards towards committed/residual payments etc. of Plan schemes in the Tenth Plan. As no demand was received from any Ministry/Department, the entire provision remained unutilized.

Ministry of Finance
Government of India
New Delhi