सत्यमेव जयते

Annual Report 2010-11

Ministry of Finance
Government of India

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Annual Report
2010-2011

Ministry of Finance
Government of India

For Public Contract Purposes:

Ministry of Finance

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Contents

Page No.

Chapter V

Introduction

The report reviews the activities of the Ministry of Finance during the year 2010-11. 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 2010-11.

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 2010-11. As per the latest information (Advance Estimates) of National Income for 2010-11 (at constant 2004-05 prices), released by the Central Statistical Organization, the growth of Gross Domestic Product (GDP) at factor cost is estimated at 8.6 percent in 2010-11, with agriculture & allied activities growing at 5.4 per cent, industry at 8.1 per cent and services at 9.6 per cent. The corresponding growth in GDP in 2009-10 was 8.0 per cent, with agriculture and allied sector, industry and services growing at 0.4, 8.0 and 10.1 per cent, respectively.

The latest information on quarterly estimates of GDP is available for the first three quarters of 2010-11. There has been broad based recovery in economic growth during 2010-11. The GDP growth in the first quarter, second quarter and third quarter of 2010-11 is estimated at 8.9 per cent, 8.9 per cent and 8.2 per cent as compared to 6.3 per cent, 8.6 per cent and 7.3 per cent during the corresponding periods of 2009-10.

Data on the savings and investment is available up to 2009-10. The saving rate as percentage of GDP at current market prices was estimated to be 33.7 percent in 2009-10 as compared to 32.2 percent in 2008-09, while the gross domestic capital formation was 36.5 percent in 2009-10 as compared to 34.5 percent in 2008-09.

Agriculture

As per the final estimates for 2009-10, foodgrains production was estimated at 218.11 million tonnes, out of which Kharif production was 103.95 million tonnes and Rabi production was 114.16 million tonnes.

The country witnessed a "normal" Southwest monsoon (June-September) in 2010 after a year of deficient rainfall, to the extent of 23 per cent, in 2009. For the country as a whole, the rainfall actually received during the Southwest monsoon, 2010 was 102 per cent of its Long Period Average (LPA), i.e., 912.8 mm of rainfall against the normal (LPA) rainfall of 893.2 mm. The cumulative post monsoon season rainfall (October -December) in 2010 for the country as a whole was 21 per cent above the normal.

The normal monsoon this year has resulted in higher kharif production. Significant increase in area coverage was noted in the case of pulses (6.11 lakh hectares), sugarcane (6.53 lakh hectares) and cotton (6.90 lakh hectares). However, area sown under paddy, bajra and jowar was lower due to poor rainfall in Eastern U.P., West Bengal, Jharkhand and Bihar.

As per the second advance estimates of production for 2010-11 released by Ministry of Agriculture on February 9, 2011, production of foodgrains is estimated at 232.07 million tonnes, oilseeds at 27.85 million tonnes, sugarcane at 336.70 million tonnes and cotton at 33.93 million bales of 170 kg each. These production estimates are at higher levels compared to last year primarily due to significant improvement in the productivity in almost all the crops resulting from favorable weather conditions.

Industry

During 2010-11(April-December), as per the Index of Industrial Production(IIP), the industrial sector grew at 8.6 per cent as compared to the same level of growth during the previous year. Out of the three broad sectors, the manufacturing sector has been the key driver of growth as in the mining and the electricity sectors the growth have been comparatively lower. During 2010-11(April-December), the manufacturing sector grew at 9.1 per cent and the mining and electricity sectors grew at the rates of 7.7 per cent and 4.7 per cent respectively against the corresponding figures of 8.9 percent, 8.7 percent and 5.7 per cent respectively.

Among the use-based industry groups only capital goods sector recorded increase in growth during 2010-11(April-December) while the intermediate goods, consumer goods(durables & non-durables) showed decline in growth and the basic goods segment maintained growth at par compared to the previous year. The capital goods showed a growth of 16.7 per cent during 2010-11(April-December) compared to the corresponding figure of 11.2 percent during 2009-10(April-December). In intermediate goods and consumer goods sectors, the growth rates for the current year are 9.2 per cent and 6.5 per cent as compared to 12.5 per cent and 6.6 per cent last year. In basic goods sector, the growth rate during 2010-11(April-December) was 6.1 per cent as compared to the same growth rate during the corresponding period of previous year. In consumer durables and non-durables sectors, the growth rates have also declined to 21.7 per cent and 0.7 per cent during 2010-11(April-December) as compared to 22.7 per cent and 1.4 per cent respectively during 2009-10(April-December). At the disaggregated level, 3 out of the 17 two-digit industrial groups-Beverages & tobacco, wool & silk textile and Wood products recorded negative growth during 2010-11(April-December). Out of the remaining 14 industry groups, three groups recorded growth rates between 5 to 10 per cent , nine industry groups namely food products, cotton textiles, jute textiles, leather products, rubber & petroleum, metal products, machinery & equipments, transport equipments and other manufacturing products recorded growth rate above 10 per cent and two groups namely, textile products and basic chemical products recorded growth rates below 5 per cent.

Infrastructure

The index for 6 core industries (comprising crude oil, petroleum refinery products, coal, electricity, cement and finished carbon steel with a weight of 26.68 per cent in the IIP) grew by 5.6 per cent during 2010-11(April-January) as compared to growth rate of 5.5 per cent achieved during the corresponding period of 2009-10. Three out of the six core sectors namely coal, electricity and cement recorded lower rates of growth of 0.8 per cent, 5.0 percent and 4.1 percent respectively during 2010-11(April-January) as compared to 8.0 per cent, 5.9 percent and 11.1 percent during 2009-10(April-November). The growth in crude oil, finished steel and petroleum was 11.9 per cent, 7.8 per cent and 2.4 per cent respectively during 2010-11(April-January).

Prices and Inflation

Inflation, measured by variations in the wholesale price index (WPI) on a year-on-year basis was 8.2 per cent in January 2011 as against 8.5 per cent in January 2010. The average WPI inflation rate for last 12 months (February 2010 to January 2011) was 9.4 per cent as compared to 2.4 per cent during corresponding period in 2009-10. The build-up inflation since March to January, 2011 stood at 7.4 per cent during current financial year as against 9.4 per cent in the corresponding period last year.

The WPI inflation of 8.23 per cent in January, 2011 can be disaggregated on the basis of three major groups. Primary articles having a weight of 20.12 per cent recorded annual inflation of 17.28 per cent as compared to 20.19 per cent in the same month last year. Manufactured products, having weight of 64.97 per cent recorded an inflation of 3.75 per cent in January 2011 as compared to 4.77 per cent in the same month last year. However, fuel, power, lights & lubricants having weight of 14.91 per cent recorded annual inflation of 11.41 per cent as compared to 6.76 per cent in the same month last year.

The WPI can also be disaggregated on the basis of total food (Wt. 24.31 per cent) and total non-food items (Wt. 75.69 per cent). The food inflation stood at 9.30 per cent in January 2011 as compared to 19.80 per cent in January, 2010. Non-food inflation reported 7.81 per cent in January, 2011 as compared to 4.65 per cent in January, 2010.

Inflation in Consumer Price Index for Industrial Workers (CPI-IW) has declined to 9.30 per cent in January 2011 from its peak of 16.22 per cent in January 2010. CPI-IW food inflation (weight 46.20%) has also declined to 10.22 per cent in January, 2011 from its peak of 21.29 per cent in December 2009. Inflation in other CPIs viz. CPI-UNME, CPI AI-RL has also declined to single digit.

Though inflation has shown some moderation till November 2010 but the recent spurt in December 2010 could be attributed to supply bottleneck especially driven by hovering prices of vegetables, onions, tomatoes, fruits, milk and egg, meat and fish. The inflationary pressures persist both from domestic demand and higher global commodity prices on account of global recovery from financial crisis. The pace of decline in food price inflation has been slower than expected mainly on account of the structural factors.

Monetery Trends and Developments

The accommodative monetary policy which was pursued beginning mid-September 2008 instilled confidence in market participants, mitigated the adverse impact of the global financial crisis on the economy, and ensured that it started recovering ahead of most other economies. However, in view of the rising food inflation and the risk of it impinging on inflationary expectations, the Reserve Bank embarked on a phased exit from the expansionary monetary policy starting in October 2009.

By April 2010, available data suggested that the recovery was firmly in place, though inflationary pressures accentuated. Accordingly, both repo and reverse repo rates as well as the cash reserve ratio (CRR) were increased by 25 basis points each. The monetary policy stance in April 2010 was guided by the following three considerations. First, the need to move in a calibrated manner in the direction of normalizing the policy instruments in a scenario where real policy rates were still negative. Second, the need to ensure that demand-side inflation did not become entrenched. Third, the need to balance the monetary policy imperative of absorbing liquidity while ensuring that credit was available to both the government and the private sector.

Significant developments took place subsequent to the announcement of the monetary policy in April 2010. Though recovery was consolidating, developments on the inflation front raised several concerns. Overall, WPI inflation (old series) increased to 10.2 per cent (provisional) in May 2010, and year-on-year WPI non-food manufacturing products inflation, which was (-) 0.4 per cent in November 2009 and 5.4 per cent in March 2010, rose further to 6.6 per cent in May 2010. The upward revision in administered fuel prices on 25 June 2010 was also expected to influence inflation in the months ahead. Accordingly, the repo rate and the reverse repo rate under the LAF were increased again by 25 basis points each on 2 July 2010.

Given broad-based domestic recovery and with consumer price inflation in double digits, the First Quarter Review of the RBI (July 2010) revised upwards the baseline projection of real GDP growth for the year to 8.5 per cent and raised the projection for WPI inflation for March 2011 to 6.0 per cent. Consistent with this assessment, the repo rate was increased by 25 basis points and reverse repo by 50 basis points . The monetary policy actions were intended to moderate inflation by reining in demand pressures and inflationary expectations, maintain financial conditions conducive to sustaining growth, generate liquidity conditions consistent with more effective transmission of policy actions, and reduce the volatility of short-term rates in a narrower corridor.

Given the context of the changing liquidity dynamics, particularly between surplus and deficit modes, RBI proposed to set up a working group to review the operating procedure of the RBI's monetary policy, including the LAF. It was also announced that mid-quarter reviews of monetary policy would be made in June, September, December, and March.

As decided in the First Quarter Review, on the basis of assessment of the macroeconomic situation, the RBI in its Mid-Quarter Review on 16 September 2010 decided to increase the repo rate under the LAF by 25 basis points from 5.75 per cent to 6.0 per cent and the reverse repo rate by 50 basis points from 4.5 per cent to 5.0 per cent.

The Second Quarter Review of Monetary Policy for 2010-11 (released on 2 November 2010) noted that the fragile and uneven nature of the recovery and large unemployment in advanced economies raised concerns about the sustainability of the global turnaround whereas the Indian economy was operating close to the trend growth rate, driven mainly by domestic factors. However, notwithstanding some moderation in recent months, headline inflation in India remained significantly above its medium-term trend and well above the comfort zone of the Reserve Bank. Accordingly, the RBI further increased the repo rate by 25 basis points to 6.25 per cent and the reverse repo rate also by 25 basis points to 5.25 per cent (on 2 November, 2010). The CRR has been retained unchanged at 6 per cent of net demand and time liabilities (NDTL) of banks.

Growth in reserve money (Mo) remained high during much of 2010-11. During the first quarter of 2010-11, M0 increased by 23.4 per cent on a year-on-year basis as against an increase of 1.9 per cent in the corresponding quarter of 2009-10. This partly reflects the increase in prescribed CRR by 50 basis points w.e.f. 13 February 2010, 25 basis points w.e.f. 27 February 2010 and 25 basis points w.e.f. 24 April 2010. In the second quarter, growth in M0 was 21.6 per cent as against negligible growth of 0.9 per cent recorded during the second quarter of 2009-10.

On a financial-year basis, M0 showed an increase of 1.6 per cent during the period April to end September 2010, as against a decrease of 2.3 per cent a year earlier. During the financial year so far (up to 22 October 2010), reserve money increased by 1.5 per cent as against a decrease of 1.8 per cent last year.

Movements in the RBI's net credit to the Central Government during 2010-11 so far largely reflect the liquidity management operations of the RBI and changes in Central Government deposits with the RBI. With the tightening of liquidity conditions, the RBI started injecting liquidity through repo under the LAF beginning end-May 2010. It resorted to unwinding of market stabilization scheme (MSS) securities in the wake of the global crisis in the second half of 2008-09. As all the securities held under the MSS have been unwound / redeemed, there has been no MSS balance since end July 2010.

During 2010-11, in the first two quarters, broad money (M3) growth remained below the levels in the corresponding period of the preceding year. At the end of the first quarter of 2010-11, year-on-year growth in M3 was 14.7 per cent as against an increase of 20.7 per cent in the first quarter of 2009-10. At the end of the second quarter, growth in M3 on year-on-year basis was 14.7 per cent as against 19.5 per cent in the second quarter of 2009-10.

On financial-year basis, growth in broad money (M3) at the end of the first quarter of 2010-11 was 1.4 per cent as against 3.4 per cent in the corresponding period of the previous year; by the end of the second quarter of 2010-11, growth in M3 (on financial-year basis) was 4.9 per cent as against 6.8 per cent last year. As on 8 October 2010, M3 growth on financial-year basis was 6.5 per cent as against 7.9 per cent in the corresponding period of the previous year. The year-on-year M3 growth as on 8 October 2010 was 15.2 per cent as against 19.5 per cent on the corresponding date last year.

Much of the expansion in broad money (M3) during the financial year 2010-11 (up to 8 October2010) resulted from an increase in commercial banks' credit to the Government. On the other hand, net Reserve Bank credit to the Centre during 2010-11 (up to 8 October 2010) decreased, reflecting large build-up in the Centre's surplus with the Reserve Bank which offset the increased repo transactions under the LAF. The money multiplier declined from 5.3 in the first fortnight of April 2010 to 5.1 in the first fortnight of October 2010.

The year-on-year variation in outstanding credit at the end of the first half of 2010-11 was 20.1 per cent as against 10.7 per cent on the corresponding date of the previous year. Non-food credit recorded an increase of 20.1 per cent as on 8 October 2010 as against an increase of 11.1 per cent recorded on the corresponding date last year.

On financial-year basis, for the first half of the year 2010-11, growth in credit extended by the SCBs stood at 6.9 per cent (April to 8 October 2010) as compared to 4.1 per cent in the corresponding period of 2009-10. The year-on-year growth in bank credit was little above the RBI's indicative projected trajectory of 20.0 per cent for the full year, as set out in the First Quarter Review for 2010-11. The higher expansion in credit relative to the lower expansion in deposits during 2010-11 has resulted in an increase in the incremental credit-deposit ratio to 91.6 per cent on 8 October 2010 from 70.9 per cent in end March 2010.

The year-on-year deposit growth slowed down to 15.0 per cent as on 8 October 2010 from 20.0 per cent a year earlier. One of the reasons for deceleration in bank deposits was financing of 3G spectrum and broadband wireless access (BWA) auctions by the banks. Time deposits decelerated because of withdrawal of deposit by public-sector undertakings and mutual funds.

Driven by lower market borrowing by the Government, SCBs' investment in statutory liquidity ratio (SLR) securities slowed down. Commercial banks' holdings of such securities close to 28.6 per cent of their NDTL in early October 2010 were higher than the stipulated SLR level of 25 per cent.

On the lending side, the base rate system replaced the benchmark prime lending rate (BPLR) system with effect from 1 July 2010. Base rates of the SCBs were fixed in the range of 5.50-9.00 per cent. Subsequently, several banks reviewed and increased their base rates in the 10–50 basis points range in September/October 2010. As many as 53 banks with a share of 94 per cent in total bank credit fixed their base rates in the 7.50-8.50 per cent range, indicating further convergence in the base rates announced by banks.

In terms of the evolution of liquidity conditions, the scale of surplus liquidity in the system increased initially at the commencement of financial year 2010-11 on account of higher Government expenditure. The average daily absorption under the LAF increased to ₹ 57,150 crore in April 2010 from ₹ 37,640 crore in March 2010. Surplus liquidity in the domestic market gradually declined from May 2010. The liquidity conditions turned deficit from 31 May 2010 due to sharp increase in Government balances with the RBI, on account of higher-than-anticipated mobilization under the 3G/BWA spectrum auction besides the first instalment of advance tax payments.

In anticipation of temporary tightening of liquidity conditions, the RBI introduced measures allowing SCBs to avail themselves of additional liquidity support of up to 0.5 per cent of their NDTL under the LAF and also access to a second LAF (SLAF) on a daily basis for the period 28 May -2 July 2010. The average daily injection under the LAF during June 2010 was around ₹ 47,000 crore in contrast to the average daily absorption of around ₹ 33,000 crore in May 2010.

Tight liquidity conditions helped strengthen the transmission from policy rates to commercial lending rates. Desirable as these conditions may be from the viewpoint of inflation management, there are legitimate concerns that the deficit, as reflected by borrowings under the LAF in recent weeks, is significantly in excess of the RBI's comfort zone of (+/-)1 per cent of the NDTL of banks. The high level of government balances indicates that the tight liquidity situation is likely to ease to some extent as the Government draws down its balances in the coming weeks.

Treasury Bills issuances during the year 2010-11 were modulated according to the cash management requirements of the Government as well as evolving market conditions. The notified amounts for competitive auctions of Treasury Bills (TBs) were reduced during the first two quarters of the fiscal year. The outstanding stock of Treasury Bills went down from ₹ 1,34,500 crore on 31 March 2010 to ₹ 1,26,269 crore on 31 Dec 2010, after taking into account a rise in non-competitive allotment. The primary market yields for TBs of different tenors (91 days, 182 days and 364 days) moved up during the year largely influenced by the liquidity conditions and monetary policy action by the Reserve Bank.

During the year, a new short-term instrument, named as cash management bill (CMB), was introduced in May 2010. CMBs are non-standard, discounted instruments issued for maturities of less than 91 days, to meet the temporary cash-flow mismatches of the Government. During 2010-11, CMBs were issued twice in May 2010 for an aggregate amount of ₹ 12,000 crore, with a maturity of five and four weeks, respectively.

Consistent with the monetary policy stance and based on the current assessment of prevailing and evolving liquidity conditions, the RBI decided to conduct open market operations (OMO) for purchase of government securities for an amount of ₹ 12,000 crore on 4 November 2010.

Money markets have so far this fiscal remained orderly. The call rate continued to hover around the upper bound of the LAF corridor till end July 2010 as deficit liquidity conditions persisted due to high Central Government cash balances. The call rate declined towards the end of August 2010 and early September 2010 with the change in liquidity conditions. However, it again firmed up from the middle of September 2010 as liquidity conditions tightened on account of quarterly advance tax outflows. It averaged 5.40 per cent in the second quarter as compared to 4.16 per cent in the first quarter of the financial year. At the short end, as the LAF window operated in deficit mode, overnight interest rates were generally close to the LAF rate corridor ceiling during September-October 2010, even exceeding it on occasion in response to sudden surges in demand. The rates in the collateralized segments have so far during 2010-11 generally moved in tandem with the call rate . Transaction volumes in the collateralized borrowing and lending obligation (CBLO) and market repo segments remained high during this period reflecting active market conditions. As in the previous year, banks continued to remain the major borrowers in the collateralized segment whereas mutual funds (MFs) remained the major lenders of funds in that segment. The share of MFs in total lending declined in June-August 2010 but increased in September 2010. The collateralized segment of the money market has so far during 2010-11accounted for more than 80 per cent of the total money market volume. .

Credit market

The spreads on corporate bonds over the Government bond yield declined in Q2 of 2010-11 as against Q1 of

2010-11. This reflects further reduction in risk perception of corporates due to improved growth outlook as well as lower inflationary expectations. As many as 53 banks with a share of 94 per cent in total bank credit have fixed their base rates in the range of 7.50-8.50 per cent, indicating convergence in the base rates announced by banks.

Balance of Payments during H1 (April-September 2010) of 2010-11

As per the latest data for fiscal 2010-11, though there is marginal deterioration in the BoP situation vis-à-vis 2009-10, reflected in higher trade deficit and current account deficit, there was higher capital flows.

The merchandise exports on a BoP basis posted an increase of 33.8 per cent to US$ 110.5 billion in H1 (April-September 2010) of 2010-11 as against a negative growth of 25.7 per cent in the corresponding period of the previous year. Similarly, import also increased by 28.3 per cent to US$ 177.5 billion during April-September 2010 as against a decrease of 21.1 per cent in the corresponding period of the previous year. The trade deficit was higher at US$ 66.9 billion during H1 of 2010-11 as compared with US$ 55.9 billion in H1 of 2009-10. This was mainly due to significant increase in imports which was in line with robust domestic economic performance in first half of 2010-11.

The net invisibles surplus (invisibles receipts minus invisibles payments) stood lower at US$ 39.1 billion during April-September of 2010 as compared to US$ 42.5 billion during April-September 2009. Consequently the current account deficit increased to US$ 27.9 billion in H1 of 2010-11, as compared to US$ 13.3 billion during the corresponding period of 2009-10. This was mainly attributed to higher trade deficit combined with lower net invisible surplus.

Net capital flows at US$ 36.7 billion in April-September 2010 remained higher as compared with US$ 23.0 billion in April-September 2009. Under net capital flows, all the components except FDI and bank capital, showed improvement during April-September 2010 from their level in the corresponding period of the previous year. Net FDI into India moderated to US$ 5.3 billion during April-September 2010 as against the US$ 12.3 billion in April-September 2009. Portfolio investment mainly comprising foreign institutional investors (FIIs) investments and American Depository Receipts (ADRs)/ Global Depository Receipts (GDRs), however, witnessed large net inflows of US$ 23.8 billion in H1 of 2010-11 vis-a-vis US$ 17.9 billion in H1 of 2009-10. The surge in portfolio investments especially FIIs investment could be attributed to relatively sound economic fundamentals and increased international liquidity as number of advanced economies has followed easy monetary policies.

Merchandise Trade

The compound annual growth rate (CAGR) for India's merchandise exports for the five-year period 2004-05 to 2008-09 increased to 23.8 per cent from the 14 per cent of the preceding five-year period. However, it declined to - 3.5 per cent in 2009-10 as a result of global recession. Despite this negative growth, India's ranking in the leading exporters in merchandise trade which slipped marginally from 26th in 2007 to 27th in 2008 improved to 21st in 2009, also reflecting the relatively lower impact of global recession on India's trade sector compared to other countries.

Though export growth decelerated from July to November 2010 after high spurts from February 2010 to June 2010, cumulative export growth in April-January 2010-11 was good at 29.3 per cent with cumulative exports reaching US $ 184.6 billion during this period. The main drivers of export growth during 2010-11(April-September) are petroleum, crude & products and engineering goods. Current indications are that India will not only achieve the target of US$ 200 billion but surpass it in 2010-11.

India's merchandise imports, also affected by global recession, fell to US$288.4 billion with a negative growth of - 5.0 per cent in 2009-10. This was due to the fall in growth of petroleum, oil, and lubricant (POL) imports by 7.0 per cent and non-POL imports by 4.2 per cent. POL import growth was low mainly due to decline in import price of the Indian crude oil import basket by 16.5 per cent despite the increase in quantity by 7.7 per cent. Non-POL non-bullion imports declined by 8.6 per cent in 2009-10 reflecting relatively low demand for imports for industrial activity, partly due to low industrial growth and fall in exports resulting in lower demand for imports of inputs needed for exports. Like exports, imports also started picking up in the second half of 2009-10, though with a month's lag ending the nine-month continuous negative growth in December 2009. The rebound in imports was much sharper with import growth as high as 73.5 and 78.3 per cent in February and March 2010 partly due to base effect and partly due to the pickup in exports and industrial activity.

During 2010-11 (April-January) import growth was at 17.6 per cent accompanied by an increase in both POL and non-POL imports at 13.9 per cent and 19.2 per cent respectively. Gold and silver imports registered a growth of 8.9 per cent. Non-POL non-bullion imports increased by 20.9 per cent due to recovery in industrial activity and exports.

Trade deficit (on customs basis) declined by (-)1.0 per cent to US$ 88.96 billion in 2010-11 (April–January) from US$ 89.84 billion in the corresponding period of the previous year. Trade deficit reached a peak of US $ 118.4 billion in 2008-09 and moderated to US $ 109.6 billion in 2009-10.

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$ 314.61 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$ 279.1 billion at the end March, 2010.

In 2010-11, the foreign exchange reserves have shown increasing trend. The reserves have increased by US$ 20.1 billion to US$ 299.2 billion at end January 2011 from the level of US$ 279.1 billion at end March 2010.

Foreign Exchange Rate

In fiscal 2009-10, rupee depreciated against major international currencies except pound sterling. The annual average exchange rate of ₹ of 45.99 per US dollar in 2008-09 depreciated by 3.0 per cent to ₹ 47.42 per US dollar in 2009-10.

In current fiscal 2010-11 between April and January 2011, the monthly average exchange rate of rupee (average of buying and selling by Foreign Exchange Dealer Association of India (FEDAI)) depreciated by 2.0 per cent against US dollar from ₹ 44.50 per US dollar in April 2010 to ₹ 45.39 per US dollar in January 2011. Similarly, ₹ depreciated by 4.6 per cent against pound sterling, 1.4 per cent against euro and by 13.3 per cent against Japanese yen during the same period.

On month-on-month basis, average exchange rate of ₹ has shown two ways movement against US dollar, as it appreciated in the months of April, August, September and October 2010 while it depreciated in the months of May, June, July, November, December 2010 and January 2011.

External Debt

India's total external debt stock was US$ 295.8 billion at end-September 2010 recording an increase of US$ 33.5 billion (12.8 per cent) over end-March 2010 estimates of US$ 262.3 billion. The valuation effect contributed to an increase of US$ 6.3 billion (18.8 per cent) to the total increase of US$ 33.5 billion. The short-term debt at US$ 66.0 billion accounted for 22.3 per cent of total external debt, while the rest 77.7 per cent was long-term debt.

Government (Sovereign) external debt stood at US$ 72.3 billion, while non-Government debt amounted to US$ 223.6 billion at end-September 2010. The share of Government debt in total external debt declined from 25.6 per cent at end-March 2010 to 24.4 per cent at end-September 2010. The ratio of Government external debt to GDP has remained around 5.0 per cent in the last four years.

The ratio of short-term external debt to foreign exchange reserves was 22.5 per cent at end-September 2010 as compared to 18.8 per cent at end-March 2010. The debt service ratio i.e., the ratio of total debt service payments to current receipts worked out to 3.8 per cent during first half (April-September 2010) of 2010-11 as against 4.8 per cent during the corresponding period of previous year. The share of US dollar denominated debt was the highest in external debt stock at 53.9 per cent at end-September 2010 followed by the Indian Rupee (18.8 per cent).

Social Sector Development

Building on the growing strength of the economy the Government is implementing a comprehensive strategy for inclusive development focusing on areas like poverty alleviation, employment generation, education, health and skill development. To achieve inclusive development, sector-specific priorities of the Government is reflected in terms of continued higher budgetary allocation in areas like rural development, education, medical and public health, family welfare, water supply and sanitation, housing, urban development, etc. The Central government expenditure on social services and rural development has gone up consistently over the years. The share of Central Government expenditure on social services including rural development in total expenditure (Plan and non-Plan) has increased from 13.75 per cent in 2005-06 to 19.27 per cent in 2010-11 (BE). Similarly, the expenditure on social services by the General Government (Centre and States combined) has also shown increase in recent years reflecting higher priority to social services. The expenditure on social services as a proportion of total expenditure has increased from 21.1 per cent in 2005-06 to 23.8 per cent in 2008-09 and further to 25.2 per cent in 2010-11 (BE).

As far as the fall out of global crisis of 2008 is concerned, the Indian economy has continued to recover robustly. This is the result of the policies followed by the Government to counter the adverse impact of the global economic crisis. On the employment front also, the country has been able to withstand the adverse impact of the global crisis and generate employment since July 2009 as reported in the quarterly surveys conducted by the Labour Bureau. The upward trend in employment has been continuously observed since July 2009. During the quarter July to September 2010, the overall employment has increased by 4.35 lakh. While comparing the results of the last four quarterly surveys period i.e. September 2010 over September 2009, the overall employment has increased by 12.96 lakh, with highest increase of 9.36 lakh in IT/BPO followed by 0.79 lakh in textiles, 0.99 lakh in metals, 1.15 lakh in automobiles and 0.39 lakh in gems & jewellery.

The Mahatma Gandhi National Rural Employment Guarantee Act aims at enhancing livelihood security of households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. During 2009-10, 5.26 crore households were provided employment under this scheme as against more than 4.51crore during 2008-09. During 2010-11, about 4.10 crore households have been provided employment till December 2010. Out of the 145 crore person days created under the scheme during this period, 23 per cent and 17 per cent were accounted for by SC and ST population respectively and 50 per cent of the total person days created went in favour of women. While the Government has consciously undertaken a large increase in budgetary allocations for anti-poverty programmes and employment generation schemes, the policy structures need to be firmed up to facilitate the effective implementation of these programmes and to ensure that allocation result in outputs and outputs result in outcomes.

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, rationalization of Additional Excise duties on goods of special importance, and eventual evolution of a frame work for dual 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 2010-11 to achieve these objectives. The details of these changes are given in paragraphs 3.3 and 4.9.

In the financial year 2010-11, 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) 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 2010-2011 (upto December, 2010), 3271 search warrants were executed leading to the seizure of assets worth ₹ 716.66 crore. During the financial year (upto October, 2010), 1626 surveys (provisional) were conducted which yielded a disclosure of additional income of ₹ 2700.59 crore (provisional). As regards assessees, 6.4 lakh new assessees were added during the period upto November, 2010.

The Customs and Central Excise offices also continued their drive vigorously against duty evasion. During the financial year 2010-2011 (upto December, 2010), 4,779 cases of evasion of Central Excise involving duty effect of ₹ 9715.19 crore were detected in which a duty amount of ₹ 1043.66 crore was recovered. Regarding evasion of Customs duty, 2,111 cases involving duty effect of ₹ 653.47 crore were detected in the same period. In respect of Service Tax during the same period, 2,490 cases involving tax evasion amount of ₹ 487 crore were detected in which a tax amount of ₹ 487 crore was recovered. 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 20,573 outright smuggling seizure cases, contraband worth the value of ₹ 998.50 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 channelized 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 Departments 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

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.

1.5 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. An international Seminar on Economic Policy for Inclusive Development was organized by Economic Division in partnership with NIPFP on 30th November 2010 and 1st December, 2010 wherein researchers, policy makers & industrialists from India and abroad participated including nobel laureate Prof. Michael Spence.

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 and Food Management
- 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 and Food Management 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, National Food Security Mission, Rashtriya Krishi Vikas Yojna, Minimum Support Price for Rabi and Kharif crops, National Food Security, Targeted 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 secto.

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 and multilateral and bilateral trade related issues.

IES Division

1.16 The Division is concerned with all aspects of cadre management of the Indian Economic Service (IES) viz. recruitment, training, promotion, postings, transfers, seniority, deputation and foreign service, study leave, vigilance and disciplinary cases of officers of the service, Court cases relating to service matters of the IES, besides providing information under the RTI Act on these matters. The IES Cadre is advised on important policy matters by the high-level IES Board, headed by the Cabinet Secretary. The cadre is managed in accordance with the service rules and extant GOI instructions in force.

1.16.1 With the objective to cater to the changing functional requirements of the Government for improved capacity for economic inputs and analysis in policy making at senior management levels and to provide reasonable prospects of career progression to the IES officers, a proposal on the cadre review and restructuring of the IES was approved by the IES Board on the 29.11.2010 and subsequently approved by the Cabinet in its meeting held on 6.1.2011. Total authorized strength of the cadre at various grades is 501, which includes 471 duty posts and 40 as reserves.

1.16.2 The successful candidates (14) of the IES Examination 2008, appointed to the service on 4.1.2010, underwent the induction-level probationary training. As a 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", Mumbai; "Indian Society of International Law", Delhi; "Institute of Foreign Trade", Delhi; "Indian Institute of Management", Lucknow; "Bankers Institute of Rural Development", Lucknow; "National Institute of Financial Management", Faridabad;. "Indian Maritime University", Chennai and the "National Institute of Micro, Small and Medium Enterprises", Hyderabad. The successful candidates (13) of the IES Examination 2009 have been appointed to the service on 3.1.2011.

1.16.3 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 office. Each mid-career training course is of six week's duration, comprising four weeks of domestic learning component and two weeks of overseas learning component. Three mid-career training courses have been conducted in 2010-11 through the Indian Institute of Management, Lucknow.

1.16.4 In addition, regular training courses have been conducted for serving IES officer in several Institutes such as "Indian Institute of Public Administration", Delhi on presentation skills; "Administrative Staff College of India", Hyderabad on macro-economic policy; "Indian Institute of Capital Markets", Mumbai, on capital markets; "Indian Maritime University", Chennai on infrastructure regulation; "Indian Econometric Society" on Econometric Theory and Applications. Officers are also being nominated for the courses conducted by the Joint India-IMF Training Programme held at Pune. In addition to the 58 officers who attended the Mid Career Training Programme, 97 IES officers have attended the other in-service training courses organized by the IES Cadre in 2010-11.

1.16.5 During 2010-11, promotions have taken place in respect of the different grades of the service. Two officers were promoted to the Higher Administrative Grade+ (Apex level), twenty one officers were promoted to the Senior Time Scale from the Junior Time Scale. Six JAG level officers were granted Non-Functional Selection Grade during the year. Nine officers from the feeder post holders were inducted into the Service.

1.16.6 In line with recommendations of the Sixth Central Pay Commission and instructions issued by the Department of Personnel and Training (DOPT) thereof, up-gradation to HAG, on non-functional basis, has been granted to 5 officers of the 1977 batch.

1.16.7 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.

2.1.2 This 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. From 1st January, 2010 to 31st December, 2010, 33 reports of the C&AG of India were laid before the Parliament and 25 entrustments/re-entrustments of audit of various bodies to the C&AG of India were dealt by this Division.

2.1.3 It 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 was presented in Parliament in accordance with the requirements of the FRBM Act. Besides this, Budget Division oversees/facilitates the implementation of 'Gender Budgeting', Welfare of Children' etc. in various Ministries/Departments.

2.4 National Small Savings

2.4.1 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.

2.4.2 Small Savings Collections

The gross deposits under various small savings schemes during 2010 - 11 (upto December, 2010) were ₹ 2,03,012 crore as against the deposit of ₹ 1,68,132 crore during the same period last year. An amount of ₹ 60,000 crore (Approx.) is proposed to be transferred as share of net small savings collections to the States and Union Territories (with legislature) and ₹ 12,000 crore to Centre during the current fiscal, as against the sum of ₹ 34,862 crore and ₹ 2500 crore respectively transferred last year.

2.4.3 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. 1st 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. 1st April, 2007.

2.4.4 In pursuance of the recommendation of thirteenth Finance Commission, the Government has constituted a Committee under the Chairpersonship of Deputy Governor, Reserve Bank of India (RBI) for comprehensive review of National Small Savings Fund (NSSF) structure, interest rate, tenor and other administrative matters consequent to the recommendations of the 13th Finance Commission in this regard. The Terms of Reference (TOR) of the Committee, inter alia, include review of the existing parameters for the small savings schemes in operation and to recommend mechanism to make them more flexible and market linked. The Expert Group is likely to submit its report by March 2011.

2.4.5 Another Expert Group has also been constituted under the Chairmanship of Additional Chief Advisor (Cost), Department of Expenditure, Ministry of Finance separately for review of rates of agency charges payable to Department of Posts for operation of Small Savings Schemes. This Group is also likely to submit its report by March 2011.

2.4.6 Measures for Improved Interface with the Public

2.4.6.1 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.

2.4.6.2 National Savings Institute, a subordinate organisation under the Department of Economic Affairs (Budget Division) also maintains its 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.

2.5 Public Debt & liabilities and Cash Management

2.5.1 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. About 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.

2.5.2 The Central Government's normal borrowing through issue of dated securities for financing the fiscal deficit was budgeted in BE 2010-11 at ₹ 4,57,143.06 crore (Gross) and ₹ 3,45,010 crore (net). The Revised Estimates (RE) of gross and net market borrowing through dated securities for 2010-11 were placed at ₹ 4,47,000 crore and ₹ 3,35,413.75 crore respectively.

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

2.5.4 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.

2.5.5 The weighted average yield and maturity of dated securities issued during 2009-10 as a whole were 7.23% and 11.16 years, as compared to 7.69% and 13.80 years in 2008-09 respectively.

2.5.6 The Ways & Means Advance (WMA) ceiling for the Central Government was fixed at ₹ 30,000 crore for the first half of the year (April to September) and ₹ 10,000 crore for the second half of the year (October to March).

2.5.7 Cash Management Bills: The Government of India, in consultation with the Reserve Bank of India, finalized and introduced a new short-term instrument, known as Cash Management Bills, to meet the temporary cash flow mismatches of the Government. The Cash Management Bills are non-standard, discounted instruments issued for maturities less than 91 days and could be issued as and when need arises.

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

2.6.1 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 limits 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 and for matters connected therewith or incidental thereto. 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, 2010 to December, 2010, the following documents were presented in the Parliament.

<table>
<tr><td>i)</td><td>Medium-Term Fiscal Policy Statement 2010-11</td><td rowspan="3">Presented along with Budget 2010-11</td></tr>
<tr><td>ii)</td><td>Fiscal Policy Strategy Statement 2010-11</td></tr>
<tr><td>iii)</td><td>Macro-Economic Framework Statement 2010-11</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 as given below:-

(a) Third Quarter report for the year 2009-10
(b) Fourth Quarter report for the year 2009-10
(c) First Quarter report for the year 2010-11
(d) Mid-Year Review for the year 2010-11</td></tr>
</table>

Table 1.1			
Item	2009-10 (Provisional Account)	2010-11 B.E.	Actuals Up to December, 2010
	(as percentage of GDP)		
Revenue Deficit	5.1	4.0	1.5
Fiscal Deficit	6.3	5.5	2.2
Gross Tax Revenue	9.6	10.8	6.7

2.6.2 As announced in the Budget Speech 2010-11, a status report and detailed roadmap for Government debt was also published during the year. The details of fiscal performance during 2009-10 and April-December, 2010-11 are shown Table 1.1.

2.7 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 is under implementation in twenty three demands for Grants. The revised guidelines, which came into effect with effect from April 1, 2007, provide that the Monthly Expenditure Plan 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.

2.8 Debt Management Office

2.8.1 Subsequent to the announcement made in the Union Budget 2007-08 regarding establishment of an autonomous Debt Management Office (DMO), Middle Office was set up in the Ministry of Finance in September 2008. The Middle Office is involved in the process of short term strategy formulation and cash management. The Middle Office also brings out a Quarterly Report on Public Debt Management, which is placed on the website.

2.8.2 In due course the Middle Office will transit into the proposed Debt Management Office, for which purpose the Finance Minister announced in the Budget Speech for 2011-12 that the Public Debt Management Agency of India Bill will be introduced in 2011-12.

2.9 Hindi Branch

2.9.1 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 of External Debt, which were laid before the Parliament.

2.9.2 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 etc.

3. Capital Markets Division

3.1 (Brief para about the functions/working of Organization and set up Capital Markets Division including its various Advisory Boards and Councils in a brief and concise form)

The Capital Markets Division comprises various sections. The sections along with the work handled by them are:

3.1.1 Primary Market (PM)

a. Primary Market Related Intermediaries & Participants
b. SEBI Board Meeting (primary responsibility)
c. SEBI Act
d. Related Rules and Regulations
e. Corporate Debt Market Development
f. Collective Investment Schemes (CIS) including Mutual Funds
g. Sectoral Charge of Ministry of Corporate Affairs
h. Budget related matters
i. National Institute of Securities Market (NISM)

3.1.2 Secondary Market (SM)

a. Securities Contracts (Regulations) Act, 1956
b. Depositories Act, 1996
c. Related Rules and Regulations
d. Taxes and Stamp Duties in Securities Markets
e. Database relating to Securities Markets
f. Monitoring of Stock Market Movements / Financial Markets
g. Related Intermediaries & Participants like Depositories, Stock Exchanges, Clearing Corporations, Governance of such institutions
h. Self Regulatory Organisations
i. SME Exchange
j. SEBI Board Meeting (secondary responsibility)

3.1.3 External Markets (EM)

a. International Financial Market
b. Mumbai International Financial Center
c. FEMA and Rules & Regulations
d. FATF Cell (Financial Action Task Force)
e. Liaison / Branch Offices
f. High Level Coordination Committee (HLCC) on Financial Markets

g. Sectoral (Legal Affairs, Legislative Department and Parliamentary Affairs) Charge
h. Foreign Travels of State Govt/UT functionaries

3.1.4 External Commercial Borrowings (ECB)

a. ECB/FCCB (Foreign Convertible Currency Bond)
b. American Depository Receipts (ADR)/ Global Depository Receipts (GDR)
c. Foreign Institutional investment (FII)

3.1.5 International Cooperation

a. Sovereign Credit Rating
b. International cooperation MOUs etc relating to securities markets
c. Interactions with financial institutions and economists
d. FSAP/FSB

3.1.6 Unit Trust of India & Investor Grievance

a. UTI Repeal Act ,2002
b. Specified Undertaking of Unit Trust of India (SUUTI)
c. Indian Trusts Act (section 20(f))

3.1.7 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

3.1.8 Regulatory Establishments (RE)

a. Internal coordination within CM Div
b. SEBI Establishment
c. SAT Establishment
d. Related Rules and Regulations
e. Sectoral (Departments of Disinvestment, Expenditure, Revenue and Financial Services) Charge

3.2 Information about the performance/ achievements of the Division upto last year Primary Markets

3.2.1 Financial Sector Legislative Reforms Commission

The government in its Budget 2010-11 announced the setting up of the Commission with a view to rewrite and clean up the financial sector laws to bring them in tune with current requirements.

3.2.1 Most legislations governing the financial sector are very old. Large number of amendments to these Acts done at different times has increased ambiguity and complexity. Successive rounds of reforms have made the markets and players dynamic but legal/statutory complexities have resulted in sub-optimal growth/ outcomes.

3.2.2 The remit of the commission would be to review, simplify and rewrite legislation focusing on broad principles. It would evolve a common set of principles for governance of financial sector regulatory institutions. The commission would also examine the case for greater convergence of regulation and streamline regulatory architecture of financial markets.

3.2.3 An Act or regulation needs to keep pace with the changing markets, as its aim is to ensure a fair deal for all parts of the market. Many of the financial sector laws have been written several decades back when the financial landscape was very different from what it is today. The year 2010 is a different time and place in terms of number of players, products, consumers and their needs. The RBI Act was first drafted in 1934. Although it has been amended several times it has not been changed at its roots. Similarly, the Insurance Act was enacted in 1938 while the Banking Regulation Act was enacted in 1949. The Companies Act which regulates all companies in India was enacted in 1956 and has been amended many times. The Securities Contract Regulation Act 1956 is another old legislation enacted at a time when derivatives were unknown and without an independent market regulator; which had to wait till 1992. Even this comparatively new piece of legislation, namely the SEBI Act 1992, has been amended many times in a period of about 18 years of its existence.

3.2.4 FSLRC will have the following important functions:

a. Review, simplify and rewrite legislation focusing on broad principles
b. Evolve a common set of principles for governance of financial sector regulatory institutions.
c. Remove inconsistency and uncertainty
d. Make legislations consistent with each other
e. Make legislations dynamic to bring them in tune with the changing financial landscape
f. Examine case for greater convergence of regulation
g. Streamline the regulatory architecture of financial markets

3.2.5 The Commission will be chaired by a Supreme Court Judge / High Court Chief Justice (retired or serving) with members drawn from eminent experts in the field of laws relating to Securities, Banking/Investment, Commodities, Taxation, Corporate sector, Pensions, Dispute resolution.

3.3 Amendment to Public Shareholding requirement

3.3.1 The Securities Contracts (Regulation) Rules 1957 provide for the requirements which have to be satisfied by companies for the purpose of getting their securities listed on any stock exchange in India. A dispersed shareholding structure is essential for the sustenance of a continuous market for listed securities to provide liquidity to the investors and to discover fair prices. Further, the larger the number of shareholders, the less is the scope for price manipulation. Accordingly, the Finance Minister in his Budget speech for 2009-10, inter- alia, proposed to raise the threshold for non-promoter, public shareholding for all listed companies. To implement the Budget announcement the Securities Contracts (Regulation) (Amendment) Rules, 2010 has been amended. The salient features of the amendment are as follows:

a) The minimum threshold level of public holding will be 25% for all listed companies other than Public Sector Company. Every listed public sector company shall maintain public shareholding of at least ten per cent.
b) Existing listed company other than listed public sector company having less than 25% public holding have to reach the minimum 25% level within a period of three years from the date from which the amendment comes into force. Similarly listed public sector companies having public shareholding below 10% have to reach the minimum 10% level within a period of three years from the date from which the amendment comes into force.
c) For new listing, if the post issue capital of the company calculated at offer price is more than ₹ 4000 crore, the company may be allowed to go public with 10% public shareholding and comply with the 25% public shareholding requirement within three years.
d) The requirement for continuous listing will be the same as the conditions for initial listing.
e) Every listed company other than a public sector company shall maintain public shareholding of at least 25%. If the public shareholding in such a company falls below 25% at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall. If the public shareholding of a public sector company reduces below 10%, the concerned company shall increase its public shareholding to at least 10% within a period of twelve months from the date of such reduction.

3.4 Secondary Markets Major Policy Developments

3.4.1 Market Movements

The year 2010 has seen the Indian capital markets put the worst behind and moving towards a stronger growth. Bulls tossed off the markets in the year 2010 to a net gain of 18%, on global recovery and with FIIs pumping money in to the market on account of solid domestic growth coupled with a resurging corporate sector. Indices achieved their life time highs during the special one hour Muhurut trading on 5th November 2010 with the Sensex touching 21004.96 and Nifty, 6312.45. As on 31st December 2010, the markets stand just 3% away from this ever time peak and Sensex closed at 20509.09 i.e. + 17.43% from 31st December 2009. The net gains in this financial year, 2010-11 (upto 31st Dec 2010), stand at 16.87% for Nifty and 17.01% for Sensex. Indian markets have been making gains for eight quarters in a row, their longest winning run in at least 20 years. While 2009 was basically a year of recovery from the crisis year of 2008, year 2010 was a year of consolidation of gains. From 9647 on 31st Dec 2008 Sensex climbed to 17464.81 on 31st Dec 2009 and further consolidated its rally at 20509.09 on 31st Dec 2010. The total market capitalization as on 31st December 2010 stood at ₹7296725 crore compared to ₹60,813,08 crore. Compared globally, while the Jakarta Composite in Indonesia gained the most among indices with about 45% rise, US' Dow Jones and UK's FTSE 100 have each risen by around 11% and 9% respectively. Nasdaq composite Index was up 16.91% while S&P rose by 13%. However, Japan's Nikkei 225 and China's Shanghai Composite dipped 3% and 14% respectively during the year, reflecting rising yen and monetary tightening in the respective countries.

3.5 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 Board in its meeting held in October, 2007 had agreed to the creation of a separate Exchange for the SMEs. Accordingly, in May 2008 a discussion paper was brought out and based on the feedback received, the SEBI Board in its meeting held on 6th October, 2008 decided to encourage promotion of either dedicated exchanges and/or dedicated platforms of the existing exchanges for listing and trading of securities issued by SMEs. On November 9, 2009 SEBI Board took a decision on the operational aspects of the exchanges/ platforms of stock exchanges for small and medium enterprises(SMEs). Accordingly, SEBI has permitted setting up of a Stock exchange/ a trading platform for SMEs by a recognized stock exchange having nationwide trading terminals and also issued Guidelines for market making for the specified securities listed on the SME exchange. Further, necessary amendments to the SEBI Regulations have been carried out. Certain relaxations are provided to the issuers whose securities are listed on SME exchange in comparison to the listing requirements in Main Board, which inter-alia include the following:

- Companies listed on the SME exchange may send to their shareholders, a statement containing the salient features of all the documents, as prescribed in sub-clause (iv) of clause (b) of proviso to section 219 of the Companies Act, 1956, instead of sending a full Annual Report;
- Periodical financial results may be submitted on "half yearly basis", instead of "quarterly basis" and
- SMEs need not publish their financial results, as required in the Main Board and can make it available on their website.

Based on the finalized regulations, applications have been received by SEBI for setting up SME Platforms.

3.6 Review of ownership and corporate governance norms

Originally stock exchanges were incorporated as mutual association of brokers leading to conflict of interest issues. In this situation, there was a strong possibility that the stock exchange would overlook some illegal actions of powerful members or favour them. This issue has been partly addressed by the corporatisation and demutualization of exchanges and mandating that a maximum of 49 per cent shares would be held by the member brokers and their associates and stipulating later through regulations that no one can hold more than 5% of shares of stock exchanges other than certain categories of domestic institutional investors. Demutualization has reduced this obvious conflict of interest, but corporatization has introduced new issues. Now, Indian stock exchanges are for-profit companies, and like all other such companies, they aim to maximise their profit. The pursuit of profit and wealth maximization objectives of these market infrastructure companies has a potential for conflict of interest with their regulatory role. The corporate governance of Stock Exchanges and other such market infrastructure companies are of immense importance given their role as a frontline regulator and as an infrastructure service provider. Hence to protect market integrity in the long run ownership, control, management and governance of exchanges have to be addressed in the right perspective. In view of this, SEBI has constituted a committee to review the ownership and governance of market infrastructure institutions like stock exchanges, depositories and clearing corporations, the report of which is under examination.

3.7 Trade timings

It is imperative to provide longer market hours to facilitate alignment of Indian market with international market and to make possible better assimilation of any economic development in global market. Longer market also becomes a necessity because of the other factors like market demands for new global products, export of Indian products by foreign exchanges, easing of foreign investment by RBI, etc. Besides, most of the Asia pacific Exchanges have six hours of trading. Hence, SEBI, in consultation with Stock Exchanges, permitted exchanges to set their trading hours (in cash and derivatives segments) subject to the condition that (a) the trading hours are between 9 am and 5 pm (same hours as prevalent in currency derivatives segment of Stock Exchanges), and (b) the Exchange has in place risk management system and infrastructure commensurate to the trading hours. NSE and BSE have set their trading hours in equity cash and equity derivatives segment from 9:00 am to 3:30 pm w.e.f. January 04, 2010.

3.8 Market Wide Position Limits across Stock Exchanges

In consultation with Stock Exchanges and based on the recommendations of the Secondary Market Advisory Committee of SEBI, it has been decided to streamline the operationalisation of Market Wide Position Limits (MWPL) of the derivative contracts on individual securities traded across Stock Exchanges. Exchanges have been directed to disseminate on web the following for every security and also, after aggregating across Exchanges, by the end of the trading day:

a. ISIN of the security,
b. Name and symbol of the security,
c. MWPL (in terms of no. of shares) of the security,
d. Open Interest (in terms of no. of shares) of the security, and
e. Permissible limits for next day

3.9 Derivative contracts

3.9.1 In consultation with Stock Exchanges, it has been decided to standardize the lot size for derivative contracts on individual securities. The Stock Exchanges shall review the lot size once in every 6 months based on the average of the closing price of the underlying for last one month and wherever warranted, revise the lot size by giving an advance notice of at least 2 weeks to the market. If the revised lot size is higher than the existing one, it will be effective for only new contracts.

3.9.2 SEBI had in January, 2008 introduced Volatility Index and it has now been decided to permit Stock Exchanges to introduce derivative contracts on Volatility Index, subject to the condition that;

- The underlying Volatility Index has a track record of at least one year.
- The Exchange has in place the appropriate risk management framework for such derivative contracts.

3.10 Physical Settlement of Stock Derivatives

3.10.1 Based on the recommendations of the Derivatives Market Review Committee and in consultation with Stock Exchanges (BSE and NSEIL), it has been decided to provide flexibility to Stock Exchanges to offer:

a. Cash settlement (settlement by payment of differences) for both stock options and stock futures; or
b. Physical settlement (settlement by delivery of underlying stock) for both stock options and stock futures; or
c. Cash settlement for stock options and physical settlement for stock futures; or
d. Physical settlement for stock options and cash settlement for stock futures.

3.10.2 A Stock Exchange may introduce physical settlement in a phased manner. On introduction, however, physical settlement for all stock options and/or all stock futures, as the case may be, must be completed within six months. The settlement mechanism shall be decided by the Stock Exchanges in consultation with the Depositories. On expiry / exercise of physically settled stock derivatives, the risk management framework (i.e., margins and default) of the cash segment shall be applicable. Settlements of cash and equity derivative segments shall continue to remain separate. The Stock Exchanges interested to offer physical settlement have been advised to submit to SEBI for approval, a detailed framework for implementation of physical settlement of stock derivatives. After opting for a particular mode of settlement for stock derivatives, a Stock Exchange may change to another mode of settlement after seeking prior approval of SEBI.

3.11 Options

a. SEBI in January, 2008 had introduced Index options with tenure up to 3 years. It has now been decided to permit Stock Exchanges to introduce option contracts on Sensex and Nifty with tenure up to 5 yea.

b. In consultation with Stock Exchanges, it has been decided to provide flexibility to Stock Exchanges to offer either European style or American style stock options. After opting for a particular style of exercise, a Stock Exchange shall offer option contracts of the same style on all eligible stocks. All other contract specifications, including risk management framework applicable for American style stock options, shall apply to European style stock options.

3.12 UNIDROIT Convention

3.12.1 During the last fifty years, the practice of holding and disposition of securities has changed considerably from the traditional concept of custody or deposit of physical certificates, to a system of holding it electronically through intermediaries called depositories. The investor holds securities through a chain of intermediaries that are ultimately connected to the Central Securities Depository. The phenomenon of intermediation necessarily imposes some additional risk however minimal on account holders, for instance, the risk that the intermediary will become financially distressed, the risk that the intermediary will not have available sufficient securities to satisfy its current account holders who hold those securities in their securities account with the intermediary, the risk that an intermediary may make errors of omission and commission that work to the detriment of one or more of its account holders etc. Moreover, the legal framework in many countries still relies on traditional legal concepts first developed for the traditional method of holding and disposition, i.e., for the physical custody of tangible assets.

3.12.2 Because of this, the legal risk in the area of securities holding and disposition is particularly high in the event of cross- border financial transaction, since domestic legal frameworks are not necessarily compatible with each other. Legal risk can, in times of "stress", even trigger systemic effects. The risks associated with intermediated securities has necessitated the creation of agreed international rules for intermediated securities in the form of an International Convention so as to appropriately handle issues related to cross-border trading, exchange linkages and clearing and settlement of such transactions through financial sector intermediaries. In view of this, the International Institute for the Unification of Law (UNIDROIT) held Diplomatic Conferences to harmonise the laws in this regard in various jurisdictions. 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.

3.13 External Markets Section

3.13.1 Financial Stability and Development (FSDC)

With a view to strengthen and institutionalise the mechanism for maintaining financial stability and development, Government setup an apex-level Financial Stability and Development Council (FSDC). The Chairman of the Council is the Finance Minister of India and its members include the heads of the financial sector regulatory organizations. Without prejudice to the autonomy of regulators, this Council would monitor macro prudential supervision of the economy, including the functioning of large financial conglomerates, and address inter-regulatory coordination issues. It will also focus on financial literacy and financial inclusion. The Council would have one Sub-Committee which would be headed by Governor, RBI. The Secretariat of the said Council would be in the Department of Economic Affairs, Ministry of Finance. The notification constituting the FSDC was issued on 30th December, 2010 and the first meeting of the Council was held on 31st December, 2010.

3.13.2 External Commercial Borrowings (ECB)

3.13.2.1 ECBs are being permitted by the Government as an additional source of finance to augment the resources available domestically to Indian corporate 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, for foreign currency and / or rupee capital expenditure. ECBs are approved within an overall annual ceiling, consistent with prudent debt management. End-uses of ECB for working capital, general corporate purpose and repayment of existing rupee loans are not permitted.

3.13.2.2 At present, Indian companies are allowed to access funds from abroad in the following methods:

3.13.2.3 Methods of accessing funds from abroad as debt:

3.13.2.4 External Commercial Borrowings (ECB) refer to commercial loans in the form of bank loans, buyers' credit, suppliers' credit, securitized instruments (e.g. floating rate notes and fixed rate bonds, non-convertible, optionally convertible or partially convertible preference shares) availed of from non-resident lenders with a minimum average maturity of 3 years.

3.13.3.5 Foreign Currency Convertible Bonds (FCCBs) mean a bond issued by an Indian company expressed in foreign currency, and the principal and interest in respect of which is payable in foreign currency. Further, the bonds are required to be issued in accordance with the scheme viz., "Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993", and subscribed by a non-resident in foreign currency and convertible into ordinary shares of the issuing company in any manner, either in whole, or in part, on the basis of any equity related warrants attached to debt instruments. The ECB policy is applicable to FCCBs.

3.13.3.6 Preference shares (i.e. non-convertible, optionally convertible or partially convertible) for issue of which, funds have been received on or after May 1, 2007 would be considered as debt and should conform to policy.

3.13.3.7 Foreign Currency Exchangeable Bond (FCEB) means a bond expressed in foreign currency, the principal and interest in respect of which is payable in foreign currency, issued by an Issuing Company and subscribed to by a person who is a resident outside India, in foreign currency and exchangeable into equity share of another company, to be called the Offered Company, in any manner, either wholly, or partly or on the basis of any equity related warrants attached to debt instruments. The FCEB must comply with the "Issue of Foreign Currency Exchangeable Bonds (FCEB) Scheme, 2008", notified by the Government of India, Ministry of Finance, Department of Economic Affairs vide Notification G.S.R.89(E) dated February 15, 2008. The guidelines, rules, etc governing ECBs are also applicable to FCEBs.

3.14 ECB Policy

3.14.1 A prospective borrower can access ECB under two routes, namely the automatic route and the approval route. A corporate, other than a financial intermediary, registered under the Companies Act, 1956, can access ECB under the automatic route up to US Dollar $ 500 million in a financial year both for rupee expenditure and / or foreign currency expenditure for permissible end uses. The borrowers in the services sector viz. hotels, hospitals and software companies can access ECB under the automatic route up to US$ 100 million in a financial year for import of capital goods, for rupee and / or foreign currency capital expenditure and NGOs engaged in micro finance activities up to US$ 5 million in a financial year. Infrastructure sector includes power, telecommunication including manufacturing of telecom equipment, railways, roads including bridges, ports including air port & sea port, industrial parks, urban infrastructure (such as water supply, sanitation & sewage projects), mining, exploration & refining and "cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products & meat".

3.14.2 The ECB which is not covered by the automatic route is considered under the approval route on a case-by-case basis by RBI.

3.14.3 ECB policy is operationalised through notifications issued by the Reserve Bank of India (RBI) under the Foreign Exchange Management Act, 1999. These can be accessed on RBI's website.

3.14.4 The norms applicable to ECB are also applicable to Foreign Currency Convertible Bonds (FCCBs) in all respects, except in the case of housing finance companies for which criteria will be notified by RBI.

3.14.5 The few aspects of ECB policy modified recently in 2010-11 are summarized below:

As per the extant norms, Infrastructure Finance Companies (IFCs) i.e. Non Banking Financial Companies (NBFCs) categorized as IFCs by the Reserve Bank were permitted to avail of ECBs for on-lending to the infrastructure sector, as defined in the extant ECB policy, under the approval route. On a review undertaken in April-May 2010, as a measure of liberalization of the existing procedures, it has been decided to permit the IFCs to avail of ECBs, including the outstanding ECBs, up to 50 per cent of their owned funds under the automatic route, subject to their compliance with the prudential guidelines already in place. ECBs by IFCs above 50 per cent of their owned funds would require the approval of the Reserve Bank and will, therefore, be considered under the approval route.

3.14.6 As per the extant policy, refinancing of domestic Rupee loans with ECB was not permitted. However, keeping in view the special funding needs of the infrastructure sector, it has been decided to put in place a scheme of take-out finance arrangement through ECB, under the approval route, for refinancing of Rupee loans availed of from the domestic banks by eligible borrowers in the sea port and airport, roads including bridges and power sectors for the development of new projects, subject to conditions stipulated by RBI.

3.14.7 Indian companies were allowed to buy back their Foreign Currency Convertible Bonds (FCCBs) under the approval route, up to June 30, 2010. On a review of policy and in view of the representations received from the issuers of FCCBs, it has been decided to consider applications, under the approval route, for buyback of FCCBs until June 30, 2011, subject to the issuers complying with all the terms and conditions of buyback / prepayment of FCCBs.

3.14.8 At present, entities in the services sectors viz., Hotels, Hospitals and Software are allowed to avail of ECB up to USD 100 million per financial year under the Automatic Route, for foreign currency and/or Rupee capital expenditure for permissible end-uses. On a review it has now been decided to consider applications from the corporate in the Hotel, Hospital and Software sectors to avail of ECB beyond USD 100 million under the Approval Route .

3.15 FIIs' Investments in Government Securities and Corporate Bonds

3.15.1 At present, FIIs registered with SEBI are permitted to invest in Government Securities and corporate bonds up to USD 5 billion and USD 15 billion, respectively. On a review in the context of India's evolving macroeconomic situation, its increasing attractiveness as an investment destination and need for additional financial resources for India's infrastructure sector while balancing its monetary policy, it has now been decided to increase the limit of FII investment both in Government securities and corporate bonds by US $ 5 billion each raising the cap to US$ 10 billion and US$ 20 billion respectively. The incremental limit of US$ 5 billion would, however, be invested in securities with residual maturity of over five years and corporate bonds with residual maturity of over five years issued by companies in infrastructure sector. Press Release to this effect issued on 23rd September, 2010.

3.15.2 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 last 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 31st 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.
- 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). Recently, Govt. provided a window of 6 months under the scheme to interested companies, which had raised FCCB prior to the new pricing guidelines of November 2008, to revise their conversion price as per new pricing norms subject to certain conditions. (Press Release dated 15th February, 2010 may refer).

3.15.3 Portfolio Investments by Foreign Institutional Investors(FIIs)

A scheme for attracting portfolio from Foreign Institutional Investors (FIIs) has been operational since September, 1992. Under this scheme, FIIs including institutions such as Pension Funds, Mutual Funds, Insurance Companies / Re-insurance Companies, Investment Trusts, Banks, International or Multilateral Organizations or an agency thereof or a Foreign Government Agency or a Foreign Central Bank, University Funds, Endowments, Foundations, Charitable Trusts, Asset Management Companies, Investment Managers/Advisers, Institutional Portfolio Managers, Trustees are allowed to invest in all the securities traded on the primary and secondary markets. Such securities would include shares, debentures and warrants issued by companies which are listed/to be listed on the Stock Exchanges in India and the schemes floated by domestic mutual funds. FIIs are permitted to invest in Government securities including Treasury Bills. FIIs who register themselves as debt Funds with SEBI are permitted to make 100% of their investments in Debt securities of Indian companies. Portfolio investments by FIIs are subject to investment ceilings as indicated below:

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

II. The data on FII investments is updated on a daily basis and is available on the website of the Securities and Exchange Board of India (SEBI) at the following link: http://www.sebi.gov.in/Index.jsp?contentDisp=Database

III. Net FII inflows in the calendar year 2010 amounted to USD 39474 million.

3.16 Investment by Foreign Venture Capital Investor(FVCI)

A FVCI registered with the SEBI is allowed to invest in a Venture Capital Fund (VCF) or in a scheme floated by such VCFs or in Indian Venture Capital Undertaking (IVCU). SEBI registered FVCI may purchase equity/ equity linked instruments/debt/debt linked instruments, debentures of a IVCU or of a VCF through IPO or Private Placement or in units of schemes /funds set up by a VCF.

3.17 Report of the Working Group on Foreign Investment in India

3.17.1 With a view to rationalising 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 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 Group submitted its report to the Finance Secretary on 30th July 2010.

3.17.2 The Group examined the structure of regulation and the ways in which practices, institutions and procedures inflect and shape these policy decisions. The group looked at foreign exchange law with regard to listed and unlisted equity, corporate and government securities and derivatives as well as tax policy related to these matters. It did not look at FDI policy except in places where FDI policy and portfolio investment were intertwined. The Group's report also offers, alongside an economic policy piece contextualising capital flows in relation to the Indian and global economy, close scrutiny of the structures and incentives created by the law in the main areas of the report's mandate; foreign exchange controls with regard to listed and unlisted equity, corporate and government securities regulation and derivatives trading. The focus of the Group has been to identify procedures and practices which can help avoid uncertainty, delay or unequal treatment and to recommend measures which could simplify the portfolio investment environment; at the same time laying a strong emphasis on KYC norms. A copy of the report is available on the website of the Finance Ministry at the following link: http://finmin.nic.in/reports/WGFI.pdf

3.18 Financial Sector Reforms

3.18.1 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 publicly available at the following links respectively: http://finmin.nic.in/reports/index.html) & http://planningcommission.nic.in/reports/genrep/rep_fr/cfsr_all.pdf).

3.18.2 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.

3.18.3 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.

3.19 Financial Action Task Force (FATF)

3.19.1 Financial Action Task Force (FATF) is an inter-governmental body, responsible for setting global standards on anti-money laundering (AML) and combating the financing of terrorism (CFT). India became Observer at FATF in the year 2006. Since then, India has been working towards full-fledged Membership of FATF.

3.19.2 As a part of its Membership, a joint FATF / Asia Pacific Group Mutual Evaluation Team visited India in November-December, 2009 for on-site assessment of India's compliance with the 40+9 Recommendations of FATF.

3.19.3 Mutual Evaluation Report on India and the India's Membership issues were discussed in the third meeting of FATF Plenary-XXI held in Amsterdam, the Netherlands from 23rd to 25th June, 2010. FATF Plenary adopted the Mutual Evaluation Report on India on 24th June 2010 and on 25th June 2010 admitted India as 34th Country Member of FATF.

3.19.4 FATF membership is very important for India in its quest to become a major player in the International finance. It will help India to build the capacity to fight terrorism and trace terrorist money and to successfully investigate and prosecute money laundering and terrorist financing offences. India will benefit in securing a more transparent and stable financial system by ensuring that financial institutions are not vulnerable to infiltration or abuse by organized crime groups. The FATF process will also help us in co-ordination of AML/CFT efforts at the international level.

3.20 India's Membership of the Eurasian Group on Anti-Money Laundering and Combating the Financing of Terrorism(EAG)

3.20.1 On 15th December 2010 India gained membership of the Eurasian Group which is a Financial Action Task Force (FATF) styled regional body, responsible for enforcing global standards on anti-money laundering (AML) and combating the financing of terrorism (CFT). The support for India's membership was unanimous. India is the 9th member of the group. The other members are Russia, China, Turkmenistan, Serbia, Tajikistan, Uzbekistan, Belarus and, Kazakhstan. The group also has

16 nations and 15 organizations as observers.

The role of the member nations of the group in achieving AML and CFT goals is of particular significance in the view of their geographical location which is close to the epicentre of terrorism. In addition to playing its own role in fighting terror, India is committed at the highest levels of the Government to adopt, enforce and contribute to international best practices in AML and CFT.

3.20.2 As a nation that has been amongst the first to suffer at the hands of terrorists, India understands the human and financial loss to counties that are in the crosshairs of such groups. India would, therefore, individually and collectively face this challenge. Through this membership, India would learn from the experience of the member nations and also contribute to the collective effort in achieving AML CFT goals. In the process, India would be able to work towards achieving a more transparent stable financial system by ensuring that financial institutions are not vulnerable to infiltration or abuse by organized crime groups.

3.21 International Co-operation

3.21.1 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.

3.21.2 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.

3.21.3 Since, 20.5.2009, out of the total 22 topics, NIPFP have completed their research on 8 topics, work on 11 projects are underway and 3 topics have been dropped. 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), Non Resident Indians (NRIs) and other foreign investments like Foreign Venture Capital Investor (FVCI) and Private Equity entities etc.

3.22 India's Sovereign Rating

Presently, India is rated by six international credit rating agencies namely, Standard and Poor's (S&P), Moody's Investor Services, FITCH, Dominion Bond Rating Service (DBRS), 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.

3.23 Financial Stability Board (Financial Stability Board)

3.23.1 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 relaunched as the Financial Stability Board (FSB) on April 2, 2009, with an expanded membership and a broadened mandate to promote financial stability.

3.23.2 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.

3.23.3 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)

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

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

3.23.5 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.

3.24 Financial Stability Assessment Programme

India's Financial Sector Assessment Programme (FSAP) done by IMF/World Bank in 2000-2001 has not been made public as it was part of the Pilot FSAP assessment of 12 countries. The CFSA (Committee on Financial Sector Assessment – chaired by DG RBI and FS) had done a self assessment in 2009. The results are in the public domain (RBI website).

FSB Members have committed to, inter-alia, undertaking periodic peer reviews. As a Member, India has requested IMF/World Bank to conduct such a review by way of a full-fledged Financial Sector Assessment Programme (FSAP). India's FSAP is scheduled for the calendar year 2011.

3.25 The Specified Undertaking of UTI (SUUTI)

3.25.1 The Specified Undertaking of UTI (SUUTI), or UTI 1 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 which matured on 1st June, 2008 and the 6.60% ARS Bonds which matured on 1st April, 2009. These Bonds with tenure of five years are guaranteed by the Government of India. The 6.75% US 64 Bonds matured on 1st June 2008 and ₹ 7298 crore of the Bond Capital has been redeemed. An amount of ₹ 4360.87 crore has been redeemed under the ARS Bonds. The capital outstanding, yet to be claimed by the holders of the above series of bonds, is ₹ 960 crore.

3.25.2 SUUTI has generated cash of around ₹ 1027 crore during the period April-November, 2010. This consists of dividend on equity shares of ₹ 633 crore, interest income of ₹ 211 cr, sale of equity shares of ₹ 92 crore and Non Performing Assets recovery of ₹ 91 crore. The amount generated has been used to pay the investors of the ARS and US 64 Bonds and other matured schemes.

4. Infrastructure and Investment Division

Foreign Investment Unit

4.1 FDI Policy

- 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 divestment.
- 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.
- 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).
- 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).
- 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. A major policy stance defining indirect investment was taken in 2009.

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

i. Retail Trading (except single brand product retailing)
ii. Lottery Business
iii. Gambling and Betting
iv. Business of chit fund
v. Nidhi company
vi. Trading in Transferable Development Rights (TDRs)
vii. Real Estate Business or Construction of Farm Houses
viii. Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
ix. Activity/sector not opened to private sector investment including Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems).

4.3 Sectors in which FDI caps exist are as (Table 1.2)

4.4 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

Table 1.2		
Sl. No.	Sector	Sectoral Cap / Route
1	Defence Production	26% FIPB
2	Civil Aviation : (i) Scheduled Air transport services /domestic Scheduled passenger airline (ii) Non-scheduled Air Transport Service /Non-Scheduled airlines and Cargo airlines (iii) Ground handling services	49% FDI (100% for NRIs) Automatic 74% FDI (100% for NRIs) Automatic 74% FDI FIPB beyond 49% 100% for NRIs Automatic
3	Asset Reconstruction Companies (ARCs)	49% (only FDI) FIPB
4	Banking Private Sector Banking Public sector	74%(FDI+FII) FIPB beyond 49% 20%(FDI+FII) FIPB
5	Broadcasting (i) FM Radio (ii) Cable network (iii) DTH (iv) Headend-in-the-Sky (HITS) (v) Setting up of hardware facilities : Up linking, HUB etc (vi) Up linking news & current affairs TV Channel	20% (FDI+FII) FIPB 49% (FDI+FII) FIPB 49% (20%FDI +FII) FIPB 74% (FDI+FII) FIPB beyond 49% 49% (FDI+FII) FIPB 26% (FDI+FII) FIPB
6	Commodity exchanges	49% (26% FDI+23% FII) FIPB
7	Credit information Companies (CICs)	49% (FDI + FII) FIPB
8	Insurance	26% Automatic
9	Stock Exchanges, Depositories and Clearing corporations	49% (26% FDI+23% FII) FIPB
10	Petroleum & Natural Gas Refining	49% FDI in case of PSUs FIPB
11	Publishing of newspaper and periodicals dealing with news and current affairs	26% (FDI+FII) FIPB
12	Security Agencies in Private Sector	49% FIPB
13	Satellites –establishment and operation	74% FIPB
14	Single brand product retailing	51% FIPB
15	Telecommunications (i) 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 (ii) ISP with gateways, Radio paging, end-to-end bandwidth	74% FDI - FIPB beyond 49% 74% FDI - FIPB beyond 49%

sectors with caps from resident Indian citizens to non-resident entities have been issued. Briefly stated, these are as under:-

4.4.1 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.

4.4.2 Downstream investments

Downstream investment by foreign owned or controlled companies as determined above has 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 such downstream investments are made also have to comply with the above conditions. In respect of 'Investing companies' which 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.

4.4.3 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.

4.5 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.

4.6 In March 2010, the Government has further simplified Foreign Direct Investment procedures by notifying that amongst the cases of foreign investment where Government approval is mandated, only those where the inflow exceeds ₹ 1200 crores (US $ 260 million approx) would require to be approved by the Cabinet Committee On Economic Affairs (CCEA) . (The revised limit is twice the previous limit)

4.7 From April 1, 2010, a consolidated Policy on Foreign Direct Investment is being brought out by the Department of Industrial Policy & Promotion. It was envisaged that this policy will be revised every six months and accordingly the latest policy has been issued w.e.f. October 1, 2010. It can be accessed at the website dipp.nic.in.

4.8 FDI Inflows

4.8.1 The cumulative FDI equity inflows from August 1991 to November, 2010 aggregate to US $ 140, 920 million (₹ 6, 16,517 crores).

4.8.2 In the current financial year 2010-2011, the FDI equity inflows from April 2010 to November, 2010 are US $ 14,025 million (₹ 64,083 crores) compared to US $ 17,604 million (₹ 85,077 crores) during the corresponding period in 2009-10 representing a decrease of 30% in dollar terms and a decrease of 33% in rupee terms.

4.8.3 In the current calendar year 2010 , the FDI equity inflows from January 2010 to November, 2010 are US $ 18,993 million (₹ 86, 921 crores) compared to US $ 23,781 million (₹ 1,15,776 crores) during the corresponding period in 2009 representing a decrease of 27 % in dollar terms and a decrease of 31% in rupee terms.

4.9 Public Private Partnership(PPP) Cell

4.9.1 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.

4.9.2 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 Ministry/Department as members. Since its constitution in January 2006, PPPAC has granted approval to two hundred and four projects, with a total project cost of ₹ 200639.99 crore, as per details below (Table 1.3) :

4.9.3 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

Table 1.3

Sector	No. of projects	Total Project Cost (₹ Crore)	Sectoral Share (%age)
Highways	168	168190.60	83.82
Railways	01	8500.00	4.27
Ports	10	11346.90	5.96
Civil Aviation	02	1000.00	0.50
Tourism	01	148.87	0.07
Housing	17	8342.05	4.15
Sports Stadia	05	2475.00	1.23

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, 67 proposals have been granted 'in-principle' approval by the Empowered Institution with a total project cost of ₹ 41893.05 crore and an estimated viability gap funding of ₹ 8289.42 crore. The bidding process has been completed for 25 PPP projects. 9 projects received negative grant/revenue share on completion of the bidding process. ₹ 205.73 crore has been disbursed as Viability gap support.

2007-08	₹ 23.00 crore
2008-09	₹ 54.07 crore
2009-10	₹ 45.85 crore
2010-11	₹ 82.81 crore (upto December 31, 2010)

4.9.4 The 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 fulfill 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 Scheme 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 40 projects proposals granted approval with total project development cost of ₹ 42.60 crore and IIPDF assistance of ₹ 31.95 crore. ₹ 14.52 crore had been disbursed under the Scheme so far.

4.9.5 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, 2010. The process of short-listing new panel of Transaction Advisers is in progress.

4.9.6 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. With Technical Assistance from Asian Development Bank, PPP cells at the States and Central Ministries are being provided with in-house PPP experts, MIS experts and access to a panel of legal firms. Training programmes on public private partnerships and workshops on developing sector specific PPP frameworks were organised. 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.

4.9.7 To intensify and deepen the capacity building of public functionaries at the State and municipal level and integrate the capacity building programme on PPPs in the ongoing programmes at the State level, a comprehensive National Capacity Building Programme has been developed by DEA, in collaboration with the World Bank and KfW Development Bank, which would be delivered through Lal Bahadur Shastri National Academy of Administration (LBSNAA), Mussoorie, and fourteen State Administrative Training Institutes and Central Training Institutes. The programme components include- Training Needs' Assessment; Development of course content; Training of Trainers (ToT); and Roll-out of the programme through few demonstration modules for the initial handholding of Trainers. Two levels of training would be imparted through the Training Institutes, viz., sensitisation courses on PPPs and Specialised modules on Managing PPPs. It is expected that the programme strategy would enable the State Training Institutes to develop the skills to manage/ conduct multi-level and cross-sectoral training courses.

4.9.8 Online Toolkits for PPP projects, risk and contingent liability frameworks and communication strategy for PPPs have been developed. They are available through DEA's website on PPPs, i.e. www.pppinindia.com. The PPP Toolkit is a web-based resource that has been designed to help improve decision-making for infrastructure PPPs in India and to improve the quality of the infrastructure PPPs that are implemented in India. The Toolkit covers five infrastructure sectors, namely, Highways, Water and sanitation (W&S), Ports, Municipal Solid waste management (SWM) and Urban transport (Bus Rapid Transport Systems - BRTS). The objective of developing the web-based on-line PPP Toolkit is to facilitate identification, assessment, development, procurement and monitoring of PPP projects. A 'Users Guide for the Online Toolkit' has been published to facilitate ease of utilization of the Online toolkits.

4.9.9 Department of Economic Affairs, in collaboration with the Asian Development Bank initiated the PPP Pilot Projects Initiatives where the process of structuring the

PPP Project is hand held by the Central Government to develop demonstrable PPP Projects in challenging sectors. Sixty PPP projects in various states, municipalities and Central Ministries level have been identified and are being thus developed, encompassing sectors such as rural secondary education, elementary education, Greenfield hospitals and diagnostic centres, water supply and sanitation, affordable housing, training centres, rural infrastructure, etc. The objective of the exercise is to develop sustainable demonstration projects that may eventually have a catalyst effect on PPPs in these sectors.

4.9.10 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 560 PPP projects in the country are currently available on www.pppindiadatabase.com

4.10 Recent Publications

4.10.1 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.

4.10.2 A document titled 'Public Private Partnerships A compendium of Case Studies' has been published. This compendium presents case studies of fifteen select Public-Private-Partnership (PPP) projects in India. The case studies have been prepared to highlight the experience and lessons learnt so far and thereby influence the design of future PPP processes and structures to improve the quality of PPP projects. The choice of case studies provides a representation across different sectors, covers different PPP project structures, includes projects at different stages of the PPP life-cycle and has projects with different levels of complexity.

4.10.3 PPPs represent a fundamental shift in the way infrastructure assets are created and/or services are delivered. PPPs are often implemented in sectoral environments requiring significant reform and mindset change. PPPs also involve dealing with multiple stakeholders and resolving different and sometimes conflicting objectives among these stakeholders. Therefore, there is a need for clear and continuous communication with stakeholders over a PPP project's life cycle to ensure that all stakeholders' views are heard and adequately addressed as the project is developed and implemented. An effective communication strategy can substantively contribute to the success of a PPP project if it is used to engage with stakeholders to convey the benefits of the project to them, understand their concerns and aspirations, and provide for mechanisms to meet their requirements. 'The Guide for effective communication in PPP projects' has been prepared from the perspective of a PPP Practitioner. It seeks to provide guidance and basic tools for identifying important and influential stakeholders at every major phase of a PPP project's life cycle, understanding their behavioural disposition towards the project and for sensitising, informing and engaging them in a constructive manner. It will serve as a handy reference for Practitioners to effectively address the communication related challenges and opportunities that they may face in their endeavours to structure better and robust PPPs.

4.10.4 In order to obtain a better understanding of the role of communication in a PPP context, Department of Economic Affairs (DEA) undertook a documentation-cum-analytical exercise covering Indian and international experiences, in the form of case studies. 'PPP projects in India – Case studies on communication' highlights through the study of a few projects and programmes across different sectors and geographical locations have been analysed, essentially to get a better appreciation of how effective communication – or lack of it – has impacted them and draw lessons that could be useful for future PPP projects in the Indian context.

4.10.5 PPPs in the health sector being a new and unfamiliar area for the urban local bodies in the State of Maharashtra that manage the urban health sector, the Government of Maharashtra had requested the PPP Cell of the Department of Economic Affairs, Ministry of Finance, Government of India to provide Technical Assistance through the Asian Development Bank in the area of facilitating PPPs in the urban health sector. 'Toolkit for PPPs Health Sector in Maharashtra is an outcome of this study. The toolkit provides a step by step to develop health infrastructure through PPP in Maharashtra. The toolkits is expected to assist in identification of gaps in health infrastructure and services; choosing between PPP and development by government; selecting the PPP structure; and procurement. It provides a guideline for selection of a private partner for the proposed services and essential terms that should be included in the concession agreement or contract.

4.10.6 Similarly, 'Toolkits for PPPs School Education in Maharashtra' has been developed as a reference/guidance document for undertaking PPP process in the important School Education sector in the State. It evaluates and identifies suitable PPP structures that can be practically implemented in Maharashtra to improve the educational scenario in the state. The various structures so identified are further supplemented by inclusion of detailed Term Sheets that serve as reference for authorities undertaking PPP projects in the state and help in implementation and monitoring of the PPP projects. This toolkit is designed to assist the State and district educational authorities in deciding the appropriate PPP structure for the identified need scenario and plan out a roadmap for effective implementation of the same.

4.10.7 Other publications by the PPP Cell include:

- Promoting Infrastructure Development Through PPPs : A Compendium of State Initiatives
- Criticality of Legal Issues and Contracts for Public Private Partnerships
- Toolkit for PPPs in Urban Bus Transport in Maharahstra
- Toolkit for PPPs in Urban Water Supply in Maharahstra

4.11 FIPB Unit

4.11.1 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 regularly, with 3-4 weeks interval.

4.11.2 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 Department of Industries Policy & Promotion (DIPP). The FDI Policy and FDI Data are also handled in the DIPP.

4.11.3 During the Financial year 2009-10, 17 meetings were held, in which 494 proposals were considered. 250 proposals, with FDI inflow of approximately ₹ 26842.185 crore were approved. During the Financial year 2010-11 (up to December 31, 2010) 11 meetings were held, in which 400 proposals were considered. 161 proposals, with FDI inflow of approximately ₹ 21433.894 crore were approved.

4.12 IC Section

Bilateral Investment Promotion and Protection Agreement (BIPA)

4.12.1 BIPAs signed

During the year from 1st January 20 31st December 2010, 3 (three) Bilateral Investment Promotion and Protection Agreements (BIPA) were signed with Latvia, Democratic Republic of Congo and Seychelles. One Protocol for amending the existing BIPA with Czech Republic (signed on October 11, 1996) was also signed during the said year.

4.12.1.A Enforcement: During the year, 2 (two) BIPAs were enforced viz: BIPA with Latvia and Sudan.

4.12.1.B Text finalized: During the year, 3 (three) BIPAs with Nepal, Lithuania and Slovenia have been concluded for being signed.

4.12.1.C Cabinet Notes: Three Cabinet Notes prepared and approved by Cabinet during this period i.e BIPA with Lithuania, Czech Republic and Nepal.

4.12.1.D Status of total BIPAs: Till December 2010, total BIPAs have been signed with 79 countries, of which 70 BIPAs have been enforced and others are in various stages of enforcement.

4.12.2 Overseas investments for setting up JV/WOS abroad - During the year from 1st April 2010 to December 2010, Actual Outflow on overseas investments for setting up joint ventures/ wholly owned subsidiaries aggregate US$ 10568.29 million as equity, loan and guarantee.

4.13 Infrastructure Section

4.13.1 Functions/working of Infrastructure Section

- Infrastructure Section is headed by Joint Secretary (I&I) and is assisted Director (Infra & Energy), Director (Infra Finance), Deputy Director (Infra & Energy) and Deputy Director (Infra Finance). 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, power 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, GOM, 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/talking 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 Division.

4.13.2 Infrastructure Section provided substantial policy inputs on the following issues discussed in the Cabinet/CCEA/CCI Notes are as under:-

4.13.2.1 Cabinet Note

a. Accession to the International Convention for the control of Harmful Anti-Fouling system on Ship, 2001 –
b. Accession to the Protocol of 1996 to the Convention on Limitation of Liability for Maritime claim, 1976.
c. Accession to the International Convention for the Control and Management of Ships Ballast Water & Sediments, 2004.
d. Allocation of Power from thermal (Coal, Lignite,

gas and nuclear) based Central Generating Power Station.

e. Accession to the International Convention on Civil Liability for Bunker Oil Pollution Damage 2001 (2001 BUNKER CONVENTION)
f. Accession to the Protocol on Preparedness, Response and Co-operation to Pollution incidents by Hazardous and Noxious Substances, 2000 (OPRC – HNS Protocol 2000)
g. Accession to the 1997 Protocol Adding Annex VI (Regulations for the Prevention of Air Pollution) to the Convention for the Prevention of Pollution from Ships 1973/78 (MARPOL 73/78) of the IMO
h. Amendment to the National Highways Act, 1956 (48 of 1956) Amendment to the National Highways Act, 1956 (48 of 1956)
i. Signing the Hong Kong International Convention for the Safe and Environmentally Sound recycling of Ships, 2009 of the International Maritime Organisation
j. Proposal for issue of ordinance to bring any type of vessels which is not in the scope of registration under Merchant Shipping Act, 1956
k. Redevelopment of Kidwai Nagar East for construction of General Pool Residential Accommodation.
l. Rail Coach Factory at Palakkad, Kerala
m. Trade Practice Bill, 2010
n. Signing of ASA between India and Indonesia
o. Signing of ASA between India and Brazil
p. Signing of ASA between India and Zimbagwe
q. Rehabilitation-cum-Restructuring of Hooghly Dock & Port Engineers Limited (HDPEL), Kolkata
r. Implementation of the report of Committee headed by Member (Industry) Planning Commission (Maira Committee Report) to suggest options and modalities to take care of the disadvantages suffered by the domestic industry related to power sector
s. Sale of shareholding of M/s ITI Limited in India Satcom Limited (ISL), a non-PSU JV Company of M/s ITI Ltd with Equatorial Pacific International Company (EPIC), Netherlands Antilles and Unit Trust of India (UTI)
t. Signing a Comprehensive Economic Partnership Agreement (CEPA) with Japan
u. Financial and institutional structure for the development of new industrial cities in the DMIC

4.13.2.2 MoU

a. Signing of MOU between India and Oman on Tourism Cooperation
b. Signing of MOU between India and Croatia on Tourism Cooperation

4.13.2.3 CCEA Notes

a. Follow – on Public Offer (FPO) of Power Grid Corporation
b. Sale of entire holding of M/s TCIL in TBL
c. Disinvestment of a part of Govt. equity in Shipping Corporation of India Ltd (SCI) through offer for sale and raising of additional equity by SCI
d. Follow on Public Offer (FPO) together with offer for sale of Government holding in Power Finance Corporation
e. Approval for Budgetary Ceiling for Annuity Payment for PPP Projects
f. Policy measures for promotion of Indian Shipyards

4.13.2.4 CCI Notes

a. Disaggregation of difficult urban sector reforms under urban infrastructure development scheme for small & medium towns (UIDSSMT) a sub component of JNNURUM
b. Monitoring Targets/Milestone for Port Sector for the year 2010-11
c. Monitoring Targets/Milestone for Ministry of Railways for the year 2010-11
d. Review of the progress of ongoing Infrastructure projects of MoUD
e. Monitoring Targets/Milestone for Ministry of Civil Aviation for the year 2010-11
f. Monitoring Targets/Milestone for Ministry of Road Transport & Highways for the year 2010-11
g. Monitoring Targets/Milestone for Ministry of Power for the year 2010-11
h. Upgradation of Vijaywada Ranchi Route
i. Review of the Power Sector Performance for the year 2009-10
j. Strengthening of 20,000 km of single/Intermediate/ two lane National Highways under NHDP Phase –IV on BOT (Toll)/BOT (Annuity).
k. Monitorable Targets/Milestones for Telecom Sector for the year 2010-11
l. Monitoring targets/milestone for Housing and Urban Poverty Alleviation Sector for the year 2010-11
m. Induction of supercritical technology (with stipulation of Phased Manufacturing Program) through bulk ordering of 800 MW generating units by NTPC Ltd
n. Approval of Monitorable Target/Milestones for Water Resources for the year 2010-11
o. Approval of Monitoring Targets/Milestones for MoUD for the year 2010-11
p. Review of the progress of Ongoing Infrastructure projects of the Ministry of Urban Development 2009-10

4.14 Highlights

4.14.1 In the current plan period, from 2007-08 to 2009-10, the infrastructure investments rose to 7.1% of GDP with a one-third participation of the private sector. The preliminary estimates suggest that the investment in infrastructure will have to expand to $ 1000 billion or about 10% of GDP for the XII Plan and nearly half is envisaged to be financed through private sources. This enormous requirement needs to be catered through innovative sources of financing.

4.14.2 The third meeting of the Standing Committee on Infrastructure Finance was held on the 7th December, 2010 under the Chairmanship of the Finance Secretary. . The agenda of the meeting was discussion on the concept papers on the following issues:-(i) India Infrastructure debt Fund and (ii) Credit enhancement Structures. At the conclusion of the meeting, the Finance Secretary asked the Committee Members to look into the creation of Infrastructure Debt Fund in an in-depth manner and considering the setting up of the Fund in the immediate future as a viable solution to increase infrastructure funding.

4.14.3 The fourth meeting of the Consultative Committee on Infrastructure Finance attached to the Ministry of Finance during the inter-session period of the Parliament, 2010 was held under the chairmanship of Hon'ble Finance Minister on August 17, 2010 and the 5th meeting of the Consultative Committee was held on October 27, 2010. The issues discussed in the meetings broadly included Rural Infrastructure, sources and Policy issues related to Infrastructure Financing, Policy issues related to Infrastructure Sector and Regulatory & PPP related issues.

4.14.4 National Skill Development Corporation (NSDC) has been mandated to achieve the target of creation of skilled workforce of 150 million persons by 2022 under the National Skill Development Policy. NSDC has been set up as a non-profit company under Section 25 of the Companies Act, 1956, on July 31, 2008, as a public private sector partnership in skill development, for co-coordinating / stimulating private sector initiatives. As a first step towards achieving the target, a comprehensive skill gap study has been completed for 21 high growth sectors, in order to build a base line for formulation of a comprehensive strategy. This has generated lot of interest in private sector to invest in the arena of skill development. The Corporation has developed a strong governance structure for the disbursal of funds. So far 22 projects have been approved by NSDC. This will result into creation of 38.59 million of skilled workforce over a period of 10 yea. The contribution of NSDC in the form of equity/loan/grant for the 22 projects is ₹ 607.56 crore. Out of the 22 projects, 2 projects had been approved during 2009-10 with a total contribution of Rs 35.68 crore from NSDC mandated to create a skilled workforce of 1.018 million over ten years.

4.14.5 The auction of 3G spectrum had started on April 09, 2010. The BWA auction started on the May 24, 2010. It continued upto 11 the June. Total of ₹ 106262.26 crore from 3G and BWA auction has been credited to the State Exchequer.

4.15 Energy Cell

4.15.1 The items of work allocated to Energy Cell includes sectoral charge of the Ministries of Petroleum and Natural Gas, Ministry of Chemical and petrochemicals, Ministry of Coal and Department of Fertilizers. Energy Cell is responsible for analysis of the proposals received from these Ministries and furnish comments from policy and financial angles. This Cell is also responsible for analysis of Cabinet Notes, ECC Notes, CCEA Notes, EGOM/GOM Notes, COS Notes, ECS Notes and HPC Notes and furnish comments in addition to 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.

4.15.2 A list of draft notes for Cabinet/CCEA/ECS/EGOM/GOM/NTS/CCI meetings etc. analyzed, comments of MoF and brief prepared for the meetings during 2010-11 are as under.

4.15.2.1 Draft Cabinet Notes/Meetings

i) Cabinet meeting on implementation of Auto Fuel Policy.
ii) Draft Note for Cabinet Committee on EA for disinvestment of 5% paid-up equity capital in (ONGC)
iii) Cabinet Note on the proposal of the Government of Orissa for setting up Petroleum, Chemicals Petrochemical Investment Region (PCPIR) at Paradeep.
iv) Draft Note for Cabinet reg. Approval of Inter-Governmental Agreement (IGA) and Gas Pipeline Framework Agreement (GPFA) under Turkmenistan-Afghanistan Pakistan- India (TAPI) Natural Gas Pipeline Project.
v) Meeting of the Cabinet Committee reg. Proposal of the Govt. of Orissa for setting up Petroleum, Chemicals and Petrochemical Investment Region (PCPIR) at Paradeep.
vi) Advance copy of the Note for Cabinet reg. Relinquishment of Project Najwat Najem (NN) Block in Qatar by ONGC Videsh Ltd. (OVL)

4.15.2.2 Draft CCEA Notes/Meetings

i) Draft Note for CCEA reg. review of the decision on mandatory blending of ethanol under the Ethanol Blended Petrol Prog.
ii) Draft CCEA Note for seeking approval for disinvestment of 10% Govt. equity in Coal India Ltd (CIL).
iii) Draft Note for CCEA reg. Fresh Issue of up to 10% equity capital by Indian Oil Corporation
iv) Draft CCEA Note reg. Constitution of an Independent Regulatory Authority & a Coal Disputes Appellate Tribunal For Coal Sector ltd (IOCL) and Simultaneous Disinvestment of 10% of Government Holding in IOCL.
v) Advance copy of CCEA note- reg. Grant of Rig Holidays in deepwater Blocks & implementation issues under PSC regime.
vi) Advance Copy of CCEA Note reg. Award of exploration blocks under CBM-IV and NELP-VIII.
vii) Draft CCEA Note for disinvestment in Coal India Ltd.
viii) Draft Note for CCEA reg. Reimbursement of Statutory levies borne by ONGC on behalf of private/foreign companies in respect of Pre-NELP exploration blocks.
ix) Note for the CCEA reg. Closure of North Coast Marine Area 2 (NCMA 2) Project in Trinidad and Tobago by ONGC Mittal Energy Ltd. ("OMEL")

4.15.2.3 ECS Meetings

i) Meeting of ECS reg. Finalization of the recommendations on award of blocks under CBM IV and one block under NELP VIII.

ii) Meeting of ECS reg. Finalization of Bid Evaluation Criteria and Bid Documents for the blocks to be offered under ninth round of NELP-IX.

4.15.2.4 EGOM/GOM Meetings

i) Meeting of the EGOM under Chairmanship of FM reg. discuss the issues related to under-recoveries by OIL Marketing Companies.

ii) Review of OMC's under-recoveries and pricing of sensitive petroleum products in the light of the recommendations of the Parikh Committee and related issues.

iii) Meeting of the EGOM on gas pricing and commercial utilization of gas.

iv) Meeting of the GOM reg. reconstituted to examine all the issue related to Bhopal Gas Disaster.

v) Meeting of the GOM to provide quittance in coordinating external interface on energy security matters.

vi) First Meeting of the GOM on Implementation of Ethanol Blended Petrol (EBP) Programme.

4.15.2.5 NTS Meetings

Meeting of NTS reg. finalization of Production Sharing Contact (PSC) for Ratna R series field with the consortium of Essar OIL, Premier Oil Pacific (POL) – the designated operator and ONGC.

4.15.2.6 PICPIR Meetings

i) Meeting of the High Power Committee (HPC) on setting up of PCPIR proposal of the Govt. of Orissa for hosting a PCPIR at Paradeep.

ii) Meeting to Review of implementation of PCPIR in Haldia and Visakapatnam regions of West Bengal and Andhra Pradesh.

iii) Review meeting for implementation of PCPIR at Dahej, Gujarat.

iv) Inter-ministerial meeting to discuss issues relating to setting up of PCPIR in Cuddlier and Nagapattinam Districts of Tamil Nadu.

v) Meeting to discuss the Proposal from Government of Tamil Nadu for hosting a (PCPIR) in Cuddalore and Nagapattium districts of Tamil Nadu under approved policy of Govt. of India.

vi) Meeting reg. Review of implementation of PCPIR in Haldia region of West Bengal.

vii) Meeting reg. Review of implementation of PCPIR in Vishakhapatnam region of Andhra Pradesh.

4.15.2.7 Meetings by the Principal Secretary to PM

i) To review the progress achieved by the Brahmaputra Cracker and Polymers Ltd. (Assam Gas Cracker Project).

4.15.2.8 Meetings of the Search Committee

i) Meeting of the Search Committee reg. appointment of Technical (P&NG) in the Appellate PNGRB.

4.15.2.9 CCI Meetings

i) Reg. Construction of Strategic of Crude oil progress during September, 2009 to March, 2010.

4.15.3 Some Highlights:

(i) Finalization of bid evaluation criteria and bid documents for the blocks to be offered under ninth round of Exploration Licensing Policy (NELP-IX) were analyzed in Energy Cell.

(ii) Comments/briefs were prepared by Energy Cell for the Meetings of High Power Committee on setting up of PCPIR proposal of the Government of Orissa for hosting PCPIR at Paradeep and other PCPIRs in the state of AP, West Bengal, Tamil Nadu and Gujarat.

(iii) Necessary inputs were also supplied for EGOM meetings on issues relating to under recoveries by Oil Marketing Companies, Pricing of sensitive Petroleum Products, Bhopal Gas Disaster and Implementations of Ethanol Blended Petrol (EBP).

4.15.4 The section also contributed much in the framing and implementation of Integrated Energy Policy also.

5. Multilateral Institutions Division

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, 187 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 217,433.5 million, 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.

5.1 Quota Reforms

- The Board of Governors at the IMF has adopted the resolution on "Fourteenth General Review of Quotas and Reform of the Executive Board of the IMF" on 16 December 2010. When the resolution becomes effective, the total size of Fund quotas would increase by 100 percent (from the 2008 quota and voice reform), from approximately SDR 238.4 billion to approximately SDR 476.8 billion.
- Significantly, the reforms will lead to a realignment of quota shares of member countries, with the shifts to dynamic Emerging Market and Dynamic Countries (EMDCs) and from over- to under-represented countries both exceeding 6 percent, while protecting the voting share of the poorest members.
- There will be four EMDCs (Brazil, China, India, and Russia) among the 10 largest shareholders in the IMF, with, India's quota share expected to increase from the current 1.91% to 2.75%, once the reforms become effective. This would make India the 8th largest quota holding country at the IMF.

5.2 Governance

- In addition, the Board of Governors has also adopted Governance reforms regarding the size and composition of the Executive Board of the IMF. The Executive Board will consist only of elected Executive Directors, ending the category of appointed Executive Directors (currently the members with the five largest quotas appoint an Executive Director).
- The membership has committed to maintain the Executive Board size at 24 members, and to review Board composition every eight years, starting when the quota reform takes effect. Significantly, Advanced European countries will reduce their combined Board representation by two chairs at the latest by the time of the first election after the quota reform takes effect.
- While these reforms do not affect the Chair of India at the Executive Board of the IMF, the reforms will lead to a more representative Executive Board at the IMF.

5.3 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 June. Latest round of Article IV Consultations for India took place in November 2010.

5.4 Financial Transactions Plan (FTP)

- India agreed to participate in the Financial Transaction Plan of the IMF in late 2002. Fifty 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 31st December 2010 India has made seventeen purchase transactions of SDRs 1194.16 Million and twenty-two repurchase transactions of SDRs 795.98 Million.

5.5 India's contribution to lending resources of IMF

- In the London Summit of the Group of Twenty (G-20), a decision was taken 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. However, the total commitment of India under NPA and NAB taken together will be US$ 14 billion.
- As of 31 January 2011, India has invested SDR 670 million through nine note purchase agreements with the IMF.

5.6 World Bank Group

5.6.1 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 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.

5.6.2 International Bank for Reconstruction and Development (IBRD)

The total assistance extended by IBRD by way of loans to India was US$ 37092.46 million as on 31.12.2009. During the period from 01.01.2010 to 31.12.2010, new commitments of US$ 1983.5 million were approved taking total assistance to US$ 39075.96 million as on 31.12.2010. The main sectors for which IBRD assistance of US$ 1983.5 million has been provided are roads & highways, energy, urban infrastructure (including water & sanitation), rural credit, disaster management and the financial services sector. Projects approved during 2010 are at Table 1.4.

5.6.3 International Development Association (IDA)

The total assistance extended by IDA by way of credits to India for which agreements were signed was US$ 33484.56 million as on 31.12.2009. During the period from 01.01.2010 to 31.12.2010, new commitments of US$ 3814.6 million were approved taking that assistance to US$ 37299.16 million as on 31.12.2010. The major sectors for which IDA assistance is provided are health, education, agriculture and poverty reduction sectors. Projects approved during 2010 are at Table 1.4.

5.6.4 World Bank Reforms

In April 2010 the World Bank Group has approved the General Capital Increase and Selective Capital Increase for IBRD, after which the voting power of the Developing Countries in IBRD will increase by 3.13% and will reach 47.19% of the total voting power at IBRD. India's voting power will increase to 2.91% from 2.77% and India will move on to become 7th largest shareholder in IBRD from the present 11th largest shareholder.

5.6.5 Trust Funds of World Bank

India is an active member of South- South Experience Exchange Trust Fund (SEETF) being administered by the World Bank and had contributed US $ 500,000 as a donor-member to SEETF. India has also signed agreements with World Bank to contribute US $ 1,000,000 in Cultural Heritage and Sustainable Tourism Trust Fund.

5.6.6 Country Assistance Strategy (CAS)

5.6.6.1 The World Bank assistance programmes are guided by a Country Assistance Strategy (CAS), which sets out how the World Bank Group proposes to build a growing partnership with the Government of India (GOI). The Strategy period consists of four years. The CAS for the Bank FY 2009-12 provides a framework to deal with the challenges of achieving rapid, inclusive growth, ensuring sustainable development, and improving service delivery, with a cross-cutting focus on improving the effectiveness of public spending and achieving monitorable results.

5.6.6.2 The focus of the CAS is on:

- Achieving rapid, inclusive growth
- Ensuring sustainable development
- Increasing the effectiveness of service delivery

5.7 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. IFC finances investments with its own resources and by mobilizing capital in the international financial markets.

5.8 IFC in India

➢ India has been a member of IFC since 1956. India is currently holding 81,342 shares of IFC with a voting power of 3.38%. As a constituency, India has 99,234 votes comprising 4.12% of total voting power. India has been allocated 21,511 additional shares in IFC

World Bank Commitment and Disbursement for 2006-07 to 2010-11 (up to Dec. 2010) (US $ billions)

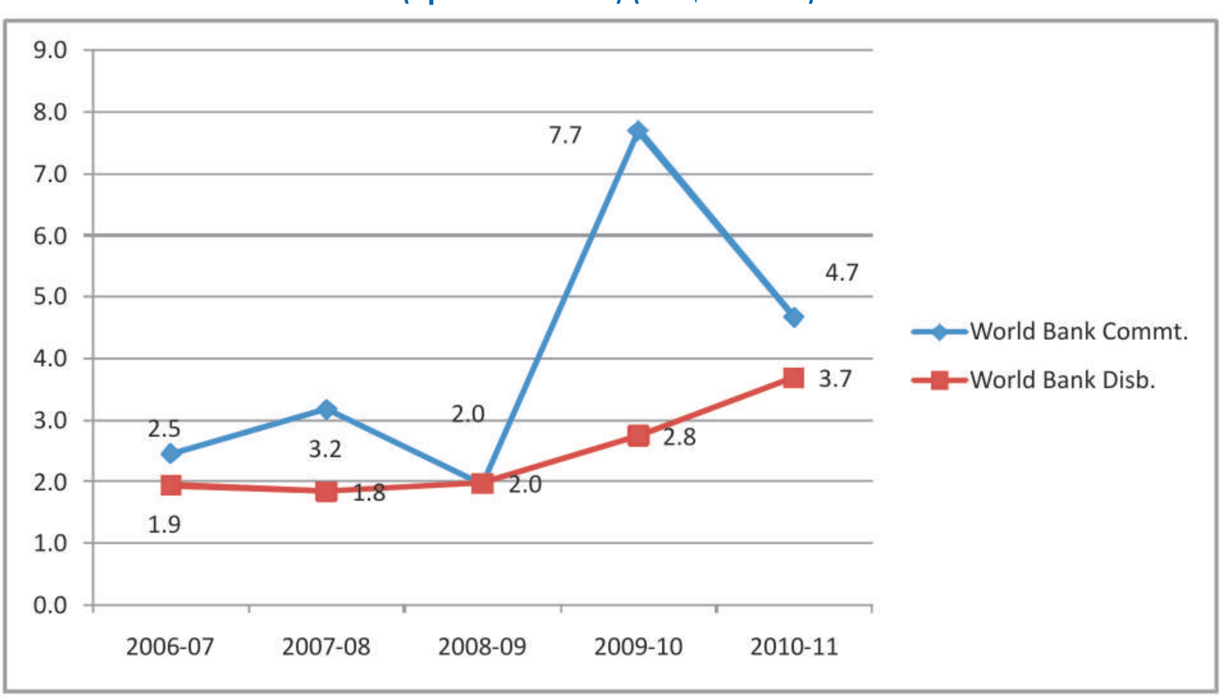


Table 1.4

World Bank assisted projects approved during FY 2010 –11

(in US $ million)

Sl. No.	PROJECT NAME	Bank Approval Date	IBRD COMM AMT	IDA COMM AMT	TOTAL AMT
1.	PMGSY Rural Roads Project	20-De c-10	500.0	1000.0	1500.0
2.	NHAI Technical Assistance Project	30-Nov-10	45.0	0.0	45.0
3.	Tamil Nadu Empowerment and Poverty Reduction "VAZHNDHU KATTUVOM" Project Additional Financing	18-Nov-10	0.0	154.0	154.0
4.	Mizoram Roads AF II	21-Oct-10	0.0	13.0	13.0
5.	Maharashtra Agricultural Competitiveness Project	28-Sep-10	0.0	100.0	100.0
6.	Bihar Kosi Flood Recovery Project	9-Sep-10	0.0	220.0	220.0
7.	Dam Rehabilitation and Improvement Project	29-Jun-10	175.0	175.0	350.0
8.	Mumbai Urban Transport Project-2A	29-Jun-10	430.0	0.0	430.0
9.	India National Cyclone Risk Mitigation Project (1)	22-Jun-10	0.0	255.0	255.0
10.	Integrated Coastal Zone Management	15-Jun-10	0.0	222.0	222.0
11.	Karnataka RWSS II Additional Financing	15-Jun-10	0.0	150.0	150.0
12.	West Bengal PRI	8-Jun-10	0.0	200.0	200.0
13.	India - Capacity Building for Industrial Pollution Management	3-Jun-10	25.2	38.9	64.2
14.	Andhra Pradesh Water Sector Improvement	3-Jun-10	450.6	0.0	450.6
15.	India: Scaling Up Sustainable and Responsible Microfinance	1-Jun-10	200.0	100.0	300.0
16.	India First Statistical Strengthening Project	1-Jun-10	107.0	0.0	107.0
17.	Tamil Nadu Health Additional Financing	29-Apr-10	0.0	117.7	117.7
18.	Rajasthan Water Sector Restructuring Project- Additional Financing	30-Mar-10	0.0	19.0	19.0
19.	Tamil Nadu Road Sector Project	30-Mar-10	50.7	0.0	50.7
20.	Tech Engineering Education Quality Improvement II	18-Mar-10	0.0	300.0	300.0
21.	Additional Financing for Second Elementary Education Project	18-Mar-10	0.0	750.0	750.0
	Total		**1983.5**	**3814.6**	**5798.1**

in the recent capital increase (Spring Meetings, April 2010) and once the process of subscription is over, India's vote share is expected to be 3.81%.

- India represents IFC's single largest country exposure. IFC has a current portfolio of about US$ 3.6 billion committed in India with investment of about US$ 1 billion annually in the past two years.

In addition, IFC have mobilized an additional about US$ 1.2 billion in India in the past two financial years alone.

- Over the past few years, IFC has augmented its portfolio in India, improving profitability and investing in high impact projects. The IFC's commitments were US$ 1064.6 million in Bank's

Financial Year 2008 (i.e. 1st July 2007 to 30th June 2008), US $ 939.2 million in Bank's Financial Year 2009 and US $ 834.7 million in Bank's Financial Year 2010. During the Bank's Financial year 2011 (till February 3, 2011), IFC commitments' have reached US$ 142.263 million in 12 companies. These have been concentrated in Infrastructure, manufacturing, financial markets, agribusiness, power, information technology, oil and gas and healthcare.

- In the past two years, IFC has scaled up its presence and activities in the Low Income States (LIS) in India. Out of total IFC investment in India in Financial Year 2010, approximately US$ 284 million (i.e. 30 per cent) is in LIS. Further, IFC Advisory is working in the LIS in the following areas:

(i) Promoting the Investment Climate for Private Sector Development and Inclusive Growth;

(ii) Financial Inclusion by working on financial services and initiatives related to the sustainability of the MFI sector including Micro credit bureau, Risk mitigation initiatives, code of conduct setting etc.

(iii) Renewable Energy (Solar and Biomass) and cleaner production as well as focus on key subsectors like agribusiness;

(iv) Developing PPP transactions with focus on social services (health and education) and climate change impact projects

- Infrastructure which used to be only about 10% of IFC's portfolio in 2005 has been stepped up to 45% of their portfolio in India in the last few years and currently accounts for about US$ 1.4 billion of IFC's current committed portfolio of about US$ 3.6 billion in India.

5.8 International Fund for Agricultural Development (IFAD)

5.8.1 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.

5.8.2 India is one of the original members of the IFAD. Since inception, India has contributed US$ 96.0 million towards the resources of IFAD. India had pledged to contribute an amount of US$ 25.0 million to the 8th Replenishment of the IFAD's resources and has paid US$ 9.0 million in December 2009 as the first instalment and US$ 8.0 million in October 2010 as the second instalment of the Eighth Replenishment. The third and final instalment of US$ 8.0 million will be paid in FY 2011-12.

5.8.3 IFAD has assisted in 24 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, nine projects with a total assistance of US$ 274.35 million are under implementation. The details of the on-going projects are at Table 1.5:-

5.8.4 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-

Table 1.5

S. No.	Name of the project	Date of Agreement	Amount (US$ Million)
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	30.30 (loan) 0.60 (grant)
7.	Priyadarshini: Women's Empowerment & Livelihoods Programme in Mid-Gangetic Plains	11.12.2008	30.20
8.	Convergence of Agricultural Interventions in Maharashtra's Distressed Districts Project	30.9.2009	40.10 (loan) 1.00 (grant)
9.	North-Eastern Region Community Resource Management Project for Upland Areas – Phase II (NERCORMP-II)	12.7.2010	20.00

fourths of one per cent (0.75%) per annum is levied on loan amounts outstanding.

5.9 Global Environment Facility(GEF)

5.9.1 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.

5.9.2 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 Five Replenishments. The total funds pledged so far amounts to US $ 51 million and an amount of US $ 44.25 million has been paid by December 2010.

5.10 African Development Bank Group

5.10.1 The African Development Bank Group comprises of (i) African Development Bank, (ii) African Development Fund and (iii) Nigeria Trust Fund. The Bank Group is headed by the President.

5.10.2 African Development Bank

The African Development Bank (AfDB) was established in 1963 with membership being open only to regional countries with a view to promote the Economic Development and social progress of its regional member AfDB opene d its membership in 1982 to non-regional members of the African Development Fund. With the overall objective of fostering south-south cooperation and keeping in view the historical ties India had with African Sub continent. India was one of the first few countries to become non-regional members of AFDB.

5.10.3 African Development Fund:

Established in 1972, the African Development Fund (ADF) became operational in 1974. It is administered by the African Development Bank and comprises State participants (donor countries) and recipient countries. Its main objective is to reduce poverty in Regional Member Countries (RMC) by providing loans and grants. India was one of the first few countries to become non-regional member of AfDB. India became a State participant of the African Development Fund on May 6, 1982 and was admitted to the membership of the African Development Bank on December 6, 1983. Finance Minister and Secretary (EA) are designated as Governor and Alternate Governor respectively to represent India.

5.10.4 Membership

The Bank has 77 countries spread all over the world as its member Out of these, 53 are African Countries called Regional Members and 24 are other countries called Non regional Member All the members have been grouped into 18 Constituencies.

5.10.5 Contribution to African Development Bank & African Development Fund

5.10.5.1 India has so far contributed ₹ 16.74 crores towards the paid-up portion of the capital stock of African Development Bank. Under the last General Capital Increase (GCI-VI), India has been allocated 9763 shares. Out of these, 586 are paid up and 9177 are callable shares. India has to contribute ₹ 5.02 crores in each annual installment for next eight years.

India's contributions to the Fund up to ADF-XII amounts to ₹ 289.62 crores.

5.10.6 Technical Cooperation Fund

A Technical Cooperation Agreement (TCA) was drawn up between Government of India, African Development Bank (AfDB) and African Development Fund (ADF) in July 1998. Under this agreement, a sum of US$ 3.39 million (Indian Rupees 15 crore) had been placed at the disposal of AfDB as a grant. The grant was to be utilised for financing consultancy services, training and other techno-economic activities, and 95% of the sourcing was to be from India. The validation of TCA has further extended upto December, 2010. The 2nd phase of TCA has been signed with African Development Bank Group with an estimated provision of ₹ 30 crores. The first trench of payment of ₹ 10.00 crores is to be made after December, 2010.

5.11 NI Constituency

As per the allocation of shares among the regional and non-regional member states, regional members account for 60.310% of the voting power in the AfDB. The non-regional members account for remaining vote share. Among the non-regional member states with 39.75% of total voting power, USA is the leading stake holder followed by Japan. India's share is only 0.246%. However, India has joined the Nordic Constituency comprising Norway, Sweden, Finland and Denmark. Together, Nordics + India (NI) together command 4.6% of votes. Thus as a group NI constituency has a significant stake in the operations of AfDB.

5.12 Asian Development Bank (ADB)

5.12.1 Background

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.

5.12.1 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. India 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.

5.12.2 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.

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

5.13.1 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 (₹ 1092.24 crores @ ₹ 50.52 for $1) to be paid in five equal annual installments starting from 2010. 96% would be callable capital.

5.14 Country Strategy Program of ADB in India

5.14.1 The country strategy and program (CSP) refers to the operational strategy of ADB with a developing member country (DMC). It is a rolling program which establishes the framework and profile of assistance that ADB proposes to provide to the DMC over the succeeding three years and outlines policy and sector priorities for the period. The CSP is finalized every year.

5.14.2 On 18.10.2010, CSP of ADB in India has been finalized for 2011-2013 and the following projects are proposed for 2011 :

5.15.2 The overall portfolio overview of ADB is as under:

5.15.3 As on 27.1.2011, the ADB portfolio includes 56 loans with a net loan amount of US$ 8.7 billion.

5.15.4 Total 68 Technical Assistances (TAs) for US $ 73.7 million are going on in different sectors in the country.

5.16 Review of 2010 performance

As on 31.12.2010, for the calendar year 2010, against a target of $ 1.697 billion for contract awards, the achievement has been 1.801 billion (103.3%) and the disbursement achieved is US $ 1.699 billion against a target of US $ 1.809 billion (93.9%).

5.17 New Initiatives

5.14.3 Firm loans:

SN	Name of Project	Amount (US $ million)
1	Himachal Pradesh Clean Energy Evacuation Project	350
2	State Solar Park Development Project	100
3	National Grid Improvement Project	500
4	Meghalaya Public Resource Management Program	100
5	Sustainable Finance Facility (for PPP Projects)	150
6	Railways Sector II Project	500
7	Madhya Pradesh State Roads III Project	300
8	Bihar Urban Infrastructure Project	200
9	Assam Urban Infrastructure Project	200
	Total	**2,400**

5.14.4 Standby Loans

1	Madhya Pradesh Energy Efficiency Project	400
2	Rajasthan Urban Development Policy Loan	200
3	Rural Roads III Project	800

5.14.5 Status of Projects

During 2010, till 31.12.2010, the following projects have been approved/signed

SN	Project Name	Amount (US $ million)	Status
1	Assam Power Sector Enhancement Investment Program	200	signed (on 15.2.2010)
2	MSME Development Project (regular loan)	50	signed (on 19.3.2010)
3	Jharkhand State Roads Project (regular loan)	200	signed (on 16.7.2010)
4	National Capital Region Urban Infrastructure Financing Facility	150	Negotiated (on 23-24 June, 2010)
5	Bihar Power Sector Development Program	180	Negotiated (on 16-17 Sep, 2010)
6	Agribusiness Infrastructure Development Project	170	Negotiated (on 17-18 Aug, 2010)
7	Assam Integrated Flood & Riverbank Erosion Risk Management Investment Program	120	Negotiated (on 7-8 Sep, 2010)
8	Sustainable Coastal Protection and Management Project	250	Negotiated (on 30 Aug-1 Sep, 2010)
9	Bihar State Highways II Project	300	Negotiated (on 2-3 August, 2010)
10	Inclusive Tourism Infrastructure Development Investment Program	250	Negotiated (on 23-24 August, 2010)
	Total	**1870**	

5.15 Sector wise Operations

5.15.1 A Sector wise breakup of ADB's assistance to India is as under:

			(As on 31.12.2010)
Sector	No. of Loans	US $ Million	%
Agriculture, Environment & Natural Resources	5	238.7	1.0
Energy	41	6,735.5	29.3
Finance	36	5,530.0	24.1
Transport and Communications	38	7,654.8	33.0
Urban Development & Multi Sector	23	2,885.8	12.6
Total	**143**	**22,954.8**	**100.0**

i. A Tri-partite Review meeting for monitoring/reviewing of ADB's Technical Assistances has been organised for the first time in the month of August, 2010.

ii. Inclusive Tourism Infrastructure Development Program which is a first project for development of tourism sector for a loan assistance of US $ 250 million has been negotiated on 23-24 August, 2010.

6. Multilateral Relations Division

6.1 G20 Secretariat

The G20 has been designated as premier forum for international economic cooperation at the G20 Leaders Summit in Pittsburgh (September, 2009). With the enhanced role of G20, India as a member of the G20 has to actively involve on global economic governance and in shaping global world order.

6.1.2 Accordingly, G20 Secretariat has been established in Multilateral Relations Division, Department of Economic Affairs, Ministry of Finance. The High Level Committee comprising of senior officers in various line Ministries, central bank and regulatory authorities under the Chairmanship of the Finance Secretary discuss G20 issues at regular intervals. An Advisory Group of eminent persons has been constituted to advice Finance Minister on the issues being deliberated in G20. The Apex Council under the Chairmanship of the Finance Minister has been constituted to take all necessary decisions on G20 matters and recommend on policy issues and position on issues to the Prime Minister. A brief note on both Apex Council and Advisory Group are given below:

6.1.3 Apex Council for the G20 Secretariat

Apex Council for the G20 Secretariat in Department of

Economic Affairs, Ministry of Finance was set up on January 10, 2010. Secretarial assistance to the Apex Council is provided by G20 Secretariat, Multilateral Relations Division (MR Division), Department of Economic Affairs. It was set up as an oversight mechanism for advising Hon'ble Prime Minister on G20 issues.

6.1.4 The Apex Council on G20 matters consists of Finance Minister as Chairman. The other members are (1) Deputy Chairman, Planning Commission, (2) Chairperson, Prime Minister's Economic Advisory Council, (3) Principal Secretary to the Prime Minister, (4) Special Envoy to the Prime Minister on Climate Change, (5) Finance Secretary, (6) Deputy Governor, Reserve Bank of India, (7) Foreign Secretary, (8) Commerce Secretary, (9) Secretary, Ministry of Environment & Forest, (10) Chief Economic Adviser, Department of Economic Affairs, (11) Adviser to the Finance Minister and (12) Joint Secretary (MR), Department of Economic Affairs as Convener.

6.1.5 Advisory Group for the G20 Secretariat

Advisory Group on G20 issues consisting of eminent persons was constituted on February 9, 2010 to advise the Apex Council on G20 matters being headed by the Finance Minister on issues being deliberated in the G-20. Members of the Advisory Group serve in their individual capacity to provide policy guidance and expert advice to the Apex Council. Current members of the Advisory Group on G20 issues are: (1) Dr. Vijay Kelkar, (2) Dr. Bimal Jalan, (3) Dr. Y.V. Reddy, (4) Dr. Rakesh Mohan, (5) Dr. Suman Berry (DG, NCEAR), (6) Dr. Rajiv Kumar (CEO, ICRIER), (7) Dr. M. Govinda Rao (Director, NIPFP), (8) Dr. Suresh Tendulkar, (9) Shri Tarun Das, (10) Dr. Abhirup Sarkar (ISI), (11) Dr. Ashwini Despeande (DSE), (12) Dr. Pradipto Ghosh, (13) Prof. S. Mahendra Dev (Chairman, CACP), (14) Mr. Narayan Murthy, (15) Mr. Nandan Nilekani, (16) Mr. Gurcharn Das, (17) Dr. Eswar Prasad (Cornell University and Brooking Institutions), (18) Dr. Arvind Subramanian (PIIE), (19) Dr. Nirvikar Singh (University of California), (20) Professor Shankar Acharya.

6.2 United Nations Development Programme (UNDP) in India

6.2.1 The United Nations Development Programme (UNDP) is the largest channel for development cooperation in the UN System. 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, woman empowerment and environmental protection. All assistance provided by the UNDP is grant assistance.

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

6.2.3 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-year plans. The last CCF (CCF-II) synchronized with 10th Five-year Plan (2003-07).

6.2.4 New Country Programme

6.2.4.1 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 women and girls'. 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.

6.2.4.2 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.

6.2.4.3 Projects worth US$ 205 million approx. have been approved so far under the current country programme. During the calendar year 2010, one project titled "Innovation Support for Social Protection: Institutionalizing Conditional Cash Transfers" was approved with total UNDP assistance of US$1 million.

6.3 WTO and SAARC Matters

6.3.1 During the year, several issues pertaining to financial Services under the GATS at WTO and negotiations under Free Trade Agreements, Regional Trade Agreements and Comprehensive Economic Cooperation with Singapore, Japan, Malaysia and EU were taken up.

6.3.2 The 7th SDF Board meeting was held in Kathmandu in February, 2010. The Board discussed important issues relating to selection for the post of Chief Executing Officer, SDF Board.

6.3.3 The 8th meeting of the SAARC Financial Ministers was held at Thimpu on 22-23rd August, 2010.

6.3.4 The 4th meeting of the SAARC Financial Ministers was held at Thimpu on 23-24 August, 2010 which was the 25th anniversary of the SAARC. The meeting welcomed the ratification of the SDF Charter and the operationalisation of the Permanent Secretariat of the SDF at Thimpu, Members were happy to note that most member States have contributed their share of contribution to the Fund. The meeting discussed important issues relating to enhancing the economic cooperation among the SAARC Countries such as reduction of tariffs under SAFTA, SWAP arrangement in SAARC member countries, creation of the SAARC

Finance website, arranging staff exchange programmes by the Central banks for exchange of views etc.

6.3.5 Fourth India-China Financial Dialogue was held in Beijing, China on 2nd September, 2010. During the dialogue, the Indian delegation discussed/deliberated the following topics which was followed by Joint Statement from both sides.

- Macro Economic situation and policies
- Bilateral economic cooperation
- Financial Sector development
- Managing global economic challenges.

6.3.6 9th meeting of SDF Board was held in November 30-1st December, 2010 in Thimpu, Bhutan. SDF directors of the member states of SAARC participated in the meeting. The Board discussed the ongoing projects – Women empowerment and maternal and child health. Project proposals on Zero Energy Cold Storage project came up for Boards approval. Project in pipeline viz Drying/Packaging of Fruits and Vegetables and Scaling Up Community eCenters (CeCs) also came up before the Board meeting. Matters relating to the salary, allowances and provident fund of staff alongwith the working hours also came up for Board's approval.

6.3.7 With the approval of Cabinet an Economic Wing in the Embassy of India in Beijing, China with a post of Minister/Counsellor (Economic) alongwith supporting officer and staff for operationalisation of the Economic Wing has been created. The Economic Wing of the mission is expected to service all the requirements of the mission regarding economic matters and act as a nodal wing of the Ministry of Finance and other Ministers/Departments of of the Government of India, to coordinate with IFIs based in the region and various economic departments of the Chinese government, in particular their treasury, and other agencies.

6.3.8 The first review meeting on recommendations of Indo Saudi Joint Commission for Technical and Economic Cooperation was held on 28-29 September, 2010 in Riyadh.

6.3.9 United Climate Change Negotiation held on 5th June to 11th June, 2010 and 2nd August, 2010 to 6th August, 2010 at Bonn, Germany. The climate Change Finance is the common enabling and supporting factor for mitigation, adaptation and technology transfer and it is on the issue of "financial mechanism" that the developed countries can be pinpointed by developing countries.

6.4 Colombo Plan Matters: The 42nd Consultative Committee Meeting of the Colombo Plan was hosted by India in February, 2010. Hon'ble Finance Minister inaugurated the two-day event which was attended by delegates from 26 Colombo Plan member countries.

6.5 African Development Bank (AfDB)

6.5.1 India is non-regional member of the African Development Bank since 1983 and primarily plays role as a donor country. India currently holds 9763 shares of African Development Bank constituting 0.247% of total voting power. India 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 ₹ 66.34 crores in exercises the right equivalent to 0.231% of total votes. The first installment of ADF-12 of ₹22.21 crores has been released.

6.5.2 We are also contributing to Multilateral Debt Relief Initiatives (MDRI) of African Development Fund which is UA 14.11 million to be paid over a long period from 2006-2054. The rupee equivalent of this amount based on replenishment specific exchange rates to convert contributions in UA million (UA/INR = 66.6170) comes to ₹94.01 crores approximately.

6.5.3 India has also signed, in May, 2010, a Technical Cooperation Agreement with African Development Bank Group with an amount of ₹30.00 crore to be paid as grant to African Development Bank Group.

7. Aid Accounts & Audit Division (AAD)

Introduction

7.1 This Division, is an ISO 9001:2008 certified office. Performing back office functions relating to external Loans/Grants obtained by Government of India from various multilateral and bilateral donors. 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 is also conducted by this Division.

7.2 Performance/Achievements during current financial year

The drawal of External Loan/Credits during 2010-11 (upto 31st December 2010) was ₹ 25,676.61 crore against Budget Estimates (BE) 2010-11 of ₹ 34735.42 crore. Cash Grant Assistance received during the financial year (upto 31st December 2009) was ₹ 2,151.74 crore against BE 2010-11 of ₹ 2,060.17 crore. A major initiative undertaken was the electronic submission of claims for some donors. This has expedited the entire disbursement process.

7.3 E-Governance

7.3.1 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. Besides this, windows have been provided in ICS to all the Project Implementing Authorities (PIAs) and O/o CCA(Finance) for sending the reimbursement claims electronically to cut down the time gap and to record/update recovery from concerned States in case of Back to Back Loans, respectively. All the officers and staff members of this Division have been trained for functioning under computerised work environment.

7.3.2 A comprehensive Web-site on External Assistance is maintained by this Division under website address http://aaad.gov.in for the benefit of all stake holders 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 a daily basis. This serves the entire claim cycle i.e. from receipt of claims to Additional Central Assistance (ACA) release. Apart from claim-cycle the website also provides detailed status of ACA release made by Plan Finance Division. In addition a comprehensive data about disbursed outstanding debt 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.

7.3.3 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 at the time of grant of ISO 9001:2008 certification.

Organisation Chart of The Division

Controller of Aid Accounts & Audit

Dy. CAA & A	Dy. CAA & A	Dy. CAA & A
Sr.AO/ Accounts Officer	Sr.AO/ Accounts Officer	Sr.AO/ Accounts Officer

8. Administration Division

8.1 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 and public sector enterprises.

8.2 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 & public sector enterprises for the year 2010-2011 is given in Annex I & II.

8.3 Grants in aid

During the year 2010-2011 (upto February, 2011) an amount aggregating ₹ 97.50 lakhs was sanctioned as grants-in-aid to the Indian Econometric Society (TIES), National Council of Applied Economic Research, Global India Foundation, Kolkata, Centre for Development Economics (Delhi School of Economics), Delhi, Ratan Tata Library (Delhi School of Economics), Delhi and Madras School of Economics, Chennai. The details are given in Annex.III

8.4 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. The composition of the Complaints Committee in the Department of Economic Affairs for considering complaints of sexual harassment of women employees has been posted on the website of this Department.

8.5 Use of Hindi in Official Work

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

8.5.2 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 2010-11 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. Hindi Salahkar Samiti of the Deptt. of Economic Affairs (including Deptt. of Financial Services) was reconstituted under the chairmanship of Hon'ble Finance Minister vide a resolution dated 25th Oct, 2010. The introductory meeting of the committee has been seheduled for 24th March, 2011;

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 Govt., Hindi workshops were organized. The participants were given rewards and reference and helping literature;

v. To create a conducive atmosphere in the Department regarding the progressive use of Hindi, Hindi Month was celebrated during 1th to 30th September, 2010. 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 authors under the Scheme of Incentive on Original Book writing in Hindi on Economic subjects are granted the first, second and third prizes of ₹ 50,000/-, ₹ 40,000/- and ₹ 30,000/- respectively. No entry was found suitable for award under the scheme 2009-10;

vii. The website of the Department is being 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 ; and

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.

8.6 Finance Library & Publication

8.6.1 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 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.

8.6.2 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.

8.7 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.

8.8 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

8.9 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.

8.10 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

8.11 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

Annexure I

a) Representation of SCs, STs & OBCs in respect of Department of Economic Affairs (Main).

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	132	11	3	5	-	-	-	-	-	-	-	2	-	-
Group B	324	41	24	8	-	-	-	-	1	-	-	1	1	-
Group C	127	31	3	8	-	-	-	-	1	-	-	1	-	-
Group D														
(Excl.Safai Karamcharis)	173	64	2	7	-	-	-	-	-	-	-	-	-	-
Gr.D (Safai Karamcharis)	11	11	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**767**	**158**	**32**	**28**	-	-	-	-	**2**	-	-	**4**	**1**	-

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

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	15	3	-	3	-	-	-	-	2	2 (on ad-hoc basis)	-	-	-	-	
Group B	SAT	5	-	-	1	-	-	-	-	-	-	-	2	-	-	
	NSI	4	-	-	1	-	-	-	-	-	-	-	-	-	-	
	SAT	7	-	-	-	2	-	-	-	-	-	-	1	-	-	
Group C	NSI	67	13	2	10	-	-	-	-	-	-	-	-	-	-	
	SAT	15	3	-	4	3	1	-	1	1	-	-	-	-	-	
Group D (Excl. Safai Karam-chari																
	NSI	23	10	2	3			-	-					-	-	
	SAT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gr.D (Safai Karam-charis	NSI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	SAT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL		**136**	**29**	**4**	**22**	**5**	**1**	**-**	**1**	**3**	**2**	**-**	**3**	**-**	**-**	

c) Representation of SCs, STs and OBCs in Securities & Exchange Board of India, the employees of SEBI are classified as follows and not as Groups 'A', 'B', 'C' & 'D':-

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	467	60	20	111	-	-	-	-	-	-	-	-	12	3
Secre-taries	110	4		12	-	-	-	-	-	-	-	-	0	0
MSNGR	2	1		0	-	-	-	-	-	-	-	-	0	0
Total	**579**	**65**	**20**	**123**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**3**

d) Representation of SCs, STs and OBCs in Security Printing & Minting Corporation of India Limited (Public Sector Enterprises of DEA)

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	208	42	14	11	7	1	0	3	28	7	2	9	2	1
Group B	544	106	32	26	7	2	0	1	69	20	6	0	0	0
Group C	1511	312	131	129	57	12	7	16	78	17	3	1	0	0
Group D														
(Excl.Safai Karamcharis)	2061	506	142	355	0	0	0	0	28	22	6	0	0	0
Gr.D (Safai Karamcharis)	90	69	4	2	0	0	0	0	0	0	0	0	0	0
UNCLASSIFIED INDUSTRIAL WORKMEN	7954	1876	870	167	96	16	16	17	1044	202	137	0	0	0
TOTAL	**12368**	**2911**	**1193**	**690**	**167**	**31**	**23**	**37**	**1247**	**268**	**154**	**10**	**2**	**1**

Annexure II

a) Representation of Persons with Disabilities in respect of Department of Economic Affairs (Main).

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	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	132	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	324	1	1	2	-	-	-	-	-	-	-	1	-	-	2	-	1	-
Group C	127	-	-	1	-	-	-	-	-	-	-	1	-	1	1	1	-	-
Group D	184	-	-	4	-	-	-	-	-	-	-		-	-	-	-	-	-
Total	**767**	**1**	**1**	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**1**	**3**	**1**	**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)

b) Representation of Persons with Disabilities in respect of Attached/Subordinate offices / Autonmous bodies (i.e. National Savings Institute, Nagpur and Securities Appellate Tribunal, Mumbai) of Department of Economic Affairs .

Group		Number of Employees				DIRECT RECRUITMENT							PROMOTION						
						No. of Vacancies reserved			No. of Appointments Made				No. of Vacancies re-served			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	NSI, Nagpur	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SAT	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	NSI	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SAT	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	NSI	67	-	-	2	-	-	2	-	-	-	2	-	-	-	-	-	-	-
	SAT	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D	NSI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SAT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		**136**	**-**	**-**	**2**	**-**	**-**	**2**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

c) Representation of Persons with Disabilities in Securities & Exchange Board of India, the employees of SEBI are classified as follows and not as Groups 'A', 'B', 'C' & 'D':-

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of Vacancies reserved			No. of Appointments Made				No. of Vacancies re-served			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
Officers	467	4	1	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Secretaries	110	1	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MSNGR	2	0	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**579**	**5**	**1**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

d) Representation of Persons with Disabilities in Security Printing & Minting Corporation of India Limited (Public Sector Enterprises of DEA)

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	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	208	0	0	1	0	0	0	2	0	0	0	0	0	0	0	0	0	0
Group B	544	0	2	7	0	0	0	1	0	0	0	0	0	0	42	0	0	0
Group C	1511	1	1	28	0	1	3	23	0	0	4	0	0	0	42	0	0	0
Group D	2151	19	48	93	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Un-Classified (Industrial)	7954	25	29	118	0	1	2	39	0	0	3	0	0	0	485	0	0	0
Total	**12368**	**45**	**80**	**247**	**0**	**2**	**5**	**65**	**0**	**0**	**7**	**0**	**0**	**0**	**569**	**0**	**0**	**0**

Annexure III

S. No.	Name of the Grantee Institute	Purpose of the grant	Amount released
1	The Indian Econometric Society	For its 46th Annual Conference at Jammu University	₹ 2.50 lakhs
2	National Council of Applied Economic Research	For meeting part of its administrative expenditure	₹ 15.00 lakhs
3	Global India Foundation, Kolkata	For expanding its research activities on key economic issues	₹ 20.00 lakhs
4	Centre for Development Economics, Delhi School of Economics, Delhi	For meeting recurring expenditure related to research activities	₹ 20.00 lakhs
5	Ratan Tata Library, Delhi School of Economics, Delhi	For meeting its expenditure for preservation, digitization and archival binding of old census and statistical documents etc.	₹ 20.00 lakhs
6	Madras School of Economics, Chennai	For meeting recurring expenditure related to research activities.	₹ 20.00 lakhs
	Total		**₹ 97.50 lakhs**

the information.

9. Bilateral Cooperation Division

9.1 Japan Desk

9.1.1 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 is one ongoing grant aid project under grant aid programme viz. the Project for Strengthening of Electronic Media Production Centre in Indira Gandhi National Open University. The Exchange of Notes for the project signed between Government of India and Government of Japan on July 26, 2010 for JY 787,000,000.

9.1.2.1 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.

9.1.2.2 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 7 ongoing projects under Technical Cooperation and Development Study Programme.

9.1.3 JOCV Programme

In the year 2010-11, seven Japanese volunteers were appointed under JOCV Programme.

9.1.4 JICA Partnership Programme

JICA Partnership Programme involving Indian and Japanese NGOs, was started in 2001 and **three** proposals have been cleared.

9.1.5 Grassroots Funding

Government of Japan also provides small grant assistance to Indian NGOs under its scheme for "Grant Assistance for Grassroots Projects". **(Twenty-six)** proposals have been cleared by Department of Economic Affairs till date.

9.1.6 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 Organization (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 imp art training and conducts training programmes in Japan.

List of ongoing JICA assisted Projects (as on 31.12.2010)

Sl. No.	ID-P No.	Name of the Project	Location	Loan Amount	Date of Signing/ Closing
		Ministry of Power		(in Yen mln.)	
1	147	Bakreswar Thermal Power Station Unit Extn.	West Bengal	36771	31.3.2003/ 31.7.2010
2	156	Umium Stage II Hydro Power Stn.	Meghalaya	1964	31.3.2004/ 18.6.2012
3	160	North Karanpura Super Thermal Power Project	Central - Jharkhand	15916	31.3.2005/ 9.1.2011
4	167	Purulia Pumped Storage Project III	West Bengal	17963	31.3.2006/ 24.7.2013
5	169	Rural Electrification Project	Central – A.P. M.P & Maharashtra	20629	29.8.2006/ 29.8.2012
6	177	Bangalore Distribution Upgradation Project	Karnataka	10643	30.3.2007/ 11.7.2015
7	178	Transmission System Modernization and Strengthening Project in Hyderabad Metropolitan Area	Andhra Pradesh	23697	30.3.2007/ 11.7.2014
8	188	Maharashtra Transmission System Project	Maharashtra	16749	14.9.2007/ 28.11.2014
9	190	Haryana Transmission System Project	Central – Haryana	20902	10.3.2008/ 12.9.2014
					Ministry of Environment and Forests
10	148	Rajasthan Forestry and Biodiversity Project	Rajasthan	9054	31.3.2003/ 31.7.2010
11	149	Yamuna Action Plan Project (II)	Central - Delhi, UP, Haryana	13333	31.3.2003/ 31.7.2012*
12	158	Intg. Natural Resource Magt & Pov Red	Haryana	6280	31.3.2004/ 18.6.2014
13	162	Tamil Nadu Afforestation Project II	Tamil Nadu	9818	31.3.2005/ 28.7.2015
14	163	Karnataka Sustainable Forest Mgt & Biodiversity Con Project	Karnataka	15209	31.3.2005/ 28.7.2015
15	164	Ganga Action Plan (Varanasi)	Central - Uttar Pradesh	11184	31.3.2005/ 28.7.2015
16	172	Swan River Integ. Watershed Management	H.P.	3493	31.3.2006/ 24.7.2016
17	173	Orissa Forestry Sector Development Project	Orissa	13937	31.3.2006/ 24.7.2016
18	182	Tripura Forest Environmental Improvement and Poverty Alleviation Project	Tripura	7725	30.3.2007/ 11.7.2017
19	183	Gujarat Forestry Development Project Phase 2	Gujarat	17521	30.3.2007/ 11.7.2017
20	194	Uttar Pradesh Participatory Forest Management and Poverty Alleviation Project	Uttar Pradesh	13345	10.3.2008/ 25.3.2018

21	199	Capacity Development for Forest Management and Personnel Training Project	Central – All India	5241	21.11.2008/ 16.10.2018
22	211	Sikkim Biodiversity Conservation and Forest Management Project	Sikkim	5384	31.3.2010/ 15.06.2022
Ministry of Urban Development					
23	157	Bisalpur-Jaipur Water Supply Project	Rajasthan	8881	31.3.2004/ 19.10.2013
24	165	Bangalore Water Supply and Sewerage (II)	Karnataka	41997	31.3.2005/ 28.7.2015
25	151	Delhi Mass Rapid Trans. System Project (VI)	Central Delhi	59296	31.3.2004/ 18.6.2010*
26	159	Delhi Mass Rapid Trans. System Project (VI)	Central – Delhi	19292	31.3.2005/ 28.7.2011
27	168	Bangalore Water Supply and Sewerage (II-2)	Karnataka	28358	31.3.2006/ 24.7.2016
28	170	Delhi Mass Rapid Trans. Sys.(Phase 2) (I)	Central – Delhi	14900	31.3.2006/ 24.7.2011
29	171	Bangalore Metro Rail Project	Central – Karnataka	44704	31.3.2006/ 24.7.2016
30	174	Hussain Sagar Lake and Catchment Area Improvement Project	Andhra Pradesh	7729	31.3.2006/ 24.7.2016
31	175	Kolkata Solid Waste Management Improvement Project	West Bengal	3584	31.3.2006/ 24.7.2014
32	179	Delhi Mass Rapid Transport System Project Phase.2 (II)	Central – Delhi	13583	30.3.2007/ 11.7.2011
33	184	Kerala Water Supply Project (II)	Kerala	32777	30.3.2007/ 11.7.2012
34	185	Agra Water Supply Project	Uttar Pradesh	24822	30.302007/ 11.7.2017
35	186	Amritsar Sewerage Project	Punjab	6961	30.302007/ 11.7.2015
36	187	Orissa Integrated Sanitation Improvement Project	Orissa	19061	30.3.2007/ 11.7.2016
37	189	Goa Water Supply & Sewerage Project	Goa	22806	14.9.2007/ 28.11.2017
38	191	Delhi Mass Rapid Transport System Project Phase.2 (III)	Central – Delhi	72100	10.3.2008/ 25.3.2012
39	193	Hyderabad Outer Ring Road Project Phase.1	Andhra Pradesh	41853	10.3.2008/ 25.3.2016
40	196	Tamil Nadu Urban Infrastructure Project	Tamil Nadu	8551	10.3.2008/ 25.3.2016
41	192	Kolkata East-West Metro Project	Central - West Bengal	6437	10.3.2008/ 04.9.2013
42	198	Hyderabad Outer Ring Road Project Phase 2	Andhra Pradesh	42027	21.11.2008/ 25.02.2017
43	197	Chennai Metro Project	Central - Tamil Nadu	21751	21.11.2008/ 19.03.2015
44	201	Guwahati Water Supply Project	Assam	29453	31.3.2009/ 28.07.2019

45	202	Delhi Mass Rapid Transport System Project Phase 2 (IV)	Delhi	77753	31.3.2009/ 28.7.2015
46	203	Kerala Water Supply Project (III)	Kerala	12727	31.3.2009/ 28.7.2013
47	206	Delhi Mass Rapid Transport System Project (Phase 2) (V)	Delhi	33640	31.3.2010/ 15.06.2016
48	207	Kolkata East-West Metro Project (II)	West Bengal	23402	31.3.2010/ 15.6.2017
49	208	Chennai Metro Project (II)	Tamil Nadu	59851	31.3.2010/ 15.06.2017
Ministry of Water Resources					
50	154	Rengali Irrigation Project II	Orissa	6342	31.3.2004/ 18.6.2011
51	210	Rengali Irrigation Project III	Orissa	3072	31.3.2010 24.11.2015
52	155	KC Canal Modernization Project II	Andhra Pradesh	4773	31.3.2004/ 18.6.2012
53	161	Rajasthan Minor Irrigation Improvement	Rajasthan	11555	31.3.2005/ 28.7.2015
54	181	Andhra Pradesh Irrigation & Livelihoods Improvement Project	Andhra Pradesh	23974	30.3.2007 /11.7.2016
Ministry of Tourism					
55	150	Ajanta-Ellora Cons. & Tourism Dev. Proj-II	Central – Maharastra	7331	31.3.2003/ 31.7.2011
56	166	Uttar Pradesh Buddhist Circuit Development	Central - Uttar Pradesh	9495	31.3.2005/ 28.7.2015
Ministry of Shipping					
57	176	Visakhapatnam Port Expansion Project (Engineering Services)	Central – Visakhapatnam	161	31.3.2006/ 24.7.2011
58	180	Visakhapatnam Port Expansion Project	Central – Visakhapatnam	4129	30.3.2007/ 16.1.2016
Department of Drinking Water Supply					
59	195	Hogenakkal Water Supply and Fluorosis Mitigation Project	Tamil Nadu	22387	10.3.2008/ 25.3.2017
60	204	Hogenakkal Water Supply and Fluorosis Mitigation Project Phase 2	Tamil Nadu	17095	31.3.2009/ 28.7.2017
Department of Financial Services					
61	200	Micro, Small and Medium Enterprises Energy Saving Project	Central - All over India	30000	21.11.2008/ 26.12.2013
Ministry of Railways					
62	205	Dedicated Freight Corridor Project (Phase 1)	Central – All India	2606	27.10.2009/ 23.02.2015
63	212	Dedicated Freight Corridor Project (Phase 2)	Central – All India	1616	26.07.2010/ 16.11.2015
Ministry of Rural Development					
64	111	Attapatty Wasteland Comprehensive Environment project I	State- Kerala	5112	25.01.1996/ 26.03.2010
			TOTAL	**1224702**	

9.2 United Kingdom (UK)

9.2.1 Development Cooperation

The United Kingdom has been providing bilateral development assistance to India since 1958 through the Department for International Development (DFID). India is the largest recipient of Official Development Assistance (ODA) from UK globally. At present, development cooperation assistance from UK flows to mutually agreed projects mainly in the socio-economic sectors such as education, health & HIV/AIDS, slum development & rural livelihood, urban development and governance reforms within the overarching framework of poverty alleviation. Apart from supporting national programmers (Sarva Shiksha Abhiyan, Reproductive & Child Health, National AIDS Control Programme), DFID is supporting five states, namely Andhra Pradesh, Bihar, Madhya Pradesh, Orissa and West Bengal in implementing programmes in above-mentioned priority sectors.

DFID is also providing assistance to multilateral agencies, namely World Bank, Asian Development Bank (ADB), United Nations Children's Fund (UNICEF), World Health Organization (WHO) for implementing programmes in India. Additionally, DFID, through its civil society programmes, namely, Poorest Areas Civil Society Programme (PACS) and International Non Government Organisation (NGO) Partnership Agreements Programme (IPAP) supports Indian NGOs.

DFID introduced their Country Plan for India 2008-15 in June, 2008. During the first phase of their Country Plan 2008 -11, DFID has committed to disburse £ 825 million for ongoing projects / programmes. Out of this, an amount of £582 million has been disbursed upto 31.3.2010. During 2010-11 (upto December, 2010), DFID has disbursed £ 182.92 million (₹ 1289.44 crore) through the Government of India account.

During the year 2010-11 (upto December, 2010), three agreements have been signed for grant assistance of £ 308.50 million (about ₹ 2160 crore) viz. (i) Support to National Policies for Urban Poverty Reduction (SNPURP) by Ministry of Housing and Urban Poverty Alleviation (£ 14.50 million), (ii) Additional funding for Sarva Shiksha Abhiyan (SSA-II) by Department of School Education and Literacy (£ 149 million) and (iii) Sector-side approach to Strengthening Health (SWASTH) Programme in Bihar (£ 145 million).

High level bilateral dialogues / visits

9.2.2 India-UK Economic & Financial Dialogue

A bilateral meeting between the Finance Minister and Mr. George Osborne, Chancellor of the Exchequer, UK was held on July 29, 2010 in New Delhi to discuss various issues of mutual interests under G20 agenda, bilateral trade and investment, infrastructure financing etc It was agreed to strengthen the India-UK economic and financial relationship by meeting again in the next round of Dialogue in London in 2011.

9.2.3 Important International Economic Fourm

Commonwealth Finance Ministers' Meeting (CFMM)

The Commonwealth Finance Ministers' Meeting and Senior Finance Officials Meeting were held in Washington DC from October 7-8, 2010. Finance Minister represented India in the Commonwealth Finance Ministers meeting. Topics for discussion in CFMM included G20 and the Commonwealth: Working Together, World Economy and the Commonwealth and Promoting environmentally sustainable growth in Commonwealth Countries.

During the above mentioned meeting, Government of India pledged an annual contribution of £ 1,027,500/- to Commonwealth Fund for Technical Cooperation (CFTC) for the year 2010-11.

9.3 Europ ean Union

The European Union (EU) provides assistance through Development Cooperation in form of Grants. The priority areas include environment, public health and education. EU implements development cooperation programmes through Country Strategy Paper (CSP). The CSP is based on EU 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. EU has earmarked a total assistance amounting to Euro 260 million, of which Euro 110 million is for 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, Business Cooperation and Development Cooperation. Department of Commerce is the nodal department for implementation of JAP, for MIP-II for the period 2011-2013, EU had indicated an amount of Euro 210 million, out of which Euro 100-130 million would be earmarked for education sector, Euro 50 million for health sector and Euro 30-60 million for JAP initiatives. The Memorandum of Understanding (MoU) for MIP-II is likely to be signed in January-February, 2011, between India and European Union.

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

9.4 Germany

The Federal Republic of Germany is providing financial and technical assistance to India since 1958. The present priority ares for bilateral Development Cooperation Programme are: energy, environmental policy, protection and sustainable use of natural resources, sustainable economic development. In addition, Germany provides financial assistance for Pulse Polio Immunization Programme.

The Government of Germany committed € 500.3 million (approx. ₹ 3,000 crore) in 2010 for financial as well as technical assistance for implementing various projects in India.

The agreements for a previous commitment of € 51.5 million (€ 38 million as reduced interest loan + € 12 million as IDA pattern loan + € 1.5 as grant) for promoting energy efficient residential housing and habitat in India was signed between the National Housing Bank and KfW, German Development Bank on 31.12.2010. Government of India is providing sovereign guarantee for the assistance. DEA signed the Guarantee Agreement with KfW at the same occasion.

During 2010-11 (upto November, 2010), Germany disbursed financial assistance of ₹ 305.91 crore under the Government projects. However, the total disbursement including the Non-Government projects during this period was € 158.432 million (approx. ₹ 950 crore).

9.5 France

The Government of France has been extending development assistance to India since 1968. The present French development assistance is being provided through the French Agency for Development (AfD). The Memorandum of Understanding in this regard was signed between Department of Economic Affairs and AfD on 29.09.2008. The priority sectors under Indo-French Development Cooperation are: energy efficiency; renewable energy; urban public transport, preservation of biodiversity and fight against emerging and communicable diseases.

During 2010, AfD committed € 125.1 million (approx. ₹ 750 crore) which includes € 71.1 million for Jodhpur Water Supply Project and € 54 million for Assam Forest Management Project.

During the year 2010-11 (upto December 2010) two loan agreements were signed, one between AfD and SIDBI on May 14, 2010 for a line of credit amounting to € 50 million and other between AfD and IREDA for a line of credit amounting to € 70 million on December 10, 2010. Line of credit to SIDBI is being provided without sovereign guarantee.

9.6 North America

9.6.1 United States of America

9.6.1.1 Indo-US Financial and Economic Partnership

9.6.1.1 The expanded Indo-US Financial and Economic Partnership was launched in New Delhi on 6th April 2010 under the co-chairmanship of Mr. Pranab Mukherjee, Finance Minister of India and Mr. Timothy F. Geithner, Secretary of the US Treasury. The Partnership focussed on three broad areas for discussions – macroeconomic policy, financial sector and infrastructure finance. It envisions annual Cabinet level meetings at Finance Minister/ US Treasury Secretary level and Sub-Cabinet level discussions.

9.6.1.2 The Cabinet level discussion held on April 6, 2010 in New Delhi, focussed on the global developments with special emphasis on US and Indian economies, including monetary and fiscal policies, financial sector regulation, capital flows and capital controls, infrastructure finance and public-private partnership.

9.6.1.3 The Sub-Cabinet level discussion held on October 8, 2010 in Washington focussed on macroeconomic discussion, developments in the global economy and global issues including G-20.

9.6.2 U.S. Agency for International Development (USAID)

9.6.2.1 The United States of America (U.S.A.) bilateral development assistance to India started in 1951 and till March 2010, the total assistance extended to India has been of the order of approximately U.S. $15.5 billion. U.S. assistance to India is mainly administered through the U.S. Agency for International Development (USAID). USAID is presently partnering with the Government of India to strengthen health systems, food security, accelerate transition to a low emissions, and energy secure economy, reduce greenhouse gas emissions through carbon sequestration by forests, and improve the quality of basic education through teachers training and development.

9.6.2.2 According to Aid, Accounts & Audit Division, DEA the bilateral assistance received from the US in 2009-10 was of the order of ₹14.15 crores as compared to ₹ 57.19 crores in 2008-09.

9.6.2.3 Under P.L. 480 (Title II) food aid program, USA has been donating agricultural commodities as outright grant. USAID has disbursed a total amount of U.S. $3.70 million in 2009-10 as compared to U.S. $11.93 million disbursed during 2008-09.

9.6.3 Assistance from Ford Foundation

The Ford Foundation has been extending grant assistance to various Indian NGOs/Institutions since 1952 in the areas of health, rural development, social sector, education, culture etc. 58 project proposals involving total grant of US $ 11 million have been cleared in 2009-10 as compared to 59 project proposals involving total grant of $ 13.4 million have been cleared in 2008-09.

9.7 Canada

Canadian Economic Assistance to India started in 1951. In the year 2006-07, Canada has started extending grant assistance for local initiatives (CFLI) to India. During 2009-10, 14 proposals involving grant assistance of CAD 0.49 million have been cleared as compared to 12 proposal involving grant assistance of CAD 0.47 million in 2008-09.

9.8 Assistance from International Development 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 2009-10, 19 proposals involving grant assistance of CAD 2.94 million have been cleared as compared to 9 project proposals for the total grant of Canadian $ 0.70 million cleared in 2008-09.

9.9 GOI supported Exim Bank of India Lines of Credit extended to foreign countries

In the year 2010-2011 (i.e. April, 2010 to December, 2010), the following proposals for extension of GOI supported lines of credit to be routed through the Exim Bank of India have been approved:

i. US$ 25 million credit line to the Government of Mozambique
ii. US$ 42 million credit line to the Government of D.R. Congo
iii. US$ 382.37 million credit line to the Government of Sri Lanka
iv. US$ 61.60 million credit line to the Government of Kenya
v. US$ 15 million credit line to the Government of Cambodia
vi. US$ 48.50 million credit line to the Government of Mauritius
vii. US$ 213.31 million credit line to the Government of Ethiopia
viii. US$ 72.55 million credit line to the Government of Lao PDR
ix. US$ 20 million credit line to the Government of Mozambique
x. US$ 168 million credit line to the Government of D.R. Congo
xi. US$ 50 million credit line to the Government of Malawi
xii. US$ 150 million credit line to ECOWAS Bank for Investment & Development (EBID)
xiii. US$ 40 million credit line to the Government of Maldives
xiv. US$ 10 million credit line to the Government of Swaziland

10. Integrated Finance Division

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

10.2 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. Security Appellate Tribunal (SAT)/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 (Table 1.6):-

Table 1.6

(₹ in crore)

Grant		BE 2010-11	RE 2010-11	BE 2011-12
32- Department of Economic Affairs	Plan	3233.72	2990.62	3080.63
	Non Plan	5437.76	5681.11	18551.59
	Total	8671.48	8671.73	21632.22
33 - Department of Financial Services	Plan	50.00	7930.00	7850.00
	Non Plan	49559.10	52306.77	15855.94
	Total	49609.10	60236.77	23705.94

10.3 Budgetary Allocation of the Grants of DEA/DFS

10.4 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 45 Action Taken Reports (ATRs)/Action Taken Notes (ATNs) in respect of PAC recommendations and C&AG audit paras during the year.

11. Directorate of Currency

11.1 A 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 was set up under the Chairmanship of Shri Shilabhadra Banerjee, IAS (Retired), ex-Secretary to Government of India. The Committee submitted its report on March 31, 2010. All recommendations of the Committee including the one relating to the creation of Directorate of Currency (DOC) were accepted by the Government.

11.2 The Directorate of Currency has been set-up and its first Director General has joined in July 2010 and other posts of this Directorate are being created and will be filled up shortly. The mandate of the DOC is as under:

(i) To monitor and review the integrity of exiting security features of Indian Bank Notes;

(ii) To study improvements and best practices in the related features of other countries;

(iii) To periodically undertake the exercise to revise the security features, based on an analysis of the existing features, international best practices and the need for updating;

(iv) To draft and continually update the procurement manual for acquisition of security features;

(v) To drive and fund R & D on a continuous basis, through public and private sector R & D institutes, including academic institutions;

(vi) To act as a clearing house for research on all the key ingredients required for indigenization of currency and coinage, e.g. paper, ink, security features, high end machinery, software and plating technologies;

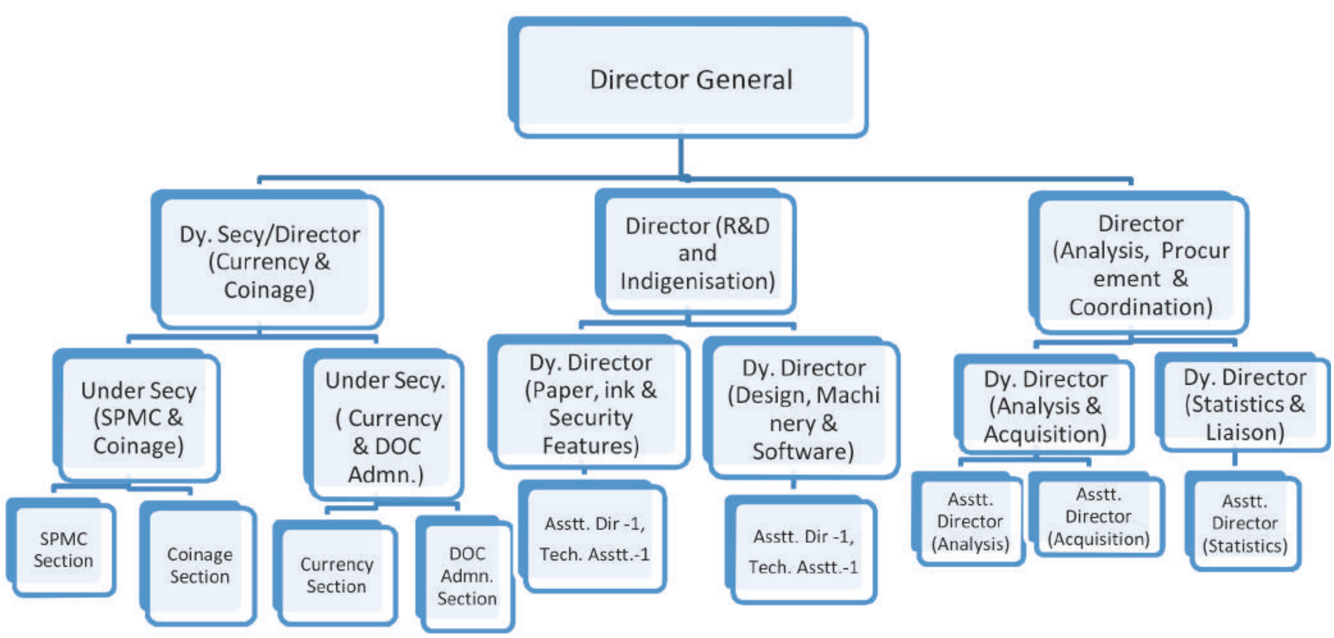
(vii) To encourage technology transfer in the field of paper, ink, security features and plating of coins from foreign suppliers who have copy rights/ proprietary rights in these areas;

(viii) To discharge the functions of the existing Coins & Currency (C&C) division of the Ministry of Finance (MoF), which includes administration of legislations relating to currency and coinage, administration of SPMCIL, processing of indents for coins and currency, discharge of responsibilities vis-a-vis Parliament and Standing Committees and other incidental and related matters.

11.3 The approved organisational structure of the Directorate is given in the following chart (1.1):

11.3 Currency

DIRECTORATE OF CURRENCY (Chart 1.1)



11.3.1 Symbol for Indian Rupee

As announced by the Finance Minister in his budget speech of February 28, 2010, the symbol for Indian Rupee (₹) has been notified for use by the Central Government, State Governments, business entities and the general public. The process to include the symbol in the Indian Script Code for information Interchange has been initiated by the Bureau of Indian Standards. Similarly, the Department of Information Technology has already approached Unicode Standards Authority for inclusion of the symbol in international standards.

11.3.2 Acquisition of Security Features

A Global Request for Information (RFI) was issued by this Directorate on September 10,2010 inviting firms to offer security features and/or associated technology for incorporation in the future series of Indian Bank Notes. On the basis of information and documents etc so received, categories of security features and/or associated technologies for incorporation in all or any denomination(s) of Indian Bank notes were identified and a Global Request for Qualification (RFQ) was issued against which 39 firms from all across the globe have applied. The scrutiny of the proposals so received, including security clearance, and decision on the features to be introduced is expected to be completed by March 31, 2011 and thereafter, Request for Proposals (RFP) will be issued to the firms found capable to supply the selected features, if security cleared.

11.4 Coins

11.4.1 Commemorative Coins

In the year 2010, the Government released coins to Commemorate the following occasions:

i. 125th Birth Anniversary of Dr. Rajendra Prasad.
ii. Platinum Jubilee of RBI.
iii. 150th Birth Anniversary of Rabindranath Tagore
iv. Mother Teresa Birth Centenary
v. Birth Centenary of Shri C. Subramaniam.
vi. 1000 years of Brahadeeshwarar Temple
vii. XIX Commonwealth Games

11.4.2 Amalgamation of all legislation relating to coins

The Coinage Bill, 2009 which seeks to amalgamate four existing Acts, viz. (1) Indian Coinage Act, 1906; (2) The Metal Tokens Act, 1989; (3) Small Coins (Offences) Act, 1971 (4) the Bronze Coin (Legal Tender) Act 1918 into one comprehensive act and also align the provisions to the contemporary situation, was introduced in the Lok Sabha on December 17, 2009 and was referred to Standing Committee on Finance. The Standing Committee on Finance submitted its Report to the Lok Sabha on August 31, 2010 and suggested changes to some clauses of the Bill and also amalgamation of the Currency Ordinance, 1940 in the proposed legislation. The recommendations have been considered by the Government and an Amendment Bill is accordingly proposed to be introduced in the Lok Sabha during Budget Session, 2011.

11.4.3 Rationalisation of coins

In the year 2009, the Government had set up a Committee for rationalisation of denominations, dimensions (shapes & sizes), design and metal composition of coins under the chair of Smt. Usha Thorat, then Deputy Governor, RBI. The Committee recommended revision in dimensions and designs of existing coins as well as withdrawal of coins of denomination of 25 paise and below. The recommendations of the committee were accepted by the Government. Accordingly, in exercise of Section 15 A of the Coinage Act, 1906, the Government issued a Notification for call in from circulation of the coins of denomination of 25 paisa and below. These coins will cease to be legal tender after 30.6.2011. Introduction of a new series of coins, as recommended by the Committee, is also in the offing.

11.4.4 The Security Printing & Minting Corporation of India Limited (SPMCIL)

11.4.4.1 The Security Printing and Minting Corporation of India Limited (SPMCIL) was incorporated on January 13, 2006 to manage the nine departmental units (4 Mints, 4 Presses and one Paper Mill), which were earlier being managed by the Ministry of Finance. The Company, with its headquarters at New Delhi, is a schedule-A Category-I Mini-Ratna company. Major activities of the Corporation are supply of printed bank notes to the RBI; Coins to RBI for circulation on behalf of Government of India; Non-Judicial Stamp Papers and allied stamps to State Governments; postal stationery & stamps to Department of Posts; and passports, visa stickers and other travel documents to the Ministry of External Affairs.

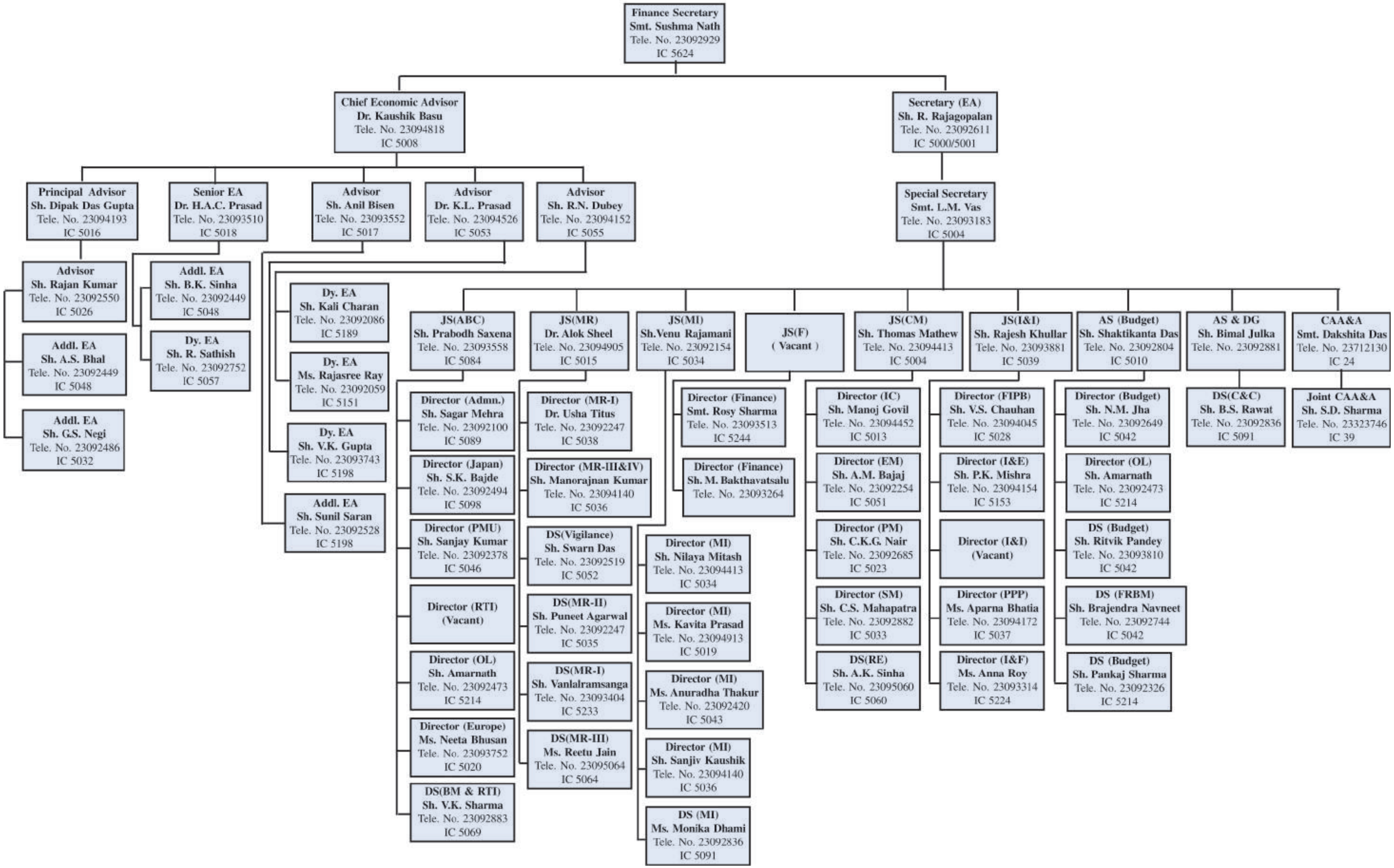
11.4.4.2 The Corporation achieved highest ever Turnover of ₹ 3037.79 crores and posted ever highest Net Profit of ₹ 542.25 crores during the year 2009-10. The Corporation has assets of about ₹ 4708.44 crores as on 31.03.2010. SPMCIL has also won global tender from Nepal Rashtra Bank (NRB) for printing and supply of 230 million pieces of ₹ 10/- denomination NRB banknotes at a contract price of €3.89 million and got order to print and supply 120 million pieces of ₹ 100/- NRB banknotes at a contract price of about € 1.94 million.

11.4.4.3 For indigenization of Bank Note Paper, a JV Company having 50:50 equity sharing between SPMCIL and the Bharatiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL) has been set up in the name of "Bank Note Paper Mill India Pvt. Ltd." and incorporated on 13.10.2010 at Bengaluru. This Paper Mill located at Mysore, for which foundation stone was laid by the Finance Minister on March 22, 2010, will have a capacity of 12000 Metric Tons per annum to be commissioned in two phases in 2013 and 2014 respectively. The approximate cost of the project is about ₹ 1200 crores.

11.4.4.4 The Committee headed by Shri Shilabhadra Banerjee also recommended revision of existing procurement manuals of SPMCIL and BRBNMPL to provide for (i) Procurement of integrated v/s sub-systems, (ii) Specifications for machinery, (iii) Pre-qualification criteria, (iv) samples, (v) Price bid comparison between Foreign v/s Indian bidders, (vi) Payment terms, (vii) Development order/Vendor Development, (viii) Classification of security products, (ix) Joint Procurement of machinery/raw material by SPMCIL and BRBNMPL and (x) Procurement of Bank note paper. Procurement manual of SPMCIL has been revised and approved by its Board. It has been referred to CVC for comments, if any.

11.4.4.5 The disbursement of Pension to employees absorbed in the Corporation, who have opted for pro-rata pension for service under the Government, is almost completed. 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. Of about 1400 employees who opted to remain in the Government service and have been taken on the rolls of the Surplus Cell, 465 have been granted Special VRS. Of the remaining, more than 200 employees have already been redeployed to other central Government offices, mostly under the Ministry of Finance.

Organization Chart of Department of Economic Affairs (As on 04.03.2011)



Department of Expenditure

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 have become an integral part of the budgeting process since 2005-06. Outcome Budget broadly indicates the physical dimensions of the financial budgets as also the actual physical performance in the previous year, performance of the first nine months of the current years and the targeted performance for the following years. Latest guidelines in this respect were issued in November 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 outcome budgeting initiative has the advantage of directing the focus on outcomes of government spending thereby raising accountability. A compilation of the outcome budgets of flagship schemes is also presented to the Parliament each year. Apart from this, the Independent Evaluation Office under the Planning Commission and Delivery Monitoring Unit in the Office of the Prime Minister are also reviewing the achievement and outcome of schemes. These steps have created a new paradigm of financial accountability.

1.5 During the year 2010-11, the left over issues relating to pay matters arising out of implementation of the recommendations of the 6th Pay Commission or otherwise for Central Government Employees and out of its extension to various autonomous body employees and legal/court matters thereon, which were referred from time to time by various Ministries/Departments/ Organizations, were addressed in an appropriate manner.

1.6 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.

1.7 In pursuance of the recommendations of the Public Accounts Committee (PAC) contained in its 105th report (10th Lok Sabha), a Committee of Secretaries chaired by the Cabinet Secretary is reviewing periodically the pendency position of Action Taken Notes(ATNs)/ Action Taken Reports (ATRs) on CAG Audit Paras/PAC Recommendations. The first meeting of the CoS was held on 17th June, 2010 and the follow up meeting (2nd meeting) on 02.11.2010 to review the status of liquidation of outstanding PAC and the CAG paras. Pursuant to the decisions taken in the meeting, this Department issued several instructions to liquidate the pendency in respect of C&AG/PAC paras, which include:-

(i) Organisation of ATN Adalats/Workshops in every Ministries/Department on quarterly basis inviting representative of audit, to resolve and finalise the pending ATNs/ATRs

(ii) Constitution of Standing Audit Committee in every Ministry/Department under the Secretary in-charge with Financial Adviser and representative of C&AG {only in respect of Defence, Railway, Revenue (CBDT &CBEC), Telecommunications} to monitor and review on a monthly basis the submission of ATNs on C&AG's Audit Paras and ATRs on PAC recommendations and take appropriate remedial measures.

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. The unit brought out the 31st issue of the series of brochure for the year 2008-2009 in August 2010. The work regarding the brochure for the year 2009-2010 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. 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

3.2 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.

3.3 The expenditure trend of Grant No. 38, 39 & 40 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 States 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:

4.1.1 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. Additional Central Assistance is tied to projects and generally includes a component for 30% grants to Non-Special Category States and 90% grant component for Special Category States. During 2009-10, an amount of Rs.17442.04 crore was released to States as NCA. An amount of Rs.15931.79 crore of NCA has been released in 2010-11 (upto 31.12.2010).

Table 2.1 : Allocations under respective Grants

(₹ crore)

Grant No.	Budget Estimates 2010-11			Revised Estimates 2010-11		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
38- Department of Expenditure	10.50	110.35	120.85	9.51	102.96	112.47
39- Pensions	-	16,000.00	16,000.00	-	16,000.00	16,000.00
40-Indian Audit & Accounts Department	-	2090.15	2090.15	-	2276.84	2276.84

4.1.2 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 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 ₹ 9219.73 crore was released during the financial year 2009-10. During 2010-11, SPA of ₹ 3193.42 crore has been released so far (upto 31.12.2010). In addition, during 2010-11, untied SCA of ₹ 2500 crore has been released to Special Category States to keep tide over temporary difficulties.

4.1.3 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.

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 ₹ 5109.24 crore was released to the State Governments during 2009-10. An amount of ₹ 3884.38 crore has been released in 2010-11 (upto 31.12.2010).

4.1.4 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 ₹ 1130 crore has been released by Ministry of Finance during the financial year 2009-10. During 2010-11, ₹ 1016 crore has been released so far (upto 31.12.2010) against the BE provision of ₹ 2250 crore. .

4.1.5 Accelerated Irrigation Benefit Programme (AIBP)

The Accelerated Irrigation Benefit Programme (AIBP) implemented during the 10th Plan was continued in the 11th Plan with a total outlay of ₹ 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.

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.

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 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 ₹ 7000 crore.

During the current year (2010-11), as against a BE of ₹ 11500 crore the allocation made by Planning Commission for these State Sector Schemes is as at Table 2.2.

Based on the recommendations of Ministry of Water Resources, grant of ₹ 8524.39 crore was released to the State Governments during 2009-10. During 2010-11, Rs.2895.50 crore has been released so far (upto 31.12.2010).

4.1.6 Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

4.7.1 To provide focused attention to integrated development of infrastructural services in identified cities, "Jawaharlal Nehru National Urban Renewal Mission (JNNURM)" was launched by the Hon'ble Prime Minister of India on 3rd December, 2005. Ministry of Urban Development is implementing the Sub-Mission on Urban Infrastructure and Governance (SMUIG) and

(₹ crore)

Table 2.2		
Sl. No.	Scheme	Allocation made by Planning Commission
1	AIBP-Regular Programme	9200.00
2	Flood Management Programme	1199.00
3	Command Area Development and Water Management	499.00
4	Repair, Renovation and Restoration of Water Bodies	600.00
5	Dam Rehabilitation and Improvement Programme	1.00
6	Ground Water Development	1.00
	Total	**11500.00**

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).

The duration of the Mission is seven years, beginning from 2005-06. During this period, the Mission seeks to ensure sustainable development of selected cities. Additional Central Assistance (ACA) under the Scheme for the States is being released by Ministry of Finance, where as Ministry of Home Affairs releases ACA for Union Territories.

In February 2009, a component for funding of urban transport projects including purchase of buses was added under SMUIG. Accordingly, ACA of ₹ 950.48 crore has been released to the States during 2008-09, 2009-10 and 2010-11 so far, for purchase of buses for Urban Transport.

The 7 year mission allocation has been enhanced from ₹ 50,000 crore to about ₹ 66,000 crore. This includes an increase of ₹ 6000 crore for UIG, ₹ 5000 crore for UIDSSMT, ₹ 2682 crore for BSUP and ₹ 2361 crore for IHSDP. Based on the recommendations of Ministry of Urban Development and Ministry of Housing & Urban Poverty Alleviation, ACA of ₹ 28593.24 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 ₹ 2437.21 crore has been released in the current financial year 2010-11 (upto 31.12.2010).

Rajiv Awas Yojana (RAY) is a new State Sector scheme announced under JNNURM I 2009-10 that is aimed at making the country slum free by 2020 has now been moved to the Central Sector.

4.1.7 National E-Governance Plan (NEGP)

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

The Ministry of Communications and Information Technology is the nodal ministry in charge of the Scheme. In 2009-10, ₹ 117.68 crore was released. For the FY 2010-11 budget allocation of ₹ 190.00 crore has been made for NEGP. However, no release has been made so far in 2010-11.

4.1.8 State Treasury Computerization under National e-Governance Programme-

The Government of India has approved the scheme for computerization of State Treasuries at an overall cost of ₹ 626 crore (with Central Assistance of ₹ 482 crore), computed at ₹ One crore per district in existence on 1 April 2010. The scheme, to be implemented in about three years beginning 2010-11, would support States and UTs to fill the existing gaps in their treasury computerization, upgradation, expansion, and interface requirements, apart from supporting basic computerization of their treasury functions. The scheme covers installation of suitable hardware and application software systems in a networked environment on a wide area basis and building interfaces for data sharing among various stake holdes The project is expected to make budgeting processes more efficient, improve cash flow management, promote real time reconciliation of accounts, strengthen Management Information Systems (MIS), improve accuracy and timeliness in accounts preparation and bring about transparency and efficiency in public delivery systems in States and Union Territories.

Detailed scheme guidelines have been communicated to all the States and UTs so as to enable them to prepare their proposals. Two committees namely Empowered Committee (EC) and a Programme Steering Committee (PSC) have been constituted for implementation of the Scheme.

4.2 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 ₹ 11761.17 crore was released to the State Governments during 2009-10. During 2010-11, ₹ 9412.15 crore has been released (upto 31.12.2010).

4.3 Other Schemes

Additional Central Assistance is also released to other schemes like Drought Mitigation in Bundelkhand Area, Hill Area Development Programme (HADP) and Border Area Development Programme (BADP). An amount of ₹ 251 crore has been released for Drought Mitigation in Bundelkhand Region as on 31.12.2010, ₹ 517.87 crore has been released for BADP in 2010-11 (upto 31.12.2010) and ₹ 203.62 crore has been released for HADP in 2010-11 (upto 31.12.2010)

The different types of assistance allocated to the State Governments and released during 2010 are as under at Table 2.3 (As on 31-12-2010)

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, 2010, 62 meetings of the Expenditure Finance Committee (EFC) chaired by Secretary (Expenditure) considered 62 Plan Investment Proposals/ Schemes of various Ministries / Departments costing ₹ 388061.00 Crore. Also, 6 meetings of Public Investment Board (PIB) cases involving an amount of ₹17595.65 Crore were considered and recommended by the competent authority as per the following details at Table 2.4.

(₹ in crore)

Table 2.3

Sl. No.	Items/Schemes	Allocation for 2009-10 (BE)	Allocation for 2009-10 (RE)	Amount released during 2009-10	Allocation for 2010-11 (BE)	1st & 2nd Supplementary 2010-11	Amount released during 2010-11 (upto 31-12-2010)
A.	Plan Assistance						
1	Normal Central Assistance	19110.61	18045.04	17442.00	21728.00		15931.79
2	Addl. Central Assistance for Externally Aided Projects	7500.00	12146.76	11761.2	9551.25	3000.00	9412.15
3	Special Plan Assistance	4602.00	4602.00	9219.73	9438.00	1779.00	3193.42
4	Addl. Central Assistance for other Projects	1550.00	2450.00	4157.74	1000.00	100.00	526.52
5	Nutrition Programme for Adolescent Girls (NPAG)	162.77	49.55				
6	Accelerated Power Development Reform Programme (APDRP)	350.00	156.06	156.06			

7	Accelerated Irrigation Benefit Programme (AIBP) and other water related programme	9700.00	9700.00	8524.39	11500.00		2895.5
8	National Social Assistance Programme including Annapurna (NSAP)	5109.24	5109.24	5109.24	5710.00		3884.38
9	Central assistance for Hill Areas/ Western Ghats Development Programme	272.00	272	253.8	272		203.62
10	Special Central Assistance for Border Areas Development Programme (BADP)	635.00	635	635	635		517.87
11	Central assistance for Backward Regions Grant Fund (State Component)	1130.00	1130	1130	2250		1016.00
12	National E. Governance Action Plan (NEGAP)	469.37	169.37	117.68	190		
13	ACA for Jawaharlal Nehru National Urban Renewal Mission						
	(i) Sub Mission on Urban Infrastructure and Governance (SM-UIG)	5117.26	3776.5		5912.92		2437.21
	(ii) Urban Infrastructure development for Small and Medium Towns (UIDSSMT)	3073.56	484.89		1500		
	(iii) Sub Mission on Basic Services to Urban Poor (SM-BSUP)	2168.94	1234.47		2000		
	(iv) Integrated Housing and Slum Development (IHSDP)	1108.86	777.13		1006.08		
	(v) Rajiv Awas Yojana (RAY)	150.00	60.00		1200.00		
14	Tsunami Rehabilitation Programme (TRP)	336.98	336.98	208.84			

15	Brihan Mumbai Storm Water Drain Project (BRIMSTOWA), Mumbai	500.00	500.00	500	0.5		
16	ACA for desalination Plant at Chennai	300.00	150.00		0.5		
17	ACA for Accelerated Programme of Restoration and Regeneration of Forest Cover	500.00	200.00				
18	ACA for Infrastructure Support for Opening Bank Branches in Unbanked Blocks	100.00	10.00				
19	Long Term reconstruction of assets damaged during 2005-06 floods	--	315.6	325.1			
	Total (A)	**63946.59**	**62310.59**	**59540.8**	**73894.25**	**4879.00**	**40018.46**

Table 2.4

S. No.	Ministry/ Department	No. of projects recommended for approval	Cost (Rs. Crore)
1.	Power	5	11999.87
2.	Coal	1	5595.78
	Total	**6**	**17595.65**

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 2010, SIU has issued 07 final reports covering the sanctioned strength of 5533 posts. As against the sanctioned strength of 5533 posts in different organizations covered by these studies, SIU has found justification for abolition of 344 posts and creation of 160 posts resulting thereby in a total number of 184 posts as surplus.

6.4 The saving on account of abolition of posts after off setting the additional expenditure on creation of new posts would result in an economy of ₹ 8.80 crores per annum. In addition, SIU also conducted staffing studies in Khadi & Village Industries Commission (KVIC), Ministry of Culture and Directorate General Re-settlement (DGR) of Ministry of Defence covering around 3800 posts and issued provisional reports pertaining to KVIC and Ministry of Culture.

6.5 The SIU has also been associated as Core Member with three Committees constituted for assessing the manpower requirement in Scientific and Technical Organizations namely Hazardous Waste Management Division of Central Pollution Control Board, Delhi under the Ministry of Environment & Forests, Department of Science & Technology, New Delhi and Central Council for Research in Homoeopathy (CCRH) under Department of AYUSH.

7. Chief Controller of Accounts

7.1 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 function 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.

7.2 Centre to State Funds transfer Monitoring

A significant responsibility assigned to CCA, Ministry of Finance 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.

7.3 Monitoring of Internal Debt

7.3.1 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.

7.3.2 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.

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

7.4.1 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.

7.4.2 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.

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

REPRESENTATION OF SCs, STs & OBCs

Group	No. of Employees				No. of appointment 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	6	2.	NIL	NIL	Done by O/o CGA, Ministry of Finance, Department of Expenditure									
Group B	110	15	3	NIL										
Group C	118	26	10	10	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Group D (Excluding Safai Karamcharis)	17	3	1	2	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Group D (Safai Karamcha-ris)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL	251	46	14	12	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

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

REPRESENTATION OF PERSONAL WITH DISABILITIES

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies re-served			No. of Appointment made				No. of Vacancies re-served			No. of Appointment 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 Orthopedically Handicapped (persons suffering from locomotor disability or cerebral palsy).

8. Controller General of Accounts

8.1 The Controller General of Accounts is an 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.

8.2 Broadly, the functions entrusted to the Controller General of Accounts as per Allocation of Business Rules 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 towards 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.

8.3 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

8.4 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.

8.5 The Government of India has constituted a Committee for revision of the List of Major and Minor Heads of Accounts of the Union and States. The Committee is headed by Controller General of Accounts and has representation from Office of Comptroller & Auditor General, Budget Division, Planning Commission, National Institute of Public Finance and Policy and a few State Governments. The Committee would conduct a comprehensive review of the existing system of expenditure and receipt classification keeping in view the critical information requirement for policy formulation, allocation of resources among sectors, compliance with legislative authorizations, performance analysis and requirement of computerized data processing. The Committee would suggest a new list of accounting heads to cater to the needs for simplification, rationalisation, standardisation across national and sub-national governments.

8.6 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.

8.7 To introduce Sevottam in Civil Accounts Organisation, the Inspection Wing of the office of CGA, whose main duty was to conduct regulatory / compliance inspections of Pr. Accounts Offices and Pay & Accounts Offices was renamed as 'Quality Assurance Wing' (QAW). Accordingly, the Quality Assurance Wing is mandated to improve the quality in functioning of the departmentalized accounting units and to guide the Internal Audit Wings of the line Ministries in conducting quality audits of the Pay & Accounts Offices and Drawing & Disbursing Offices. Additionally, the QAW carries out the vetting of internal Audit Manuals prepared by the Internal Audit Wings of the line Ministries and monitors the monthly MIS reports received from the Pr.CCAs/ CCAs/CAs. A databank/ panel of experienced retired officers is maintained in the Quality Assurance Wing and the line Ministries draw upon this to augment their resources for internal audit, risk based audits, etc. A consolidated report relating to 'Re-appropriation of funds' in compliance of recommendations contained in the 37th Report of the PAC (14th Lok Sabha) is compiled and forwarded to the Ministry of Finance, Budget Division. The Directory of the Civil Accounts Organisation as well as the Directory of Indian Civil Accounts Service Officers is also prepared.

8.8 Centre of Excellence for Internal Audit

A Centre of Excellence for Internal Audit set up in August 2007 to reinforce the commitment to continuous

Controller General of Accounts
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	175	32	14	14	7	-	-	4	22	3	3	-	-	

Position as on 31.12.2010 ***By induction from Gr 'B' to Gr 'A'**

REPRESENTATION OF PERSONS WITH DISABILITIES

Group	Number of Employees				DIRECT RECUITMENT							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	175	-	1*	-	2	2	1	-	-	-	-	-	-	-	-	-	-	-

Position as on 31.12.2010
VH stands for Visually Handicapped (persons suffering from blindness or low vision)
HH stands for Hearing Handicapped (persons suffering from hear impairment)
OH stands for Orthopedically Handicapped (persons suffering from locomotors disability or cerebral palsy)

management improvement and move towards a strengthened and better-positioned internal audit system is also functioning within the Quality Assurance Wing. The objectives of the Centre of Excellence are to 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', to 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, and to provide an assurance to the management that the 'controls' in place provide adequate protection against likely 'risks'.

8.9 Initiatives & Achievements:

Quality Assurance Wing has, keeping in line with its new roles and responsibilities, developed a Checklist of control points for conducting Internal Audit of PAOs of the line Ministries as well as a checklist for internal audit of DDOs. A theoretical framework which forms part of the checklist, explains the need to follow the established procedures in various functions of the Pay & Accounts Offices to mitigate exposure to various risks. The Checklists will aid management in achieving objectives by testing that internal controls are established and functioning properly. The Quality Assurance Wing is also geared to assist the Steering Group set up by the Controller General of Accounts for implementing Sevottam in the Civil Accounts Organisation.

8.10 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 (CPSMS) 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 a web based system being implemented by the office of Controller General of Accounts as a Plan Scheme under the Planning Commission. It is operative in all Civil Ministries covering all Plan Schemes.
- The system is capturing and tracking of funds disbursed from the Government of India under the plan schemes. It also provides auto verification of given banks accounts number and visibility of idle funds lying in the accounts of agencies at different hierarchies of implementation on a real time basis. The system is also being operated 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.
- 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.

8.11 Benefits derived from CPSMS

- It captures all schemes operated by central civil ministries with Budget provision on website.
- 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 use₹A pendency report can also be generated from the system. The tracing of sanctions and pendency reports are very effective tools of regular monitoring.
- Sanction orders are being generated through the system. The inbuilt "draft sanction modules" 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 and to individuals to trace their releases.
- Universal application of CPSMS software covering all Plan Schemes of Government of India reduces the proliferation of local softwares and various 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 and 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 about different grants received from various ministries / schemes by any NGO / autonomous body / individual.
- Detail of all such agencies (including NGO's) drawing Grants from more than one Scheme/ Ministry/Department can be generated.

8.12 Rollout Plan

- After having consolidatd the position at Central Govt. level, in the next phase, it has been decided to roll out the CPSMS in the four states of Punjab, Madhya Pradesh, Mizoram and Bihar covering major plan scheme such as Sarva Shiksha Abhiyan (SSA), National Rural Health Mission (NRHM), National Rural Employment Guarantee (NREGA) and Pradhan Mantri Gram Sadak Yojana (PMGSY).

- The Detailed Project Report for the scheme is under preparation. On completion EFC will be prepared to cover all schemes in all States/UTs to capture the expenditure on real time basis from the lowest level of implementation. The scheme will also establish and interface with District Treasuries, RBI, State Treasuries and Accountants General of respective states.

8.13 Information Technology Initiatives

8.13.1 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).

8.13.2 'e-Lekha', operational since 2005, is a web-enabled financial accounting information system which has improved efficiency and accuracy of the accounting and payment processes in the Government of India. It is built around the COMPACT application being used by all Civil Ministries of the Government of India covering 320 Pay and Accounts Offices (PAOs) spread across the geographical expanse of the Country.

8.13.3 At the end of the day COMPACT system generates a single tamper-proof file and is uploaded to the e-Lekha server using its Web based interface. Non-Civil Ministries like Defence, Railways, Post & Telecom, AG Audit etc., also use e-Lekha for limited purposes of accounts uploading / submission and financial reporting. In this way, e-Lekha gets all the daily financial and accounting data from each office 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. e-Lekha also facilitates an electronic Payment and itemized tracking for all Government Payments through core accounting services.

8.13.4 COMPACT (Comprehensive Payment & Accounting Package for PAOs) is an application for computerizing processes involved in payment/ receipts systems and accounting in Pay & Accounts Offices of Government of India. COMPACT is certified by Standardization Testing and Quality Certification (STQC Directorate), Department of Information Technology and has been running successfully in various Pay and Accounts Offices since 2001. The system has elaborate input and process validations and has integration of payment and accounting functions. COMPACT interfaces between the PAOs and other entities like Drawing and Disbursing Officers, Banks, Central Pension Accounting Office.

8.13.4 In order to eliminate the manual payment process of issuing cheques to the beneficiaries, the electronic payment system has been introduced wherein an electronic advice will be sent to the accredited banks for every transaction for crediting the bank account of the beneficiary. The software has been run on pilot basis successfully in the Ministry of Agriculture and is presently under security testing by the STQC Directorate and will be rolled out to the ministries upon certification. Implementation of e-Payment system will not only enhance the speed of payment processes in Government transactions, but also ensure tracking individual transactions efficiently.

8.13.5 The current IT activities involve development of the GPF management system already functional on pilot basis in some of the para military forces PAOs under Ministry of Home Affairs. It aims to establish an employee centric platform to provide all GPF related services to employees of various ministries and departments. This would result in high user and data volume and mandates a highly scalable platform which will scale-out horizontally to ensure optimum performance and scalability. Further the scope of e-Lekha is being extended to enable preparing the Annual Appropriation Accounts and Union Finance Accounts by leveraging the basic data of PAOs available on COMPACT. The application is currently being developed by the Accounts Informatics Division of NIC attached with the O/o CGA.

8.14 Examination Reforms

8.14.1 Availability of efficient and properly trained man power is essential to fulfil 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.

8.14.2 During the year 2010-11, the Assistant Accounts Officer (Civil) Examination was conducted in November/ December, 2010 in Delhi and 12 other centres spread across the country. Around 971 candidates have taken the Examination.

8.14.3 The first Departmental Confirmatory Examination of the year was conducted in July 2010. 94 candidates took the Examination. The second examination of the year is slated to be conducted in January 2011.

8.14.4 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.

8.15 The implementation of Right to Information Act, 2005

The Right to Information Act, 2005 has been implemented in the office of CGA 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.

8.16 Institute of Government Accounts and Finance (INGAF)

Founded in 1992, the Institute of Government Accounts and Finance [INGAF] is defined by its excellence as the training arm of the Controller General of Accounts [CGA], specializing in professional training in modern, technology enabled government accounting and financial systems. Its changing mandate over the years reflects the growing role of INGAF in an era of super-specialization that calls for professional skills being continuously and consistently upgraded. Its curriculum has been diversified in consonance with the changing environment of public expenditure management for cutting edge capacity building in a gamut of areas related to public policy and financial management.

- The institute conducts training at the induction and entry level, together with custom made programs for professional skill up gradation at the middle and senior management levels reaching out to more than 7000 participants/trainees every year. Its programs are academically rigorous, designed to catalyze change and stimulate active peer learning in areas as diverse as public policy and financial management, accounts and cash management, treasury management, fiscal and budgetary reforms, pension and pensionary reforms, internal audit, procurement, project management financing and appraisal, administrative procedures and leadership and change management – using interactive multimedia and advanced IT tools.

Training Highlights

a. Expanded training programs to extend coverage to an unprecedented number of over 7000 participants
b. Organized 26 professional seminars/ lectures for senior officers on a gamut of areas related to Public Policy, Financial Management, and HR issues
c. Conducted pilot workshops on understanding change to strengthen the ability to support change at the organizational level.
d. Organized seminars/ conclaves on public expenditure management for officers from regional PAOs
e. More than 250 officers trained in workshops related to the central plan scheme monitoring system
f. Provided a special thrust to programs on risk based audit in collaboration with the IIA and FMRRS.
g. Extended both classroom and web based training/ coaching support to around 600 AAO [Civil] Exam 2009 aspirants
h. Organized outreach programs [on demand] at Hyderabad, Ahmedabad, Lucknow, Jaipur and Port Blair
i. Organized exclusive programs for officers from departments of Chemicals and Fertilizers, Atomic Energy and Labour, IIT Mumbai, BARC, Tata Memorial Hospital, KVICs and a host of other autonomous bodies and institutions
j. Conducted special workshops on change management, internal audit and other aspects of public expenditure management for Governments of East Timor, Afghanistan and Bhutan
k. Conducted programs on public expenditure management and budgetary reforms for delegates from the ITEC/SCAAP consortium – thus extending training support to as many as 104 countries
l. Launched a new state of the art dynamic website

9. Central Pension Accounting Office

9.1 The Central Pension Accounting Office 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

9.2 The CPAO deals with pension related payment authorisation to Central Civil Pensioner, to 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.

9.3 CPAO is also coordinating the implementation of the New Pension Scheme in the Central Civil Ministries since April 2008.

9.4 CPAO has also been given the responsibility of directly disbursing provisional pension to Central Civil employees covered by New Pension scheme, who are sanction the additional relief as per Department of Pensions & Pensioners Welfare OM No.38/41/06/P&PW (A) dated-5th May 2009.

9.5 The Central Pension Accounting Office during the year carried out its role efficiently processing all pension cases. Between 1 January to 31 December 2010, this office has processed 127663 (57920 pertain to new PPOs and 69743 to revision cases, including VI CPC revision cases). A special cell has been created to deal with the larger number of inflows due to VI CPC recommendations.

9.6 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.

9.7 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.

9.8 We are working for the implementation of the projects initiated during the past years for efficient and prompt handling of pension payment and monitoring of expenditure. These projects include the introduction of Centralised Pension Processing Centres (CPPCs) in banks, submission of e-scrolls and e-PPO/e-authority. The CPPCs of State Bank of India, Bank of Baroda and Punjab & Sind Bank have commenced functioning from 1.9.2009, 1.1.2010 and 01.12.2010 respectively.

9.9 A thrust to improve standards of delivery of pension, in-house and through guidelines to banks has been a conscious endeavour of CPAO. To improve the implementation of pension disbursement, particularly revisions relating to Sixth Pay Commission, a number of meetings/workshops have been convened in CPAO with bankers and Pay and Accounts Officers. Further in collaboration with INGAF, New Delhi, CPAO has introduced a regular TOT programme "Enhancing Pension Delivery" targeting the banks in April/May 2009. Within CPAO, MIS have been developed to enable a performance review of all functionalities.

9.10 Quality service to pensioners is considered to be our primary objective. Grievance Redressal in CPAO has been strengthened by introducing mechanisms and by a close review. A grievance cell has been setup in CPAO in June 2009. As all pensioners are considered to be vulnerable and needing immediate attention, all the pensioners' grievances and queries received are promptly attended to and redressed through the two designated Grievance Officers. An effort is on to develop and include links in the Grievance Redressal System of CPAO with those being mandated in CPPCs to offer one service window to the pensioners in respect of pension disbursement.

9.11 The special provisions for the pension disbursement to disabled/handicapped outlined in the "Scheme for Payment of Pensions to Central Government Civil pensioners by Authorised Banks" are being reiterated to all authorised banks from time to time.

9.12 Pragmatic estimation of pension disbursement by amending requirements in consonance with reports received has been made in respect of the Pension Grant. Efficiency and economy is practiced in this office by in the establishment matters.

9.13 The Right to Information Act, has been implemented in CPAO and all the information disclosures required under the Act has been put up on the office's website http.//cpao.nic.in// Central Public Information Officers as well as other information Officers have also been designated. Detailed guidelines on the procedure to be followed in this office on receipt of an information request have been strengthened by internal orders and review.

9.14 Efforts have been made to improve the measurement of outputs for different functions within CPAO of receipt/ authorisation/dispatch by devising standards, daily status reports and monthly inflow-outflow statements for PPOs/ Revision authority. At the dealing hand level, date-wise productivity status is reviewed with additional emphasis on quality and First –in First-out (FIFO) treatment. All authorised banks are now being required to report back the date of credit to enable a measurement of bank-wise performance for enhanced service.

9.15 E-Governance activities at CPAO

9.15.1 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 2010 is 9,49,537. 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.

9.15.2 The website of CPAO (http://cpao.nic.in) developed and launched on 8th October 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 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.

9.15.3 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.

9.15.4 Many useful MIS reports like section-wise DSR (Daily Status Report), Operator-wise report have been designed to help top management to track pendency at different sections in the office such as Receipt, Dispatch, Authorisation, Computer Section etc. so that bottlenecks, if any, can easily be identified to initiate corrective measures.

9.15.5 A wide range of software has been developed/ implemented in this office for streamlining pension disbursement and accounting, includes:-

9.15.5.1 Pension Authorization Retrieval & Accounting System (PARAS):- For processing of pension cases received in this office and issue of Special Seal Authority. This software is currently being upgraded.

9.15.5.2 COMPACT: - For compiling Monthly Accounts and expenditure relating to this office. This is a software provided by the O/o the CGA.

9.15.5.3 Database Management Software: - software for comparison of bank's database with CPAO's database of pensioners has been developed and exception reports are generated by it to clean up the database and establish a completely matching database of both the ends.

9.15.5.4 All these initiatives aim at establishing a seamless processing and accounting of pension disbursement to enhance efficiency and effectiveness of the delivery of pension across the domains of Central Civil ministries, CPAO and Banks.

10. National Institute of Financial Management (NIFM)

10.1 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".

10.2 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.

10.3 Objectives

10.3.1 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.

10.3.2 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, monographs, 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.

10.4 Main Activities

10.4.1 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.

10.4.2 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.

10.4.3 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.

10.4.4 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.

10.5 Organisational set up

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.

10.6 Achievements in 2010-11

NIFM runs the following long-term programs:

(i) Professional Training Course for probationers
(ii) Post Graduate Diploma in Management (Financial Management)
(iii) Diploma in Government Accounting & Internal Audit
(iv) Fellow Programme in Management
(v) Post Graduate Executive Programme in Financial Markets

10.7 Professional Training Course

10.7.1 Since inception in January 1994, NIFM has successfully trained seventeen batches of probationers of various Accounts, Audit, and Finance Services.

10.7.2 17th Professional Training Course which started in January 2010 was completed in the first week of November 2010. The break-up of the participants from various participating services is as follows :-

Service	Number
Indian Civil Accounts Service	2
Indian Defence Accounts Service	4
Indian P&T (Finance & Accounts) Service	5
Total	11

Table: Service wise break-up of probationers of 17th PTC

10.7.3 Training of 18th Batch of 23 probationers (list placed at Appendix – II) commenced on 3rd January, 2011. The break-up of the participants from various participating services is as follows:-

Service	Number
Indian Civil Accounts Service	07
Indian Defence Accouns Service	09
Indian P&T (Finance & Accounts) Service	07
Total	23

Table: Service wise break-up of probationers of 18th PTC

10.7.4 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.

10.7.5 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.

10.7.6 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.

10.7.7 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.

10.8.1 The programme is open to the 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.

10.8.2 The program fee 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.

10.8.3 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.

10.9 Diploma in Government Accounting & Internal Audit

10.9.1 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.

10.9.2 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. At present the 3rd batch of DGAIA is in progress with 33 numbers of participants.

10.10 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 & equivalent to Ph. D. The first batch of the programme commenced from July, 2009 with 5 participants. The second batch of the programme commenced w.e.f. 10th May, 2010 and the third batch of the programme will commence from May. 2011 with 5 participants.

10.11 Executive Programme in Capital Market

The NIFM in collaboration with BSE has launched one 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 commenced from March, 2010 with 24 participants and the third batch of the porgramme is likely to commence from 20th March, 2011 with approx. 30 participants. The programame has been renamed as Post Graduate Executive Programme in Financial Markets.

10.12 Management Development Programs

10.12.1 NIFM conducts Management Development Programs (MDPs) of varying durations every year. In 2010-11 (upto January 2011), NIFM trained 923 participants in 34 programs that generated revenue of Rs.3.84 crore.

10.12.2 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
- Professional Skills Development

10.12.3 NIFM jointly with The Institute of Chartered Accountants of India has conducted one 3 months residential Programme on "Professional Skills Development" which includes General Management, Personality Development, Communication Skills and

Technical Skills for the newly qualified Chartered Accountants and Students appearing in Final Course of Chartered Accountancy.

10.12.4 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 government departments, PSUs etc. also sponsor candidates for the specialized courses conducted by the Institute.

10.12.5 During the year, Workshop on "Capacity Building Programme for Accounts Officers" of Haryana Government was conducted in collaboration with Haryana Institute of Public Administration (HIPA).

10.13 Special Programmes

10.13.1 MDP for the Faculty of Economics, University of Ljubljana, Slovenia was conducted during 12-18 April, 2010. NIFM also conducted a MDP for Government of Nepal with 19 participants. Apart from the above, a programme on Financial Management for Auditors of M/o Finance, Islamic Republic of Afghanistan was also held during 17-28 May, 2010 with 25 participants.

10.13.2 Training Programme on "Tendering and Procurement of Goods and Services including e-procurment for officials of PFC was conducted during 11-12 November, 2010.

10.14 Consultancy Assignments

During the year 2010-11, Consultancy Project on Inventory Assessment and Management of Moveable and Immoveable Enemy Properties, Ministry of Home Affairs, New Delhi has been completed. The consultancy projects awarded/ in progress during the year are as under:-

(i) Revision of Orissa General Financial Rules & Delegation of Financial Power Rules.
(ii) Evolving measures to improve effectiveness of measures & the quality of outcomes; pilot study for Tripura & Manipur – Ministry of DONER.

10.15 Infrastructure

10.15.1 The Institute is spread over a verdant 41 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.

10.15.2 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 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.

10.15.3 The 185 seat auditorium and the amphitheatre are venues for regular cultural programmes presented by participants of various programmes.

10.15.4 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.

10.15.5 A new Air Conditioned Hostel with 100 Rooms and independent dinning is being constructed with ultra modern kitchen and other lounge facility. Apart from the above-five numbers new class rooms with latest teaching electronic gadgets and twelve numbers executives suites are also being added in the Infrastructure under the Plan Scheme of Government of India. In addition 90, rooms along with the wash rooms have been renovated with modern facilities. Four numbers new Lounges have been constructed in the existing Hostel Building.

10.16 Staff Strength

10.16.1 The Institute has a total sanctioned strength of 85, which includes 28 faculty posts. 53 posts including 13 faculty posts are presently filled.

Table: Break-up of sanctioned posts and vacancies

Category	Numbers of posts		
	Sanctioned	In position	Vacant
Faculty	28	14	14
Staff	57	42	*15
Total	85	53	32

* Filled up through contractual employees

10.16.2 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.

10.16.3 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.

10.17 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.

10.18 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 during the month of September, 10 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.

11. Office of Chief Adviser Cost

11.1 The Office of the 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.

11.2 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.

11.3 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.

11.4 The Chief Adviser Cost's Office is also 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.

11.5 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 services 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. Functioning 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 determination and verification of claims under Market Intervention Schemes (MIS) and Price Support Schemes (PSS) for sharing of losses by State and Central Government.
j. Cost Accounting System for departmental undertakings/Autonomous bodies.
k. Time and Cost Overruns of major projects.
l. Advise on matters relating to determination of Abatement Rate for purposes of Central Excise.

11.6 During the period January to December 2010, 68 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 Advise as Members of

Committees. Report of the Committee on 'DAVP Rate Structure Committee' for revision of DAVP Advertisement Rate.

(ii) System Study

a. Fixation of Common Hourly Rates and Overhead percentages in respect of Government of India Presses at Shimla, Nilokheri, Aligarh, Gangtok, Nashik, Santragachi, Temple Street, Mysore, Coimbatore and Chandigarh.

b. Cost of production and fair selling price for items of Postal Stationery produced and supplied by India Security Press, Nashik to Department of Posts for the year 2004-05 and 2005-06.

(iii) Fair price of goods purchased/services purchased on Single Tender basis or from limited sources Fixation of Fair Price of Handloom items (Cotton Turkish Towels, Cotton Sarees, Bed Sheets and Pillow Covers, Barrack Blankets and Woolen Blanket) supplied by Association of Corporations and Apex Societies of Handloom (ACASH) to various Government Ministries/ Departments under the Single Tender System during the Years 2004-05 to 2007-08.

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

a. Fixation of final prices of DDT 50% WDP & Malathion Technical supplied by Hindustan Insecticides limited to Ministry of Health during 2007-08 and 2008-09.

b. Price Support Scheme (PSS) for Groundnut Pods during Kharif – 2005 - Vetting of Accounts for determining of share of loss to be borne by Central Government.

c. Price Support Scheme (PSS) for Copra during 2000 - Vetting of Accounts for determining of share of loss to be borne by Central Government

d. Determination of Fair Price of Multi Barrel Launcher and Tear Gas Gun produced by Central Workshop and Stores (CENWOSTO) of Border Security Force (BSF), Tekanpur, Gwalior for the year 2010-11.

e. Determination of Fair Price of Tear Smoke Munitions produced by Tear Smoke Unit (TSU) of Border Security Force (BSF), Tekanpur for the year 2010-11.

f. Fixation of Rate of Compensation for Nuclear Grade Ammonium Di-Urinate (NGADU) supplied by Indian Rare Earth Limited (IREL) to BARC for the financial year 2009-10.

g. Fair Price for Rail Products of Steel Authority of India Limited supplied to Indian Railways.

h. Fixation of Fair Price of SG GSCN and SG GS Coaches supplied by M/s Bharat Earth Movers Limited, Bangalore to Indian Railways during the year 2008-09.

i. Fixing of overhead charges (rate) by revision of the existing rate for the instruments manufactured by Indian Metrological Department that are sold to other Govt. Ministries (Defence)/ Institutes etc. for the year 2007-08.

j. Fixation of Fair Price of Traction Electrics supplied by BHEL to Indian Railways during the year 2008-09.

k. Fixation of procurement incidentals/ economic cost of Custom Milled Rice/ Levy Rice and Wheat in respect of Department of Food and Public Distribution.

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

a. Market Intervention Scheme (MIS) for 'C' Grade Malta procured under MIS in the state of Uttrakhand during crop season 2007-Vetting/verification of Accounts for determining of share of loss to be borne as subsidy by the Central Government.

b. Market Intervention Scheme (MIS) for 'C' Grade Apples procured under MIS in the state of Himachal Pradesh during crop season 2007 and 2008 - Vetting/verification of Accounts for determining of share of loss to be borne as subsidy by the Central Government.

c. Market Intervention Scheme (MIS) for 'Ginger' procured under MIS in the state of Nagaland during crop season 2008-09 -Vetting/verification of Accounts for determining of share of loss to be borne as subsidy by the Central Government.

d. Market Intervention Scheme (MIS) for Red Chillies in the State of Andhra Pradesh during 2003-04 Crop Season - Vetting/verification of accounts for determination of share of loss to be borne as subsidy by the Central Government.

e. Reimbursement of losses to MMTC Ltd. on sale of imported Edible Oil in open market.

(vi) Determination of subsidy

a. Subsidy payable to Northern Railway Catering Unit functioning in Parliament House for the year 2008-09 and 2009-10.

b. Approval of Subsidy Rates for the new LPG Bottling Plant at Gonda and at Baitalpur commissioned after 31st March, 2002.

c. Approval of subsidy rates for new SKO Depot at Muzaffarpur commissioned after 31st march, 2002.

(vii) Balance Sheet on accrual accounting principles in case of Departmental manufacturing units
Balance Sheet and Income & Expenditure Account of Tear Smoke Unit, Border Security Force (BSF), Tekanpur (Gwalior) for the year 2009-10.

(viii) Concurrent Audit of escalation claims paid by FICC

a. Report on notional concessional rate payable under NPS III (fixed cost) in respect of Gujraj State Fertilizer and Chemicals Limited (GSFC).

b. Report on notional concessional rate payable under NPS III (fixed cost) in respect of KRIBHKO Shyam Fertilizer Limited (KSFL)

(ix) Other studies

a. Study of cost of procurement of medicines from manufacturers' vis-à-vis from local chemists by Government under CGHS.

b. Storage Charges payable by Food Corporation of India to Central Warehousing Corporation (CWC) for the years 2005-06.

c. Report of Revision in Terminalling charges for LPG import facilities at Visakhapatnam.

d. Study of Accounting System of seven older Indian Institutes of Technology and Indian Institute of Science, Bangalore.

e. Re-examination of Interest Claim of M/s Ellon Hinengo Limited (EHL) for PSS by NAFED for procurement of Copra Season 2001 and Copra Season 2002.

f. Fixation of price of Tributyl Phosphate manufactured at Heavy Water plant, Talcher for the year 2008-09.

g. Projections for Proposed "Central Government Employees and Pensioners Health Insurance Scheme (CGEPHIS)".

h. Fixation of rate of coir products for issuance on DGS&D rate contract.

i. Vetting of prices of Ayurvedic/Unani Medicines supplied by M/s Indian Medicines Pharmaceutical Corporation Limited (IMPCL) to CGHS dispensaries for the pricing period 2010-11.

j. Study of Film processing costs for finalization of rates for the year 2010-11 for Films Division.

k. Cost of CGHS facilities to employees of the autonomous bodies/semi government organizations for the year 2005-06.

l. Study of revision of rentals for Siri Fort Auditorium Complex - Ministry of Information and Broadcasting.

m. Examination of the case regarding "Acquisition of Leasehold Right of Property at 9, Weston Street, Kolkata".

n. Cost Study on production and promotion of weekly Oral Contraceptive Pills (Saheli / Novex) subsidy payable to M/s. HLL Lifecare Ltd. from the year 2010-11 onwards

11.7 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. Expert Group to review the rates of Agency Charges payable to Department of Post for the Savings Bank Operations rendered by Department of Posts.

b. Committee to determine the amount to be paid to DCI – Implementation of Sethusamudram Ship Channel Project (SSCP) – award of Dredging Contract.

c. National Pharmaceuticals Pricing Authority, Department of Chemicals & Petrochemicals

d. Board of Governors and the society of the National Institute of Financial Management (NIFM), Faridabad.

e. Advisory Committee on Abatement for Excise Duty and Service Tax – Department of Revenue

f. Governing Body of Tear Smoke Unit, BSF, Tekanpur.

g. Standing Committees set up by various Ministries/ Departments for fixation of responsibility for time and cost overrun.

h. Fertilizer Industry Coordination Committee, Department of Fertilizers.

i. Committee to consider the procurement of agricultural commodities under the Market Intervention Scheme.

j. Advisory Committee constituted for examination of draft Cost Accounting Rules framed by the Department of Company Affairs in respect of various products.

k. Standing Committee of State Secretaries of Stamps and Registration.

l. Committee for uniform costing and preparation of Proforma accounts for various mints and presses.

m. Committee to examine issues relating to under recoveries of the PSU Oil Marketing Companies.

n. Committee to have in-depth study of various policies and practices outlined in the draft accounting manual for Government of India Presses.

o. 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.

p. Committee on Internal Audit – to initiate the process towards framing uniformly Applicable Internal Audit Standards in Government of India.

q. Constitution of Expert Accounting Committee to review the present Accounting System of Military Farms.

r. Committee under Chairmanship of AS&FA, Ministry of Information and Broadcasting on Common Wealth Youth Games 2008, Pune and Common Wealth Games 2010, Delhi.

s. Tripartite Committee to study all outstanding issues and working of Jute Industry constituted by Ministry of Labour and Employment.

t. Committee to revise the rates of deployment charges for Central Police Forces/Rapid Action Force of CRPF based on update expenditure.

u. Committee constituted by M/o H&FW to propose a fee structure for procurement of work and services by Procurement Agent appointed on nomination basis.

v. Committee of experts on cost-benefit analysis for granting fiscal incentives/ concessions for Power sector.

w. Committee on "Modernization of Costing System in India Post" in Department of Post, Ministry of Communications.

x. Advisory Committee for consideration of techno-economic viability of major/ medium, flood control and multipurpose projects, coordinated by Central water Commission.

11.8 e-Governance activities

A separate website www.cac.nic.in for the office of Chief Adviser Cost has been developed as a first step towards e-governance. CAC intranet link for the internal use of Office of Chief Adviser Cost has also been developed. Pay Package system is also under process and is likely to be implemented shortly.

11.9 Right to Information Act, 2005

Right to Information Act, 2005 is completely implemented. PIO and Appellate Authority has been nominated under the said act and the information sought by the applicants is provided within the stipulated time.

11.10 Initiative undertaken for SC/ ST/ OBC/ Disabled

The Chief Adviser Cost's Office is also Cadre Controlling Office for Indian Cost Accounts Service (ICoAS). Recruitment to the entry level of ICoAS, i.e., Assistant Director (Cost), is made on the recommendations of UPSC. Recruitment includes persons belonging to General/SC/ ST/OBC categories. Vacancies have been identified as suitable for being manned by physically handicapped persons as well. During the year 2010, ten Assistant Directors (Cost) have been recruited through UPSC, out of which four candidates belong to OBC category and one belongs to SC category. Another recommendation from UPSC with respect to fourteen Assistant Directors (Cost) has been received. In the list of candidates recommended by UPSC, four candidates belong to OBC category while one belongs to SC category.

12. Use of Hindi as Official Language

12.1 Hindi Section of the Department of Expenditure implements the 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, 1963 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 All the Officers/employees have the working knowledge/proficiency in Hindi. As per the quarterly progress report for the quarter ended on September 30, 2010 the original correspondence with Region "A" and "B" was 50.45%, 41.72% respectively and efforts are being made to increase the use of Hindi in official work. Typists/Stenographers not knowing Hindi typing/ stenography are nominated for the training of Hindi Typing and Stenography on regular basis. Two Hindi Workshops were organized in the Department and the employees attaining first three positions were given the Cash Awards of ₹ 1200/-, ₹ 1000/- and ₹ 800/- respectively as well as consolation prize of ₹ 500/-.

12.3 Three meetings of the Departmental Official Language Implementation Committee were held. Discussions were held on quarterly progress reports received from various sections/divisions of the department and shortcomings found, if any, were removed.

12.4 For the propagation of official language Hindi in the department, Hindi Magazine "Vyay Patrika" was published by Hindi Section. The authors of the article published in this magazine are given cash awards.

12.5 During the period under report, Hindi version of Brochure on Pay and Allowances of Central Civilian employees was published and issued by Pay and Research Unit of the department. Furthermore, translation of departmental publications such as Outcome Budget and Flagship Programmes was also carried out. The Induction Material of the department was also translated in Hindi.

12.6 During the year under report "Hindi Fortnight" was organized in the department from 14 September to 30 September, 2010. During the fortnight various competitions were organized which included Hindi Essay writing, Noting-Drafting, Hindi Poetry, Hindi Extempore, Dictation etc. A number of officers and employees took part in these competitions enthusiastically and apart from these, Non-Hindi speaking employees were also taken care of, for whom Essay writing competition was organized specifically. Besides this, Hindi Quiz and Conference on Contemporary topics were special attractions during the Hindi Fortnight. All the winners of first, second and third positions in these competitions were awarded cash prizes of ₹ 5000/-, ₹ 3000/- & ₹ 2000/- respectively along with the merit certificate and two cash prizes of ₹1000/- each as consolation. Alongside, during Hindi Fortnight, a competition was organized in which employees doing their maximum work in official language Hindi were rewarded. Under this, two first prizes of ₹ 3000/- each, two second prizes of ₹2000/- each, two third prizes of ₹1000/- each were distributed alongwith the certificates.

12.7 Further, under Incentive Scheme for original Hindi Noting/Drafting in official work introduced by the Department of Official Language, Ministry of Home Affairs, 2 employees were awarded cash prize of ₹ 1000/- each on attaining first position and 1 employee was awarded cash prize of ₹ 600/- on attaining the second position.

12.8 During the year under review, Hindi Section inspected thirteen sections of the Department and important suggestions were given to solve the practical problems being faced by the employees of these sections/offices while working in Hindi and shortcomings found were indicated.

12.9 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 implemented in previous year 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. The system was further enhanced to include new reports and an interface to report the data to

CPSMS system of CGA.

13.2 e-Purti System

e-Purti System was implemented to facilitate officials to enter the request for stationery items online and the stores to issue the same. It also enables the stores to monitor the up to date inventory of various items.

13.3 Officer of Chief Adviser (Cost)

Study monitoring system was developed to facilitate capturing various details about the proposals for studies received by the Office of Chief Adviser(Cost) and monitor the mile stones associated with them.

13.4 Implementation of new File Tracking System and Intranet(e-Office)

New File Tracking System was implemented in the Department during the year which has enhanced features such as 24*7 connectivity, multiple forwarding for files and receipts etc. e Office application enables users to access various applications through single sign on, share their documents, appointments, display of circulars on notice board, etc.

13.5 Making Web site Universally accessible:

The web site of the Ministry (http://finmin.nic.in) was made universally accessible to enable users with special abilities to access the site. During the year, the site won the award for Best Accessible Web Site in Government, instituted by Ministry of Social Justice and Empowerment.

13.6 Implementation of COMPDDO for office of CCA :

Annex I

Department of Expenditure
REPRESENTATION of SCs STs, and OBCs

Groups	Name of Employees				Number of a 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	47	4	2	-	-	-	-	-	-	-	-	-	-	-
Group B	205	31	10	5	01	-	-	-	36	2	4	01	-	-
Group C	81	13	4	8	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karamcharis)	125	41	7	8	12	2	1	2	-	-	-	-	-	-
Group D (Safai Karamchari)	6	6	-	-	-	-	-	-	-	-	-	-	-	-
Total	464	95	23	21	13	02	01	02	36	02	04	01	-	-

Annex II

Department of Expenditure
REPRESENTATION of Persons with Disabilities

Group	No. 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	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	205	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	81	01	01	01	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D	131	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	464	01	01	01	-	-	-	-	-	-	-	-	-	-	-	-	-	-

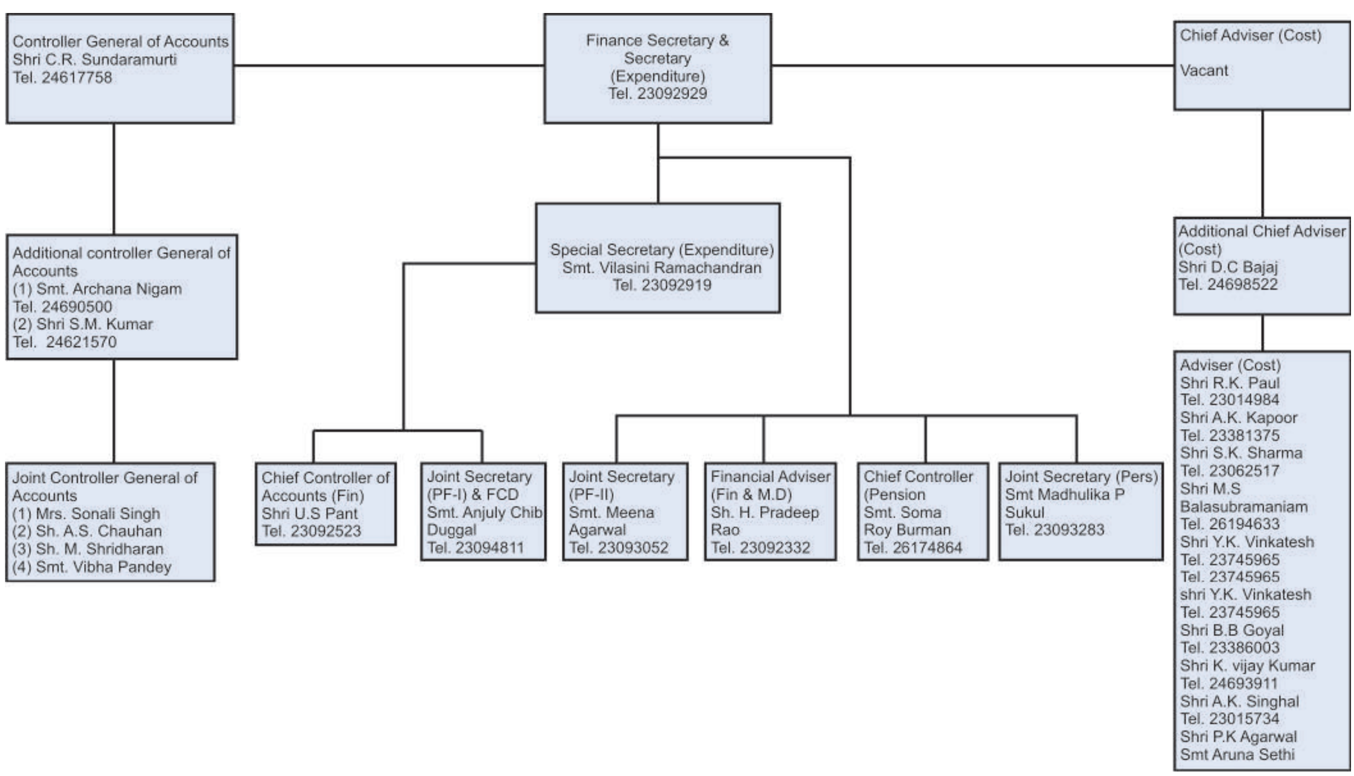
VS - stands for Visually Handicapped (persons suffering from blindness or low vision)
HH- stands for hearing Handicapped (persons suffering from hearing impairment)
OH- stands for Orthopedically Handicapped (persons suffering from locomotors disability or cerebral palsy)

Annexure-III

Department of Expenditure

Sl. No.	Year	No. of Paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	Details of the Para/PA reports on which ATNs are pending		
			No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations an 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 PAC
1.	2007-08 7th Report (15th Lok Sabha)	5	Nil	Nil	Nil
2.	2008-09 22nd Report (15th Lok Sabha)	Nil	Nil	1	Nil
3.	2008-09 C&AG Report No.1	3	Nil	Nil	Nil

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 and CBEC has six Members each.

1.2 The Department of Revenue administers the following Acts:

i. Income Tax Act, 1961;
ii. Wealth Tax Act, 1957;
iii. Expenditure Tax Act, 1987;
iv. Benami Transactions (Prohibition) Act, 1988;
v. Super Profits Act, 1963;
vi. Companies (Profits) Sur-tax Act, 1964;
vii. Compulsory Deposit (Income Tax Payers) Scheme Act, 1974;
viii. Chapter VII of Finance (No.2) Act, 2004 (Relating to Levy of Securities Transactions Tax)
ix. Chapter VII of Finance Act 2005 (Relating to Banking Cash Transaction Tax)
x. Chapter V of Finance Act, 1994 (relating to Service Tax)
xi. Central Excise Act, 1944 and related matters;
xii. Customs Act, 1962 and related matters;
xiii. Medicinal and Toilet Preparations (Excise Duties) Act, 1955;
xiv. Central Sales Tax Act, 1956;
xv. Narcotic Drugs and Psychotropic Substances Act, 1985;
xvi. Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988;
xvii. Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976;
xviii. Indian Stamp Act, 1899 (to the extent falling within jurisdiction of the Union);
xix. Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974; and,
xx. Prevention of Money Laundering Act, 2002.

The administration of the Acts mentioned at Sl. Nos. iii, v, vi and vii 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:

i. Commissionerates/Directorates under Central Board of Excise and Customs;
ii. Commissionerates/Directorates under Central Board of Direct Taxes;
iii. Central Economic Intelligence Bureau;
iv. Directorate of Enforcement;
v. Central Bureau of Narcotics;
vi. Chief Controller of Factories;
vii. Appellate Tribunal for Forfeited Property;
viii. Income Tax Settlement Commission;
ix. Customs and Central Excise Settlement Commission;
x. Customs, Excise and Service Tax Appellate Tribunal;
xi. Authority for Advance Rulings for Income Tax;
xii. Authority for Advance Rulings for Customs and Central Excise;
xiii. National Committee for Promotion of Social and Economic Welfare; and
xiv. Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 & Narcotic Drugs and Psychotropic Substances Act, 1985; and,
xv. Financial Intelligence Unit, India (FIU-IND)
xvi. Income Tax Ombudsman
xvii. Appellate Tribunal under Prevention of Money Laundering Act
xviii. Adjudicating Authority under Prevention of Money Laundering Act.

1.4 A comparison of the collection of Direct and Indirect taxes during the financial year 2010-2011 with that during the previous financial year is given below (Table 3.1):

1.5 An Organisation Chart of Department of Revenue is given in the Annexure at page No. 208

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:

Table 3.1				
				(₹ in crore)
Sl. No.	Nature of Taxes	Amounts collected during the Financial Year		
		2009-10 (upto December, 2009)	2010-11 (upto December, 2010)	Percentage of growth over last year
1.	Corporate Income Tax	1,66,503	2,03,244	22.07
2.	Personal Income Tax (including FBT, STT, BCTT, Other Taxes)	83,729	95,714	14.31
3.	Central Excise Duty	58,594	96703	65
4.	Customs Duty	62,547	85,923	37.4
5.	Service Tax	36,988	44,081	19.2

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 Commission (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 Spl. Secretary-cum-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) Spl. Secretary-cum-Director General of CEIB
g) Director of Enforcement
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 2010-2011, continued its efforts to improve the quality of administration in the organisations under the Department of Revenue. The Unit continued to liaise with the Department of AR&PG, SIU, D/O 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 references and other pending cases;
(vi) Annual Inspection of the sections in the Department of Revenue.

In addition to the above, the IWSU initiated special steps to expand the coverage of sections/branches of the Department for the purpose of O&M inspections. The progress of disposal of pending VIP/MP references in the Department was 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 was compiled and circulated to MOS (Revenue) and senior officers of the Department every fortnight. This resulted in reducing the pendency of VIP references considerably.

3. Central Board of Excise and 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 Commissione₹ 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-three Central Excise Commissionerates and seven Service Tax Commissionerates spread all over 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 93 Commissionerates are: Delhi-I, Delhi-II, Delhi-III(Gurgaon), Delhi-IV (Faridabad), Panchkula, Rohtak, Chandigarh-I, Chandigarh-II, Ludhiana, Jammu & Kashmir, Kolkata-I, Kolkata-II, Kolkata-III, Kolkata-IV, Kolkata-V, Kolkata-VI, Kolkata-VII, Bholpur, Siliguri, Haldia, Bhubaneshwar-I, Bhubaneshwar-II, Shillong, Dibrugarh, Kanpur, Lucknow, Allahabad, Meerut-I, Meerut-II, Ghaziabad, NOIDA, Jamshedpur, Patna, Ranchi, Mumbai-I, 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, Nashik, 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, Thiruvananathapuram, Kozhikode, Hyderabad-I, Hyderabad-II, Hyderabad-III, Hyderabad-IV, Tirupati, Guntur, Vishakhapatnam-I, Vishakhapatnam-II, Chennai-I, Chennai-II, Chennai-III, Chennai-IV, Puducherry, Tiruchirapalli, Coimbatore, Salem, Madurai, Tirunelveli and Guwahati.

3.1.4 Commissionerates of Service Tax

There are seven exclusive Service Tax Commissionerates: viz Ahmedabad, Bangalore, Chennai, Delhi, Kolkata, Mumbai-I and Mumbai-II.

There are four Large Tax Payer Units (LTUs) at Bangalore, Chennai, Delhi and Mumbai.

3.1.5 Commissionerates of Customs and Customs (Preventive)

There are 35 Commissionerates 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:

A. Directorate of Central Excise Intelligence
B. Directorate of Revenue Intelligence
C. Directorate of Inspection
D. Directorate of Human Resource Development
E. National Academy of Customs, Excise and Narcotics (NACEN)
F. Directorate of Vigilance
G. Directorate of Systems
H. Directorate of Data Management
I. Directorate of Audit
J. Directorate of Safeguards
K. Directorate of Export Promotion
L. Directorate of Service Tax
M. Directorate of Valuation
N. Directorate of Publicity and Public Relations
O. Directorate of Logistics
P. Directorate of Legal Affairs
Q. Office of the Chief Departmental Representative (CDR)
R. Central Revenues Control Laboratory (CRCL).

The functions of the Directorates, NACEN, the Office of the Chief Departmental Representative and the Central Revenues Control Laboratory, in brief, are as follows:-

A. 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.

B. 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.

C. 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.

D. Directorate General of Human Resource Development

I 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)
(iv) Preparation of charter of duties for various posts and their periodic review;
(v) Providing support to CBEC in drawing annual direct recruitment plan;
(vi) Support to CBEC in the matter of recruitment policy;
(vii) 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;
(viii) Maintaining Human Resource Information System for training, placement, skill up-gradation and succession planning;
(ix) Providing data support to CBEC for placement and transfer of officers;
(x) Receiving feedback on transfer policy and transmitting the same to CBEC for further action;

(xi) Providing support to CBEC in cadre review and restructuring of the department in the context of changing needs;
(xii) To assist the CBEC in preparation and maintenance of seniority list of different grades of officers;
(xiii) Creation of institutional arrangement for periodic interaction with officers' associations;
(xiv) Develop manual and reference literature on administration related matters; and
(xv) Provide support to the Board in bringing uniformity/ homogeneity in the administrative practices followed by the field formations.

II 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.

III 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.

IV. 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.

V. Infrastructure Division:

To consider all infrastructure related issues and forward its suggestions/recommendations to the Board/concerned Directorate under the Board for further action.

E. National Academy of Customs, Excise and Narcotics

(a) To impart training to direct recruits and to arrange refresher courses for departmental officers;
(b) 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
(c) To arrange study tours of Customs and Excise officers from neighboring countries under the United Nations Development Programme.

F. 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.

G. 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.

H. Directorate of Data Management

(a) 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
(b) To collect statistics for compilation of statistical bulletins and statistical yearbook in respect of revenue, arrears, seizures, court cases, etc. pertaining to indirect taxes.

I. 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 System / CAAP audits etc.

J. 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.

K. 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 Customs-IV Section and FTT Section that deals with 100% EOUs/EPZ Units/SEZ Units and various Technology parks and the schemes relating to the export of gems and jewellery.

L. 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 prepare database of Service Tax revenue, assessee base etc. and
(e) To inspect the Service Tax Cells in the Commissionerates.

M. 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.

N. 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, Central Excise & Service Tax

(c) To compile 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.

O. 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.

P. 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 databank 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.

Q. 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 administrative matters pertaining to the CDR's office including its regional offices at Mumbai, Kolkata, Chennai and Bangalore.

R. 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 2010-11 and tariff changes in Indirect Taxes

3.2.1 Customs Duty

An amount of ₹ 84,497 crore was collected from customs duties during 2009-10 as against ₹ 99,879 crore during 2008-09 showing a decline of 15.4%. It fell short by ₹ 13,503 crore from Budget Estimates (BE) and exceeded the Revised Estimates (RE) for the year by ₹ 20 crore. The provisional customs revenue for the year 2010-11 (April-October) is ₹ 73,895 crore.

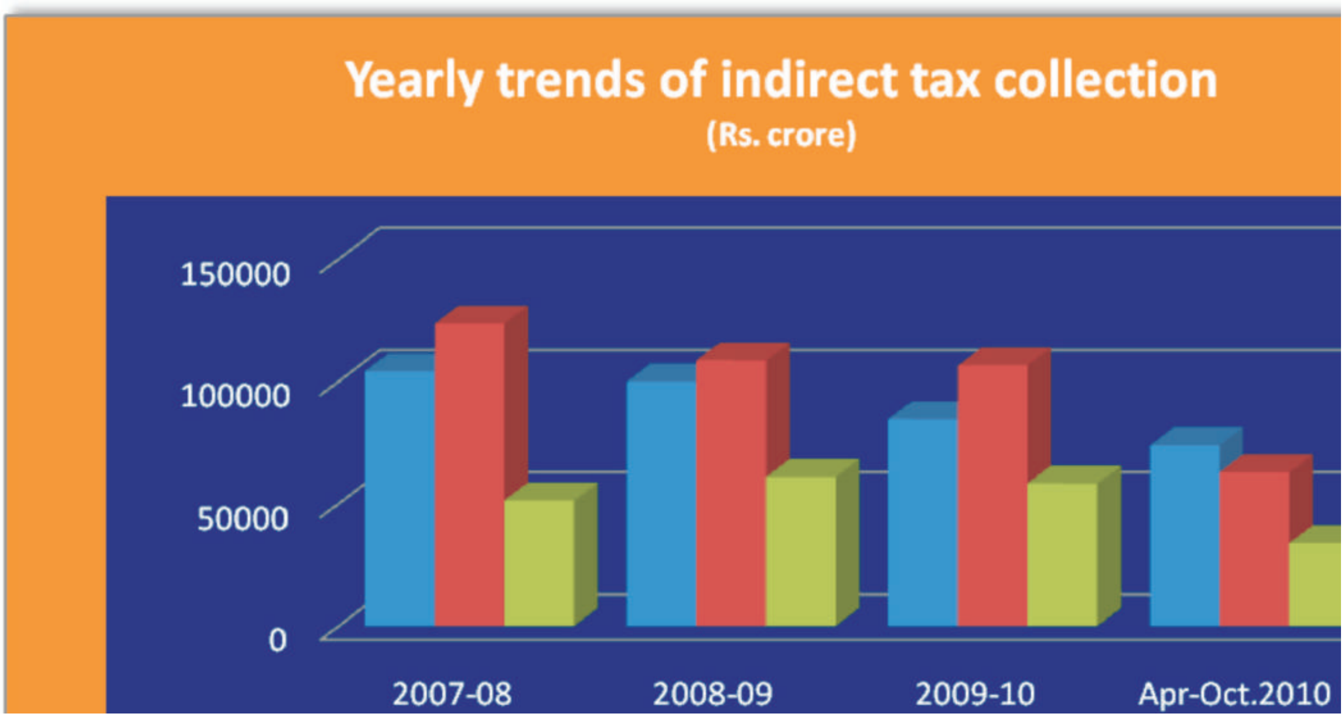
3.2.2 Central Excise Duty

Revenue collection from Central Excise duties in the year 2009-10 was at ₹ 1,06,452 crore vis-à-vis the BE of ₹ 1,06,477 crore and the RE of ₹ 1,02,000 crore. As compared to ₹ 1,08,613 crore collected during 2008-09, the revenue from Central Excise duties showed a decline of 2% during 2009-10. This was mainly due to reduction in rates of excise duties, announced as part of stimulus packages in 2008-09, which was continued in 2009-10. However, with the provisional revenue from excise duties during 2010-11(April-October) at ₹ 62,838 crore, the trends of revenue collection in the current fiscal have shown a marked improvement.

3.2.3 Service Tax

The reduction in the rate of service tax from 12% to 10% with effect from 24.02.2009 had its impact on the revenue collection during 2009-10. As against the BE of ₹ 65,000 and RE of ₹ 58,000 crore, the actual service tax collection during 2009-10 was ₹ 58,319 crore. As compared to ₹ 60,941 crore during 2008-09, actual collection from service tax has shown a decline of 4.3 % during 2009-10. The provisional revenue for the first seven months of 2010-11 (April-October) is ₹ 33,977 crore. (Chart 3.1)

The year-wise trends of revenue collection from indirect taxes are given at Annexure-I. (Chart 3.1)



3.3 Changes in Budget 2010-11

3.3.1 Customs

There was no change in the overall rate structure of customs duties. As such, the peak rate for industrial goods remained at 10% and major ad valorem rates of 5% and 7.5% were also retained. The collection rate (duty collection divided by total value of imports) for the total customs duties (i.e. sum of basic customs duty and CV duty) has come down from 29% in 1995-96 to 6.9% in 2008-09. The following sectoral changes were made in the customs duty rates.

A. Petroleum Sector

In the petroleum sector, basic customs duty restored to the pre-June 2008 level : on crude petroleum from Nil to 5%; petrol and diesel from 2.5% to 7.5%; and other specified petroleum products from 5% to 10%.

B. Precious Metals

- Customs duty on gold, silver and platinum increased by 50% of the earlier applicable specific rates. The increased rates will also be applicable when gold, silver and platinum (including ornaments) are imported as personal baggage.
- Gold ore and concentrate fully exempted from basic customs duty and special additional duty of customs. They will, however, be chargeable to CVD @ ₹ 140 per 10 gram of gold content. This duty structure is subject to actual user condition.

C. Agri/Food processing and related sectors

- Project imports status, with concessional rate of basic customs duty of 5%, granted to the initial setting up or substantial expansion of, a cold storage, cold room (including farm pre-coolers) for preservation or storage or an industrial unit for processing of agricultural, apiary, horticultural, dairy, poultry, aquatic & marine produce and meat.
- Project imports status, with concessional rate of basic customs duty of 5%, granted to installation of Mechanized Handling Systems & Pallet Racking Systems, in mandis or warehouses for food grains and sugar. Such systems also exempted from additional duty of customs (CVD) and special additional duty of customs.
- Truck Refrigeration units for the manufactures of refrigerated vans/trucks fully exempted from basic customs duty. Such units are already exempt from excise duty.
- Basic customs duty reduced from 7.5% to 5% on specified agricultural machinery such as paddy transplanter, laser land leveler, cotton picker, reaper-cum-binder, straw or fodder balers, sugarcane harvesters, track used for manufacture of track-type combine harvester etc.
- Basic customs duty on long pepper reduced from 70% to 30%.
- Basic customs duty on 'asafoetida' (heeng) reduced from 30% to 20%.
- Full exemption from basic customs duty provided to bio-polymer/bio-plastics used for manufacture of bio-degradable agro mulching films, nursery plantation & flower pots.

D. Capital Goods

- Mono Rail Projects for urban transport granted project imports status with concessional rate of 5% basic customs duty.

- Tunnel Boring machine for hydro-electric power projects fully exempted from basic customs duty with Nil CVD.
- Concessional rate of customs duty of 5% presently available upto 06.07.2010 on specified machinery for tea, coffee and rubber plantation extended upto 31.03.2011. Excise duty exemption has also been re-introduced on these items upto 31.03.2011.
- Specified road construction machinery items are presently fully exempt from customs duty subject to specified conditions. Sale or disposal of such machinery items at depreciated value has been allowed on payment of customs duties on depreciated value at the rates applicable at the time of import subject to specified conditions.

E. Environment-friendly items

o Full exemption from basic customs duty and special additional duty of customs extended to specified parts namely, batteries including battery chargers, electric motors and AC or DC motor controllers imported for manufacturing all categories of electrical vehicles including cars, two wheelers and three wheelers (like Soleckshaw). These parts now attract CVD of 4%. The concession is subject to actual user condition and is available till 31.03.2013.

o A concessional rate of basic customs duty of 5% provided to machinery items, instruments, appliances required for initial setting up of solar power generation projects or facilities. These items are exempted from CVD also by way of excise duty exemption.

o Ground source heat pump (for geo-thermal energy applications) fully exempted from basic customs duty and special additional duty of customs.

F. Health Sector

- At present, medical equipments attract varying rates of customs duty and are spread over many lists. This multiplicity of rates done away with and now all medical equipments (with some exceptions) now attract 5% basic customs duty, 4% CVD/excise duty and Nil special additional duty of customs [i.e. effective duty of 9.2%].
- Parts required for the manufacture and accessories of medical equipment also provided with 5% concessional basic customs duty with Nil special CVD.
- Concessional customs duty available to spares for the maintenance of medical equipment withdrawn except in specified cases.
- Full exemption from basic customs duty and CVD/ excise duty retained for specified medical devices (exempt by description) as well as for assistive devices, rehabilitation aids and other goods for disabled.
- Cobalt-chrome alloys, special grade stainless steel etc. for the manufacture of orthopaedic implants exempted from basic customs duty subject to actual user condition.

G. Electronics Hardware

- Full exemption from basic customs duty and CVD presently available for parts, components, accessories for manufacturing of mobile handsets including cellular phones and parts thereof extended to parts for the manufacture of battery chargers and hands-free headphones also.
- Full exemption from 4% special additional duty of customs presently available up to 06.07.2010 on parts, components and accessories for manufacture of mobile handsets including cellular phones, parts thereof (except accessories) also extended to parts of two specified accessories up to 31.03.2011.
- Basic customs duty reduced from 10% to 5% on magnetrons of up to 1,000 kw for the manufacture of microwave ovens.
- Full exemption from customs duty extended to additional specified capital goods and raw materials for the manufacture of electronic hardware.

H. Entertainment/Media

- o Films for exhibition are imported on cinematographic films or digital media. Digital masters/Stampers of films are also imported for duplication and distribution of CD/DVDs. Customs duty would now be charged only on the value of the carrier medium and the customs duty on the balance value would be exempt.
- o Similar tax treatment, as provided to films above, extended to music and gaming software (other than pre-packaged form) for retail sale imported on digital media for duplication. Pre-packaged Movies, Music and Games (meant for use with gaming consoles) will continue to be charged to import duties on value determined in terms of the provisions of the Customs Act.
- o Promotional material like trailers of films etc. imported free of cost in the form of electronic promotion kits (EPK)/Betacams fully exempted from basic customs duty and CVD.
- o Project imports status accorded to 'Setting up of Digital Head End' with 5% concessional basic customs duty and Nil special additional duty of customs.

I. Export Promotion

- Basic customs duty on Rhodium reduced from 10% to 2%.
- The current limit of ₹ 1 lakh per annum for duty free import of samples enhanced to (₹ 3) lakh per annum
- At present specified components, raw materials and accessories for the manufacture of sports goods are exempt from basic customs duty. Some additional items have been added to the list of exemption.

J. Electrical Energy

A duty of 16% with Nil Special CVD imposed on electrical energy supplied from a Special Economic Zone to the Domestic Tariff Area and non - processing areas of SEZ retrospectively w.e.f. 26th June, 2009. Exemption on imports of electrical energy, other than the above, would continue.

K. Miscellaneous

Goods imported in pre-packaged form and intended for retail sale and certain specified goods namely, ready-made garments, mobile phones, watches, carbon black feedstock, waste paper and paper scrap were provided an outright exemption from additional duty of customs of 4%. The existing exemption by way of refund continues on other items.

3.3.2 Central Excise

The objective of budget 2010-11 has been to return to the path of fiscal consolidation in a gradual and phased manner. To meet this objective, the following changes in central excise duty rates were made:

- The standard rate of excise duty (Cenvat) of 8% restored to 10%.
- Duty on cement also increased from 8% to 10% and where cement attracts specific rates of duty, the same was hiked proportionately.
- Similarly, ad valorem component of excise duty on large cars, multi utility vehicles and sports utility vehicles increased from 20% to 22%. There is no change in the specific component.
- Rates of duty on petrol and diesel increased by Re. 1 per litre so as to restore them to the pre-June 2008 level.
- Duty increased on cigarettes and other tobacco products.
- Full or partial excise duty exemptions/concessions available to many items were withdrawn and duty imposed on them @ 4% or 10%.
- A clean energy cess @ ₹ 50 per metric tons imposed on domestically produced coal, lignite and peat. The cess came into effect from 01.07.2010.

Other sector-specific changes/concessions are as under:

Agri/Food Processing Sector

- Full exemption from excise duty presently available to 20 specified equipments for preservation, storage or transport of agricultural produce extended to apiary, horticultural, dairy, poultry, aquatic & marine produce and meat as well as processing thereof.
- Full exemption from excise duty extended to self-loading/self-unloading trailers & semi trailers for agricultural purposes.

Environment friendly and Energy Saving Goods

- A uniform concessional rate of duty of 4% prescribed for parts, namely batteries including battery chargers, electric motors and AC or DC motor controllers required for manufacture of all categories of electrical vehicles including cars, two wheelers and three wheelers (like 'Soleckshaw') subject to actual user condition. This concession will be available till 31.03.2013. Such vehicles will also be charged to excise duty @ 4%.
- Excise duty reduced from 8% to 4% on LED lights/ lighting fixtures.
- Full exemption from excise duty provided to additional specified raw materials for the manufacture of rotor blades for wind operated electricity generators.

Capital Goods

Full exemption from central excise duty presently available to goods supplied against International Competitive Bidding was extended to goods supplied to mega power projects from which power supply has been tied up through tariff-based competitive bidding. The exemption would also be available where the mega power project has been awarded through tariff-based competitive bidding.

MSME/Small Scale Sector

- With effect from 01.04.2010, Small Scale Industrial (SSI) units are allowed to take full Cenvat credit on capital goods in one installment in the year of receipt of such goods.
- Facility of payment of excise duty on quarterly basis extended to SSI units.
- The relaxation from brand name restriction under the general SSI exemption scheme extended to plastic bottles and plastic containers used as packing material.

Gold and Silver

- Excise duty of ₹ 280 per 10 grams (instead of 8% ad valorem), with Cenvat credit facility on inputs and capital goods, imposed on refined serially numbered gold bars made from the ore/concentrate stage.
- Excise duty on DTA clearances of plain gold and silver jewellery manufactured by a 100% EOU has been increased from: ₹ 500 per 10 gram to ₹ 750 per 10 gram on gold jewellery; and ₹ 1000 per kg to ₹ 1500 per kg. on silver jewellery.

Other Relief Measures

Following items fully exempted from excise duty:

o Articles of bedding wholly made of quilted textile materials;
o Toy balloons made of natural rubber;
o Betel nut product known as 'Supari';
o Dementholised oil, Deterpenated Mentha oil, Spearmint/ Mentha Piperita oils and all intermediates and by-products of Menthol.

➢ Excise duty reduced from 8% to 4% on:

o Replaceable kits for all household type water filters (except those operating on RO technology)
o Corrugated boxes/ cartons manufactured by stand-alone manufacturers
o Latex rubber thread.

➢ Excise duty on goods covered under the Medicinal and Toilet Preparations Act has been reduced from 16% to 10% to bring it at par with standard Cenvat rate.

Rationalization Measures

- Prior to budget, maize starch and tapioca starch were exempt from excise duty while potato starch attracted 8% duty. Excise duty on all starches is now unified at 4%.
- The rate of duty on all ceramic tiles, regardless of the fuel used for firing the kiln, was unified at 10% with Cenvat credit facility.
- Prior to budget, umbrellas attracted 4% excise duty while umbrella parts were at 8% excise duty and umbrella cloth was fully exempt. The rate of excise duty on umbrellas and all umbrella parts was unified at 4%.
- Two different rates of excise duty (NIL and 4%) for rough ophthalmic blanks were prescribed under two different notifications. Redundant entry prescribing 4% was omitted.

3.3.3 Service Tax

3.3.3.1 Service tax was imposed on the following eight new services to broaden the tax base:

a) Service of permitting commercial use or exploitation of any event organized by a person or organization.
b) Services related to two types of copyrights hitherto not covered under existing taxable service 'Intellectual Property Right (IPR)', namely, those on (a) cinematographic films; and (b) sound recording.
c) Health services, namely, health check up undertaken by hospitals or medical establishments for the employees of business entities; and health services provided under health insurance schemes offered by insurance companies.
d) (The tax is payable only if the payments for such services are made directly by the business entity or the insurance company to the hospital or medical establishment).
e) Service provided for maintenance of medical records of employees of a business entity.
f) Service provided by Electricity Exchanges.
g) Special services provided by a builder to the prospective buyers such as providing preferential location or external or internal development of complexes on extra charges. However, service of providing vehicle-parking space would not be subjected to tax.
h) Service of promoting of a 'brand' of goods, services, events, business entity etc.
i) The promotion, marketing or organizing of games of chance, including lottery.

3.3.3.2 Scope of certain existing services was expanded or altered as follows:

a) Air passenger transport service to include domestic journeys, and international journeys in any class.
b) Information Technology Software Service to cover all cases irrespective of its use.
c) Clarified by way of an explanation that in 'Commercial training or coaching' service, the term 'commercial' would mean any training or coaching, which is provided for a consideration, whether or not for profit. This change has been given retrospective effect from 01.07.2003.
d) In the definition of 'Sponsorship Service', the exclusion relating to sponsorship pertaining to sports was removed.
e) In the 'Construction of complex service', it was

provided that unless the entire consideration for the property is paid after the completion of construction (i.e. after receipt of completion certificate from the competent authority), the activity of construction would be deemed to be a taxable service provided by the builder/promoter/developer to the prospective buyer and the service tax would be charged accordingly.

f) Amendments made in the definition of 'Renting of immovable property service' to,-

o provide explicitly that the activity of 'renting' itself is a taxable service. The change has been given retrospective effect from 01.06.2007; and

o levy service tax on rent of vacant land where there is an agreement or contract between the lessor and lessee for undertaking construction of buildings or structures on such land for furtherance of business or commerce during the tenure of the lease.

g) Definitions of 'Airport Services, 'Port services' and 'Other port services' amended to provide that-

o all services provided entirely within the airport/port premises would be classified under these services; and

o an authorization from the airport/port authority would not be a pre-condition for taxing these services.

h) Clarified by way of an Explanation that in 'Auctioneer's service' the phrase 'auction by government' means an auction involving sale of government property and not when the government acts as an auctioneer for sale of the private property.

i) Definition of 'Management of Investment under ULIP Service' amended to provide that the value of the taxable service for any year of the operation of policy shall be the actual amount charged by the insurer for management of funds under ULIP or the maximum amount of fund management charges fixed by the Insurance Regulatory and Development Authority (IRDA), whichever is higher.

3.3.3.3 Exemptions:

a) Statutory taxes charged by the foreign governments excluded from taxable value for levy of service tax under the Air passenger transport service.

b) Exemption from service tax provided to services relating to 'Erection, Commissioning or Installation' of,-

- Mechanized Food Grain Handling Systems etc.;
- Equipment for setting up or substantial expansion of cold storage; and
- Machinery/equipment for initial setting up or substantial expansion of units for processing of agricultural, apiary, horticultural, dairy, poultry, aquatic, marine or meat products.

c) Pre-packaged I.T. software, with the license for right to its use, exempted from service tax, subject to specified conditions.

d) Transportation of food grains and pulses by goods transport agency exempted from service tax.

f) Exemption from service tax provided to Indian news agencies under 'Online Information and Database Retrieval Service' subject to specified conditions.

g) Testing and certification of seeds by Central and State seed testing/certification laboratories exempted from service tax.

h) Transmission of electricity exempted from service tax.

3.3.3.4 Withdrawal or Amendments of Exemptions:

a) Exemption from service tax to Group Personal Accident Insurance Scheme provided by Govt. of Rajasthan to its employees, under General Insurance Service withdrawn.

b) Exemption from service tax on 'Commercial training or coaching service' restricted to vocational training courses in the designated Trades notified under the Apprentices Act, 1961.

3.4 Post Budget Changes:

The following major changes in customs and central excise duties and service tax were made after the presentation of Budget 2010:

➢ Full exemption from central excise duty provided to ballistic grade aramid yarn and ballistic grade aramid fabric used for manufacture of bullet proof jackets supplied to armed forces and police w.e.f. 04.06.2010.

➢ Exemption from customs duty to imported ballistic grade aramid yarn used in the mauufacture of aramid fabric provided the same is used for bullet proof jackets supplied to armed forces and police

Service Tax: A growing revenue source

Sl. No.	Year	Number of Services	Rate of Service Tax in (%)	Revenue (in ₹Crore)	% Growth over Previous year
1	2	3	4	5	6
1	2005-06	78	10	23055	62.4
2	2006-07	93	12	37598	63.1
3	2007-08	100	12	51301	36.4
4	2008-09P	106	12*	60941	18.8
5	2009-10P	109	10	58319	-4.3
6	2010-11(BE)	117	10	68000	16.6

**Reduced to 10% w.e.f. 24 Feb. 2009 P- Provisional* forces w.e.f. 04.06.2010.

- Distribution of electricity exempted from service tax w.e.f. 22.06.2010. In addition, transmission of electricity has been retrospectively exempted from service tax.
- Commercial or industrial construction services and some other specified services provided wholly within the port or other port or airport exempted from service tax w.e.f. 01.07.2010.
- Outdoor catering services provided through a centralized kitchen by an NGO registered under any Central or State Act under centrally assisted mid-day meal scheme exempted from service tax w.e.f. 03.09.2010.
- Goods supplied to United Nations and other international organizations for official use exempted from additional duty of excise and special additional duty of excise.

3.4.1 Goods and Services Tax (GST):

The declared objective of the Government is to move to a Goods and Services Tax (GST) both at the Centre and in the States. The Empowered Committee (EC) of State Finance Ministers released its First Discussion Paper containing the outline of the model and roadmap, as well as the views of the States, in November, 2009 to elicit views and comments from all stakeholders. The salient features of the proposed model are as under:

- Dual GST with Central and State components;
- Separate legislations for Central GST (CGST) and State GST (SGST);
- Mechanism to deal with inter-state transactions (IGST) in goods and services, to be handled by the Centre;
- No intermixing of credit chains between CGST and SGST;
- Uniform procedure, to the extent feasible, for collection of CGST and SGST
- Threshold exemption for both CGST and SGST.

The views and concerns of Ministry of Finance were communicated to the EC. Subsequently, the Draft Constitutional Amendments required for the implementation of GST were also circulated among the State Finance Ministers during their meeting with Union Finance Minister on 21.07.2010. The draft constitutional amendments have been discussed in the EC meetings as number of times. In view of the concerns raised by some States through the EC on some features of the proposed amendments, the Union Government has twice amended the original draft Constitutional (Amendment) Bill. A final view on the Bill acceptable to all States and the Union was yet to emerged. Union Government continued to make concerted efforts to arrive at consensus on resolved issues.

Simultaneously, the Working Groups involved in developing the IT architecture, business processes and draft legislations for the effective implementation of GST are continuing their work. On the development of IT infrastructure, the Government of India constituted an Empowered Group under the Chairmanship of Dr. Nandan Nilekani, Chairman, UIDAI to work out the modalities for the creation of a Special Purpose Vehicle (SPV) to be owned jointly by the Government of India and State Governments alongwith a Technology partner. This is expected to fast track decisions relating to the IT infrastructure for GST. The Group has decided to appoint National Securities Depository Limited (NSDL) as the technology partner. The SPV envisages the setting up of a common portal for the Centre and State Governments through which tax payers could interact with the two tax administrations.

In this year's budget, several measures were taken which signify movement towards GST. These are:

- o Unification of rates between central excise (goods) and service tax (services) at 10%;
- o Removal of some exemptions in Central Excise;
- o Widening of service tax base through inclusion of eight new services and expansion of scope of some of the existing services;
- o Reduction in excise duty from 16% to 10% on medicines and toilet preparations containing alcohol. Excise duty (M & TP) is one of the taxes to be subsumed within GST;
- o Approval of a Mission Mode Project for the computerization of State Commercial Taxes Departments.

3.5 Trade Facilitation initiatives and others important measures

Steps taken in Indirect Tax administration towards this end are as under:

3.5.1 Customs

3.5.1.1 Customs Trade Facilitation Measures (Customs duty refunds):

Vide Circular No. 18/2010,dated 08/07/2010, it was clarified that limitation of time under Section 27 of the Customs Act, 1962 is not applicable in cases relating to refund claims of 4% CVD. The refund of 4% CVD is admissible in terms of Notification No.102/2007–Customs dated 14.9.2007 read with Notification No.93/2008-Customs dated 1.8.2008 issued under Section 25(1) of the Customs Act, 1962 subject to fulfillment of certain conditions as envisaged in the said notifications. The time limit prescribed for the purpose of 4% CVD refund claim is one year from the date of payment of duty as per the said Notifications. Hence, in cases where the assessment is provisional, for the purpose of sanction of refund of 4% CVD, the date of payment of duty would be, the date of payment of CVD at the time of import of goods and not the date of finalization of provisional assessment. The Importer, therefore, would be eligible to get the refund, if the claim is filed within one year of the date of actual payment of 4% CVD i.e. the date of payment of duty at the time of clearance of imported goods.

3.5.1.2 Facilitation Measures for Air Travellers:

As per legal provisions in Nepal, use of Indian currency note of ₹ 500 and ₹ 1000 may result in seizure of currency and also the person carrying them are liable to be fined or imprisoned for up-to three years in Nepal. Hence in order to prevent harassment and avoidable legal issues, and to educate / sensitize the people travelling between Nepal and India through air or land routes, regarding the aforementioned legal provisions circular No. 19/2010 dated 13.7.2010 was issued. Accordingly, since the import and export of Indian currency notes of denomination of above ₹ 100/- is prohibited as per Indian law and the use of Indian currency notes of denomination of ₹ 500 and ₹ 1000 is also prohibited in Nepal, display circulars at prominent places at the Airports and Land Customs Stations in India were displayed mentioning that "Import / export of Indian currency notes of the denomination of above ₹ 100 from / to Nepal is prohibited and would attract penal provisions. The use of such currency notes of the denomination of ₹ 1000 and ₹ 500 is also prohibited in Nepal. Therefore, these notes are liable to be seized and the persons carrying them are liable to be fined or imprisoned for upto three years in Nepal."

Reference was received regarding divergent practices being followed at different airports regarding free allowance admissible to passengers returning from Hong Kong SAR P.R. China. At some airport free allowances was allowed upto the value of ₹ 6000/- where as at some other airports it was up to the value of ₹ 25000/-.The matter was taken up with Ministry of External Affair. Ministry of External Affairs has informed that Hong Kong and PR China are different Customs territory. Accordingly it was clarified by Circular No. 25/2010, dated 04/08/2010, an Indian resident or a foreigner residing in India of and above 10 years of age and returning after stay abroad of more than 3 days, returning from Hong Kong Special Administrative Region (SAR), P.R. China shall be allowed clearance free of duty upto ₹ 25,000/- on articles other than those mentioned in Annexure - I under the Baggage Rules, 1998, as amended.

3.5.1.3 In relation to Commonwealth Games:

Instructions were issued in August, 2010 to Customs field formations for implementing the plan of action for ensuring smooth clearance of participants for the Commonwealth games, their baggage as well the import consignments. (Board's Circulars No.28/2010-Customs dated 13.08.2010, No. 26/2010-Customs dated 09.08.2010, No. 31/2010-Customs dated 30.08.2010 refer). A gist of the instructions is as follows:

a) All concerned Commissioners of Customs were directed to sensitize field formation under their charge to ensure speedy clearance of consignments subject to observance of due procedure.
b) To allow the clearances of import consignments connected with the Games on holidays on payment of applicable MOT charges and take advance action and provide adequate manpower for this purpose.
c) To appoint a nodal officer to monitor clearance of consignment imported for the purpose of the Commonwealth Games and to intimate the names and contact details of the Nodal Officers to the Board as well as to the OC, CWG.
d) To ensure that imports for the Commonwealth Games are cleared without delay and for the purpose of monitoring a consolidated weekly report as per prescribed format to be sent by E-mail to Director (Customs), CBEC on the first working day of each week, and
e) To render all assistance, including use of its good offices wherever necessary, to get consignments expedited from the shipping line/airline, custodians etc.

3.5.1.4 Measures initiated to enhance compliance with Customs Law:

Vide circular No. 22/2010 dated 26/07/2010, it was clarified that warm clothing being restricted items under ITC (HS), unauthorized import thereof should be adjudicated keeping in view the margin of profit in order to ensure that goods should not be cleared by paying only nominal fine and penalty. Further it was also decided that all consignment of warm cloth should be fumigated before allowing clearance by customs.

Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010 have been issued as a measure of faster clearance of goods. Vide above regulations provisions relating to application for registration of Authorized Courier, conditions to be fulfilled by the applicant, execution of bond / security, obligations of authorized courier etc have been laid down.

Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010 aimed to reduce dwell time for exim cargo and also capture more data elements in electronic form so as to ensure better compliance of laws and Courier Imports and Exports (Clearance) Regulations, 1998 incorporating certain changes in order to align similar processes with that of Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010 have been framed.

3.5.1.5 CHA Regulations:

CHA Licencing Regulation (CHALR), 2004 have been amended vide Notification No. 30/2010, dated 8/04/2010, to provide for KYC (Know Your Customers) norms for CHA and also provide timelines for completion of proceedings initiated against the CHA under the regulations. Board has also issued a circular further elaborating the changes made in CHALR 2004 for guiding trade and staff.

3.5.1.6 Disposal of Unclaimed/Uncleared Cargo:

Instructions for expeditious disposal of unclaimed / un-cleared cargo lying at different ICD's / ports and to complete the exercise of liquidating pendencies in a time bound manner were issued.

3.5.1.7 Conference of Chief Commissioner of

Customs

A conference of Chief Commissioners of Customs was organized on the issues related to Customs Tariff, Procedures and other Key Result Areas of work on 29th October 2010, at New Customs House, New Delhi.

3.5.1.8 India elected to World Customs Organization Policy Commission from Asia Pacific

Region

The Policy Commission under the World Customs Organization (WCO) is a Steering Group that handles broad policy issues and examines policies, practices and procedures of the WCO. Members to the Policy Commission are elected from their regions for a two year term. India was elected to the Policy Commission from Asia Pacific Region for the term June 2010-2012.

Participation in Policy Commission gives us an opportunity to continue working with the regional members in playing a proactive role in the region as Policy Commission is the key forum that drives the vision of the Customs Administrations in developing the strategies that will shape the future direction of the WCO as well as address the special needs of the regional members in the Asia Pacific.

3.5.2 Central Excise

3.5.2.1 Facilitation Measures

Earlier, every excise invoice was required to be signed by the owner, MD or authorized signatory of the company. Now, this requirement has been dispensed with, as Notification No. 05/2010-CE(NT), dated 27th February, 2010, was issued to omit Sub-Rule 5 of Rule 11 of the Central Excise Rules, 2002.

Circular No. 922/12/2010-CX, dated 18th May, 2010, was issued empowering the Superintendent of Central Excise to adjudicate Central Excise cases involving duty upto ₹1 lakh except cases involving determination of rate of duty or valuation and cases where extended period of limitation has been invoked.

Circular No. 934/24/2010-CE, dated 25th August, 2010, was issued regarding online scheduling of factory stuffing inspection of export goods by the Central Excise Officer. The Central Excise Commissionerates have been instructed to formulate a mechanism to carry out this facility, so as to facilitate speedy examination of the export goods and prevent unnecessary documentation by the exporters.

3.5.2.2 Automation & E-filing of Returns

Notification No. 20/2010-CE(NT), dated 18th May, 2010, has been issued to amend Rules 12 and 17 of the Central Excise Rules, 2002, making e-filing of Annual Financial Information Statement and monthly return mandatory for the assessee who has paid total duty of rupees ten lakh or more including the amount of duty paid by utilization of CENVAT Credit in the preceding financial year.

Notification No. 21/2010-CE(NT), dated 18th May, 2010, has been issued to amend Rules 9 and 9A, of the CENVAT Credit Rules, 2004. The amendment in Rule 9 of the CENVAT Credit Rules, 2004, makes e-filing of return by the first stage dealer or second stage dealer, as the case may be, mandatory. The amendment in Rule 9A of the Rules, ibid, makes mandatory the e-filing of declaration electronically by a manufacturer of final product who has paid total duty of rupees ten lakh or more including the amount of duty paid by utilization of CENVAT Credit in the preceding financial year.

3.5.2.3 Other Measures

Notification No. 22/2010-CE(NT), dated 18th May, 2010, has been issued to grant rebate on export of chewing tobacco and unmanufactured tobacco on which duty has been paid under Section 3A of the Central Excise Act, 1944.

Notification No. 24/2010-CE(NT), dated 26th May, 2010, has been issued to amend Notification No. 42/2001-C.E.(NT), dated 26th June, 2001, to incorporate a condition that export under bond of excisable goods which are chargeable to nil rate of duty or are wholly exempted from payment of duty, other than goods cleared by a hundred per cent export-oriented undertaking, shall not be allowed.

Circular No. 923/13/2010-CX, dated 19th May, 2010, has been issued to clarify that the cost of return fare of vehicles is not liable to be included in the assessable value in view of the decision of the Tribunal in the case of Haldia Petrochemiclas Limited vs. Commissioner of Central Excise.

Certain commodity-specific clarifications/ notifications have also been issued particularly relating to entitlement of CENVAT credit on wires drawn from wire rods; livability or otherwise of Education Cess & Higher Education Cess on stainless steel patta/ patti and aluminum circles; activities amounting / not amounting to manufacture; classification of rice par-boiling machinery, tea fortified with vitamins and polyester staple fiber manufactured out of PET scrap and waste bottles. Procedural & statutory clarifications in certain other cases were also issued to safeguard revenue interest. Clarifications on the area based Schemes for Uttaranchal & Himachal Pradesh with regard to capacity expansion & admissibility of exemption benefit and valuation of goods cleared to the DTA by on EOU, were also issued.

3.5.3 Service Tax

a) Mandatory e-payment of service tax and e-filing of ST -3 return - Notification No. 01/2010 – ST dated 19.02.2010 was issued to amended Rule 6 of the Service Tax Rules 1994. It makes e-payment of service tax and e-filing of service tax returns mandatory for an assessee who has paid a total service tax of rupees ten lakh or more including the amount paid by utilisation of CENVAT credit, in the preceding financial year.

b) Clarification regarding availment of credit on input services - Circular No. 122/03/2010 – ST dated 30.04.2010 was issued to facilitate availment of CENVAT credit on input services between associate enterprises.

c) Creation of Mumbai – II Service Tax Commissionerate in Mumbai - Order No. 1/1/2010 – Service Tax dated 10.02.2010 was issued under Rule 3 of Service Tax Rules. It provides for bifurcation of the existing Service Commissionerate in Mumbai into two.

d) Powers of adjudication of Service Tax cases conferred on Superintendents - Notification No. 48/2010 – ST was issued on 08.09.2010 conferring the power of adjudication of service tax cases on Superintendents for cases involving service tax upto ₹ 1 lakh in a show cause notice, except in respect of issues relating to taxability of services, valuation of services and cases involving extended period. Circular No. 130/12/2010 – ST was issued on 20.09.2010 clarifying the said monetary limits for the power of adjudication of service tax cases.

e) Notification No. 44/2010 – ST dated 20.07.2010 was issued to amend the Service Tax Return Preparer Scheme, 2009 which removed the upper age limit of Service Tax Return Preparers.

3.5.4 Release of Best Practice Report on Automated Recordation and Targeting System (ARTS) by WCO Regional Office for Capacity Building in Asia Pacific Region

Enforcement of Intellectual Property Rights (IPR) is a major challenge before all enforcement authorities around the globe. A strong IPR regime with effective remedies against infringement is important for promoting free and fair international trade and commerce and encouraging innovation and investment. However, it should also be ensured that the measures and procedures to enforce IPRs do not become a barrier to legitimate trade.

In order to achieve the goal of effective enforcement and trade facilitation, Indian Customs had developed an Automated Recordation and Targeting System (ARTS) - an e-application for effective implementation of the IPR border measures. ARTS envisages registration of rights at the local level but with protection at the national level across all major Customs locations in India. The objectives of ARTS are summed up as follows:

i. Effective implementation of the IPR border measures coupled with Trade facilitation;

ii. Integration of IPR enforcement with Customs clearance procedures; Providing a web based platform for right holders to record their rights with Customs:

iii. Enabling National targeting of suspect consignments:

iv. Creation of a centralized national database containing useful information for enforcement;

v. Providing access to a centralised data for the Officers posted in Customs field formations across the country;

The Regional Office for Capacity Building under the World Customs Organization, which disseminates the best practices in Customs modernization initiatives of members, has issued a Best Practice Report on ARTS.

3.6 Drawback Division

Functions of this Division, headed by a Joint Secretary, are as under:

- Fixation of All Industry rates of Duty Drawback.
- Monitoring of sanction and disbursal of drawback by the field formations.
- Liaisoning with the DGFT on all export promotion (EP) schemes, their operationalisation and monitoring (except SEZ, EOU and Gem & Jewellary schemes which are being monitored by the DGEP.)

3.6.1 Achievements during the year

The major work done by the Drawback Division during the period 1.11.2009 to 31.10.2010 is as under:-

I. All Industry Rates (AIR) of Duty drawback 2010-11

The most important work handled by the division is formulation of duty drawback based on the changes in duty structure announced in the annual Budget. The new All Industry Rates (AIR) of Duty Drawback for the year 2010-2011 have been notified vide custom notification no. 84/2010 (N.T.) dated 17.9.2010 and has come in force with effect from 20.9.2010.

(a) The new Drawback Schedule includes some new entries for items like Denim Fabric and cotton garments containing 1% or more by weight of Spandex / Lycra / Elastane, garments of blend containing wool & Man Made Fibre (MMF), woven carpets and floor coverings of jute, knotted carpets and floor coverings of MMF, brass parts of ball or roller bearings and silk embroidery.

(b) The drawback rates on most of the items have been reduced this year due to reductions in central excise duties from 14% to 10%. The estimated revenue saving would be approximately ₹ 1100 crores.

(c) Some changes have been made in the said notification and the description of some of the items given in the Drawback Schedule so as to resolve classification disputes and other issues.

II. Annual Supplement to Foreign Trade Policy 2009-2014

The annual supplement to the Foreign Trade Policy 2009-14 was unveiled by the Commerce and Industry Minister on 23rd August, 2010. Some of the major announcements are as under:-

(a) The Duty Entitlement Pass Book (DEPB) scheme which was due to expire on 31.12.10 has been extended upto 30.6.2011.

(b) The 'Zero' Duty Export Promotion Capital Goods (EPCG) Scheme which was due to expire on 31.03.2011 has been extended by one year i.e. upto 31.3.12.

(c) The 1% Status Holder Incentive Scrip (SHIS), whereby the status holders i.e. exporters having export turnover of more than ₹ 20 crores per annum are given 1% extra scrip in the form of SHIS, has been extended by one year i.e. upto 31.3.2012. The scheme was scheduled to expire on 31.3.2011.

(d) The DGFT 'Annual' EPCG Authorizations shall also be issued by DGFT henceforth. These would be similar to Annual Advance Authorizations.

(e) The Agri Infrastructure Scrips (AIIS) issued under para 3.13.4 of the FTP Vishesh Krishi Gram Udyog Yojana (VKGUY) can now be transferred to units in Parks recognized by the Ministry of Food Processing Industries, for import of cold chain equipment.

3.7 International Customs Division Technical assistance in the field of Customs Valuation

India is committed to providing technical assistance and help in Capacity Building activities of the Member Countries of the World Customs Organization. Such assistance is underway/ being initiated for the following countries: Kenya; Uganda; Ethiopia; Tanzania; and Congo.

The assistance is for setting up of Customs Valuation Databases, which help the Customs Administrations in effective implementation of their Valuation systems, in a manner consistent with the WTO Agreement on Customs Valuation.

In the case of Ethiopia, Central Board of Excise and Customs is developing a holistic consultancy project for Ethiopian Revenue and Customs Authorities (ERCA) on valuation matters to enable them to adjust their current valuation system in line with the WTO Agreement on Customs Valuation by deputing a multi-disciplinary team of officers of CBEC. The team includes officers having expertise in legal matters, Valuation and Risk Management.

3.8 Public Accounts Committee

3.8.1 Central Excise and Service Tax

3.8.1.1 The observations of Audit, in respect of Central Excise and Service Tax matters made in Audit Report No.CA.20 of 2009-10 (Compliance Audit) and Audit Report No. PA.24 of 2009-10 (Performance Audit) were dealt with by the PAC Section. The Compliance Audit Report contains the Draft Audit Paras (DAPs) which have been converted to audit paras. The Performance Audit Report contains the System Review.

3.8.1.2 During the year 2009-10, 250 Draft Audit Paras (DAPs) were received and replied to by the PAC Section. Out of these 226 DAPs were converted to Audit Paras (APs) and the Ministry has sent the Action Taken Note (ATN) to the C&AG in 103 audit paras.

3.8.1.3 During the current financial year, 236 DAPs have been received from the C&AG and the replies in 38 DAPs have been sent to the C&AG so far.

3.8.1.4 Ministry's Action Taken Note in respect of Audit Report No. PA.24 of 2009-10 (Performance Audit) in respect of Review on "Service Tax on Business Auxiliary Services" (Chapter II) and Review on "Excise duty on Iron & Steel and articles of Iron & Steel" included as Chapter-I were received in the section.

3.8.1.5 Ministry sent its ATN on the Recommendations made by the PAC in its 15th Report (15th Lok Sabha) on "Loss of Revenue due to short levy of tax", " Incorrect classification of excisable goods" and "Non-fulfilment of export obligations," as also the final reply on the Advance Questionnaire on "Provisional Assessment" was sent to Lok Sabha Secretariat.

3.8.2 Customs

3.8.2.1 The observations of Comptroller General of Audit (C&AG), in respect of Customs matters, made in C&AG Audit report, Compliance Audit and Performance Audit are handled by the concerned sections, viz; Customs, Drawback, DGEP, Anti Smuggling and Commissioner ICD (Customs) wing of CBEC. The Compliance Audit report contains the draft audit paras (DAPS) which have been converted to audit paras. The Performance Audit Report contains the systems review paras.

3.8.2.2 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 in respect of 27 DAPs the ATN is to be sent by the Directorate General of Foreign Trade in the Ministry of Commerce & Industry and hence, the same have been transferred to them. The ATNs in respect of all the DAPs were sent.

3.8.2.3 During the year 2009-10 (C&AG report for the period ending March 2009), 42 audit paras relating to export promotion duty exemption schemes vide chapter II and 70 audit paras relating to various issues relating to Customs in Chapter III,IV,V &VI had been received. These pertained 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. On examination, it was found that in respect of 26 DAPs the ATN was required to be sent by the Directorate General of Foreign Trade in the Ministry of Commerce & Industry and hence, the same have been transferred to them. The ATNs/Ministry's Comments in 76 Draft Audit Paras have been sent to the C&AG and remaining 10 are under examination.

3.9 Anti –Smuggling Unit

The following measures have been introduced with a view to help detect and curb evasion of Customs duty and frauds:

a) India has signed the Customs Mutual Assistance Agreement, memorandum of understanding with various countries to promote sharing of intelligence and provide investigative assistance to curb duty evasion.
b) Customs Overseas Intelligence Network (COIN) provides actionable intelligence for facilitating seizures of offending goods and to detect evasion of Customs duty.
c) Use of National Import Database (NIDB) helps in detecting under-valuation of imported goods, which has been reported to be the oft-used route for Customs commercial frauds.
d) Intelligence Support System (ISS) providers for development of intelligence and for analyzing macro level inputs into macro level workable intelligence. This system has resulted in detection of commercial fraud and evasion of customs duty.
e) In order to disseminate information about new modus operandi, DRI shares details of important cases booked by it through issuance of alert circular. These alert circulars act as useful tools for the field formations in the detection of Customs duty evasion. These alert circulars are also used for targeting in the Risk Management framework.
f) The department has installed one Mobile Gama Ray Container Scanner, one fixed X-ray scanner at Mumbai Sea Port. The department also proposed to install 7 additional Mobile and fixed container scanner during 2009-10 for effectively curbing the misdeclaration of goods etc. The speed Boats are being procured for effective patrolling of the coastal area. The department also approved procurement of 87 XBIS for installation at airport for scanning of baggage.

3.9.1 Procurement of 109 nos. of Marine Vessels for Customs Marine Fleet: 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.

3.9.2 Category I vessels: Orders have since been placed for supply of vessels to the lowest bidder (L1). In Category I, all the 24 vessels have been delivered up to November 2010 and placed at the disposal of concerned field formations under CBEC for further deployments.

3.9.3 Category II vessels: In Category II, the first eight vessels have been delivered up to November 2010 and the subsequent vessels will be delivered at the rate of one vessel per month.

3.9.4 Category IIIA & IIIB vessels: In Category IIIA & III, all the 63 vessels (30 in Category IIIA & 33 in Category IIIB) have been delivered up to November 2010 placed at the disposal of concerned field formations under CBEC for further deployments.

3.9.5 Mobile Gamma 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. With the approval of the competent authority, sanction has been issued to Directorate of Logistics i.e. the Purchaser on 06.08.2010 for placement of order to the lowest bidder i.e. L-1 for procurement of 03 Mobile Gamma Ray Scanners for installation at the ports of Chennai, Tuticorin and Kandla.

Anti-Smuggling Performance of DRI and Commissionerates - At a Glance (₹ in crore)

Sl. No.	Item of work	2007-08		2008-09		2009-10		2010-11 (upto Sept,10)	
		No. of cases	Value/ Duty	No. of cases	Value/ Duty	No. of cases	Value/ Duty	No. of cases	Value/ Duty
1	Seizure	42764	1021.08	43614	173.01	37894	1583.90	20573	998.50
2	Commercial fraud (CF) cases detected	3579	876.03	3303	2011.30	3189	838.00	2111	653.47
3	Investigation completed and SCN issued in CF cases	1262	1221.77	1575	2128.23	926	1457.68	484	2731.84
4	SCN issued in Outright Smug-gling cases	4885	99.67	9054	147.54	8978	464.41	2316	590.75
5	Duty recovered	5130	338.47	1737	674.06	4258	307.33	6186	224.57
6	Persons arrested	451	-	464	-	493	-	247	-
7	Persons detained under COFEPO-SA/NDPS Act	102	-	86	-	61	-	30	-

3.9.6 Fixed X-ray scanners

With the approval of the competent authority, sanction has been issued to Directorate of Logistics i.e. the Purchaser on 24.09.2010 for placement of order to the lowest bidder i.e. L-1 for procurement of 04 Fixed X-ray Scanners for installation at the ports of Mumbai, Chennai, Tuticorin and Kandla.

3.9.7 Procurement of one X-ray Baggage Inspection System (XBIS) with Z Backscatter technology

Sanction of ₹ 97, 85,780/- (from Special Equipment Fund) along with ₹ 40, 64,182/- from Machinery & Equipment Fund against AMC of 05 years after 02 years of warranty as proposed by the Directorate of Logistics has been given to Directorate of Logistics on 10.09.2010 for purchase of 01 X-ray Baggage Inspection System (XBIS) with Z Backscatter technology for installation at LCS Attari Rail from M/s AS&E as a pilot project;

3.10 Judicial Cell

The Judicial Cell is concerned with examination and filing of Departmental appeals in Supreme Court against CESTAT Orders, 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.

a) 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.

b) 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 2009-10 and 2010-11 (upto November, 2010)

1. Departmental Appeals:

Year	Number of Civil Appeal proposals received	Number of Civil Appeals Filed	Number of Cases where CESTAT Order Accepted
2009-10	209	175	34
2010-11			
(April 10 to Nov 2010)	105	62	43

2. Departmental Disputes with PSUs –COD:

(A) Processing of COD Proposal: (Table 3.2)

3.11 Legal Cell

3.11.1 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.

3.11.2 The number of cases pending before the Supreme Court, High Court, CESTAT and Commissioner (Appeals) as on 30.9.2010 are given below. (Table 3.3)

Legal Cell is also concerned with formalising the panel of Advocates/ Special Counsels for the department for representation before High Courts/Tribunals etc.

3.12 Publicity

Highlights of the performance and achievements during the year (April-November 2010):

3.12.1 The Directorate placed several multi-media campaigns in English, Hindi and major regional segments

Table 3.2

Year	Opening Balance	Number of Proposals Received	Total	Number of Proposals Disposed off	Closing Balance
2009-10	92	180	272	142	130
20010-11					
(April 10 to Nov. 10)	130	90	220	22	198

(B) Progress In Cod Meting:

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
2009-10	22	465	107	323	114	55	40
2010-11 (April10-Nov 2010)	12	196	53	115	19	16	17

Table 3.3					
SL. NO.	Appellate Forum	Total No. of Deptt. Appeals.	Total Amount Involved In Deptt. Appeals (₹ in Crores)	Total No. of Party's Appeals	Total Amount Involved In Party's Appeals (₹ In Crores.)
1	Supreme Court	1872	6083.77	736	1343.81
2	High Courts	7664	5405.03	7659	5105.93
3	CESTAT	15374	8198.41	26317	28774.88
4	Commissioner (Appeals)	3530	794.73	20061	3576.28

to publicise important schemes, provisions & amendments for the taxpayer's education and to inculcate the culture of voluntary compliance amongst taxpayers.The following media were used in the furtherance of this objective:

3.12.2 Print Media: Advertisements - on the ACES Project providing end-to-end e-solutions to taxpayers; the 'Service Tax Return Preparer (STRP) Scheme' to help taxpayers file their service tax returns; reminder/s for filing of Service Tax returns by due dates; mandatory e-return/e-payment by specified assessees; Customs clearance procedure at the International Airports; Safeguard Duty mechanism; Special Camps organised by field formations; and generic advertisements on timely and correct payment of tax dues.

3.12.3 Electronic Media: Campaign was also carried out using electronic media on - the ACES Project for publicising on-line tax processes; last date(s) for filing Service Tax returns; Generic advertisements with Shri Akshay Kumar, Cinestar and Ustad Amjad Ali Khan, Sarod maestro. A film 'History of International Trade and Collection of Customs Duties in Gujarat" showing collection of customs duties from the ancient to the modern times was also telecast in major language versions.

3.12.4 Outdoor/Misc. Media: The campaigns covered: Internet advertisements on e-returns/e-payment and online processes under the ACES Project; Radio spot on the STRP Scheme; last date of filing Service Tax returns; SMS campaign on last date of filing Service Tax Return; Hoardings on timely & correct payment of taxes;

3.12.5 Publications

The Directorate brought out several publications during the year for both the departmental officers & the taxpayers. These include publication of manuals of central excise, customs, audit manual, compendium of Supreme Court decisions on valuation, guide book for travellers, drawback schedule, back ground papers for All India Chief Commissioners Conference & other conferences, departmental handbook "Sampark" & its abridged version & monographs, and other technical & administrative subjects.

3.13 Directorate General of Inspection

3.13.1 Charter of Duties

The main functions of the Directorate General of Inspection are as follows:-

a) To study the working of the Customs, Central Excise Departmental machinery through out the country,

b) 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,

c) To carry out inspection to determine whether the working of the field formations are as per Customs and Central Excise procedures and to make recommendations in respect to the procedural flaws, if any, noticed,

d) To suggest measures for improvement in functioning of the field formations,

e) To function as nodal office for implementation of Official Language Policy of Government.

3.13.2 Organizational Structure

The Directorate of Inspection is headed by the Director General, having all India jurisdiction. Its regional Units are located at Mumbai, Chennai, Kolkata, Delhi and Hyderabad.Each Regional Unit is headed by one Additional Director General, except the Regional Units at Hyderabad, which is being headed by an Addl. Director, who reports to ADG SRU, Chennai. At the Headquarters office, the ADG(Admn.) has been delegated the powers of Head of Department. He also looks after the Official Language Section, Nepal Rebate and Bhutan refund section. Further ADG , HQ(C.Ex) is also incharge of (Customs) at the Hqrs, looks after inspection of the field formations. Certain inspections are also allocated to regional Units by the HQ. The regional offices look into 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 Directorate General of Inspection, DG(Vigilance), DG(Housing and Welfare), DG(Export Promotion), Office of the CDR, Directorate of Legal Affairs, DG(Audit), DG(Safeguards) and Directorate of General, Human Resources.

All ADGs are assisted by Additional Directors/Joint Directors/Deputy Directors and Assistant Directors.

3.13.3 Working

The Directorate was constituted in 1939, as part of the Board 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.

3.13.4 Highlights of performance

Number of Inspections of Commissionerates conducted by DGICCE & in regional units (Table 3.4)

In addition the following Special Assignments / Studies were undertaken by the Directorate:-

1. Review on provisional assessment cases
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 ₹ one crore and above
4. Monitoring of performance in Monthly Technical Reports (MTR) with special emphasis on pendency in key areas.
5. This Directorate is monitoring the disposal of pending adjudication cases. A special Cell has been created in this Directorate for this purpose and separate report regarding adjudication cases pending beyond the time limit stipulated in section 11 A (2 A) of Central Excise Act and cases having revenue more than one crore is prepared and is submitted along with MTR every month. This office identifies the Commissionerates with high pendency of adjudication cases and officers of this Directorate visit these Commissionerates to ascertain the reasons for delay in finalization of these cases. This Directorate is writing to Chief Commissioners at regular intervals requesting them to see that cases pending beyond period stipulated in Section 11 A (2A) are adjudicated quickly.

3.13.5 Customs

1. Inspection Action Plan for 2009-10 prepared and circulated to RU's on the basis of fresh directions of Board that all Commissionerates are to be inspected every year.
2. A systems review of DEEC and other major export promotion scheme is being conducted.
3. Monitoring of performance in Monthly Technical report(MTR) and Adjudication of cases in the categories: a) pending more than one year b) where amount involved is more than Rs one crore c) where the amount is more than ₹ one crore and case is pending for more than one year.
4. Study on the cases of Adjudication in the categories: a) Pending more than one year b) where amount involved is more than ₹ one crore, c) where the amount is more than ₹ one crore and the case is pending for more than one year.
5. Conducted system study on Prosecutions and report submitted along with draft Circular to CBEC for issue.
6. Approval of holding exhibition of ATA Carnet.

Administration / Establishment

1. Recruitment of TA's allotted by SSC through Tax Assistant exam, 2008 and 2009 has been completed.

3.13.6 Hindi / Official Language Policy

The following is the snapshot of work discharged by the Hindi Section of the Directorate: (Table 3.5)

3.13.7 Nepal Rebate Section

The Directorate also deals with payment of rebate to Nepal Govt. and refund of duty to Bhutan Govt. Every month the rebate cheque is given to Nepal Government. 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 Govt. and no claim of Bhutan Govt. is pending with the Directorate.

3.13.8 Nepal Rebate Sanctioned by Dgicce, New Delhi (3.6)

Table 3.4

Formation	2008-09	2009-10	2010-11 (1.4.10 to 30.11.10)
DGICCE (C. Excise)	19+3 (special study)	17	7
DGICCE (Customs)	17	25	7
NRU	8	15	5
ERU	13	14	4
CRU	11	12	4
SRU	10(8CEx +2 Cus)	19(16CE +3Cus)	14(13CEx+1Cus)
WRU	20(18CEx +2Cus)	25(20CEx+5Cus)	9
TOTAL	**101**	**127**	**50**

Table 3.5		
Task to be performed	Deliverables	Actual achievements
Monitor Rajbhasha Implementation	Implementation of orders and instructions issued by CBEC/O.L. Deppt. To draw inspection plan and conduct inspections in all the offices under CBEC. Translation work	Conducted eight inspections during 01.04.10. to 30.11.10. Two meetings of Parliamentary Committee were attended by D.D.(OL), one with A.D.G. (Admn.). Represented this Directorate in the meetings of O.L.I.C. of Deptt. of Revenue. Official language policy implementation workshop was organised for Group 'A' officers of this directorate. Translation of questionnaire received from Central Excise Branch. For ensuring the implementation and training of the employees and officers one Hindi workshop in CRCL from 21.07.2010 to 23.07.2010 was organised by DD(OL) on request of CRCL. Organised Hindi fortnight, Cultural programme and prize distribution ceremony in the month of September, 2010. Correspondence to gear up OL implementation with the field formations. Sevottam's work also facilitated .

Table 3.6			
Sl. No.	Year	Total amount(₹)	No. of invoices processed
1	2007-08	1,77,78,88,830	48927
2	2008-09	1,86,69,71,356	38348
3	2009-10	1,92,95,85,350	45892
4	2009-10(1.4.09 to 30.11.09)	1,69,09,60,382	40522
5	2010-11 (1.04.10 -30.11.2010)	1,14,50,28,578	28750

3.13.9 Refund of Excise Duty Given to Royal Govt. Of Bhutan

Year 2008 (for the year 2005)	
Amount claimed	₹ 1,03,10,80,789/ 98
Amount finalised	₹ 90,03,40,484/ 37
Year 2009 (for the year 2006)	
Amount claimed	₹ 1,13,19,82,387/-
Amount finalized	₹ 1,06,64,24,320/-
Year 2010 (for the year 2007)	
Amount claimed	₹ 1,73,95,96,569/-
Amount finalized	₹ 1,28,42,25,496/-

3.14 Systems & Computerisation

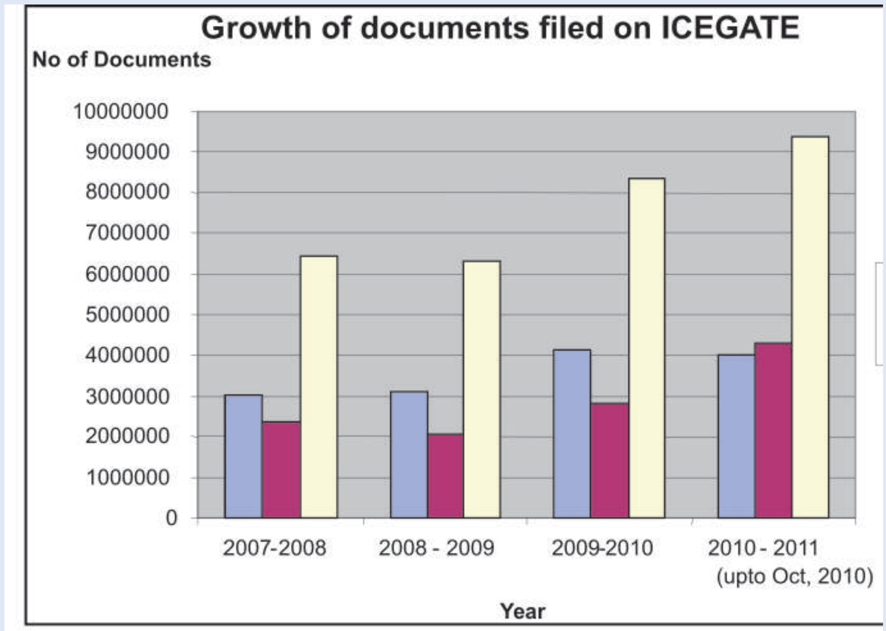
The e-governance projects already implemented and those under implementation by the CBEC are in line with the proposed vision of the National e-Governance Plan. Most of the projects undertaken by CBEC have targeted the business users such as importers and exporters, manufacturers and service providers. 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.

The Department's services are 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.

3.15.1 Details of Completed Activities / Projects

S. 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 [Currently available to users in all 104 Commssionerates.]
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 all 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 all 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 all 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 all 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 all 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 03.12.2010, 35043 calls were received out of which 34,940 calls 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	Online registration of Importers/ Exporters/ CHAs	To enable the taxpayer to register online as Trading Partner for transacting electronically with the Customs is available on the website www.icegate.gov.in. The user has to be registered at ICEGATE in order to file BE/ SB etc. Registration is free.

15	Online filing of Customs documents such as BE, SB, IGM, EGM, CGM, SGM etc. through messaging.	Over the years, the rise in the number of documents (BE, SB and Total Documents including IGM, EGM, CGM, RA, TP etc in addition to BE and SB) handled at ICEGATE is depicted in the following graph.  During 2010-11, the number of documents filed through ICEGATE has already crossed 9.37 millions upto Oct, 2010 i.e. more than the entire last year documents. Further, the ICEGATE website had 105 million hits in the month of September 2010 with file upload and DTS sections of the website accounting for about 43% hits. 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, most preferred format for filing at ICEGATE is proprietary flat file message formats. However, option to use the other schemas such as XML & UN-EDIFACT message formats are also available to trade. In ICEGATE Upgrade project, schemas for XML & UN-EDIFACT message formats are being developed. The work for operationalisation of Centralized architecture of the ICES 1.5 for 90 Customs locations has already been completed. 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.
16	Electronic filing	There are three options for filing the documents E-Mails (SMTP – Simple Mail Transfer Protocol) Web Upload FTP (File Transfer Protocol)
17	options	Electronic acknowledgement of the documents filed electronically at ICEGATE as well as the error communication in the documents filed at ICEGATE
18	Electronic acknowledgement Recent new message / facility additions	The upgraded ICEGATE also allows filing of the Amendments to the already filed documents on mail. It also communicates the query raised by the officers on the filed documents and the Query Reply Messages from the user online using internet and e-mail through ICEGATE for ICES 1.5 locations.

	a. Communication of query on mail b. Reply of query on mail c. Amendment of the documents on mail d. Print out of BE (1st Copy) & Challan on mail	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 has also been provided.
19.	e-payment of Customs Duty and Cess	ICEGATE enables the tax payer to make online e–payment by choosing their challans and then directing the user to the website of their preferred bank on the website www.icegate.gov.in, which is also free and reduces transaction costs.
20.	Electronic messages for Customs Duty payment in the bank.	The prompt electronic messages to the bank containing the Duty Payment Challan details as soon as the BE is assessed and due for Duty payment enables prompt duty payment by the tax payers by visiting the bank and the reverse message of duty payment from the bank and its integration into messaging enables import goods clearance without hassle and reduces transaction costs.
21.	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.
22.	Web-tracking of status of Documents filed electronically	To enable tax payer & users to view or to ascertain the status of their documents filed through ICEGATE, 2 types of Tracking facilities are provided on the website www.icegate.gov.in namely tracking of jobs filed at ICEGATE (popularly known as DTS) and tracking of documents ICES corresponding to the jobs filed through ICEGATE (popularly known as tracking at ICES).
23.	Web-tracking of status of jobs at ICEGATE (DTS)	Tracking of BE/ SB/ IGM /EGM / CGM/ SGM jobs etc. filed at ICEGATE.
24.	Web-tracking of documents ICES corresponding to the jobs filed through ICEGATE (Tracking at ICES).	Tracking of BE/ SB/ IGM /EGM / CGM/ SGM jobs etc. after ascertaining the document number and date from DTS at ICEGATE. These services include BE status tracking SB status tracking Container based tracking BL tracking IGM/ SGM/ CGM tracking EGM tracking tracking of queries raised in BE tracking of queries raised in SB Inquiry Module for Service Centre users for ICES 1.5 locations also runs through ICEGATE.
25.	Online Information sharing and information to check status of DGFT related issues	The Customs department and DGFT in the Ministry of Commerce also share following information with each other through ICEGATE: • IEC (Importer Exporter Code) issued by DGFT • Shipping bill data transmission to DGFT by Customs for the issue of Licenses • Import Export Licenses issued by DGFT • Verification of licenses issued by DGFT with the relevant Customs Shipping Bills and its integration into the ICES
26(a)	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
26(b)	Online verification of DEPB licenses	To enable online transmission of Shipping bills to DGFT and receipt and verification of DEPB licences issued by DGFT and their receipt through electronic message from DGFT has resulted in doing away with the manual verification of DEPB licences. On the website www.icegate.gov.in

26(c)	Online verification of DES / EPCG Licences	To enable online receipt of DES/EPCG Licences issued by DGFT and their receipt through electronic message from DGFT has resulted 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
26(d)	Transhipment module	To enable online transmission of SMTP portion of IGM from automated gateway ports to automated ICDs
27	API (Application Program Interface) for the ICES	API (Application Program Interface) for the Customs EDI by way of publication of: Communication Guidelines With ICEGATE for ICES 1.0 and ICES 1.5 Code List / Directories such as port code,AD code, and currency code directories etc. PAN Based CHA (Custom House Agents) Data
28	Registration for IPR (Intellectual Property Rights)	The registration once done for an IPR at ICEGATE is valid for all the ICES sites. It is also Free.
29	Helpline facility for ICEGATE transactions	To provide a Helpline for problems faced by taxpayers in transacting with the department through ICEGATE. The ICEGATE Helpdesk is functional round the clock.
30	Online training on ICEGATE / Self help	Sample formats of messages as per the requirement of trade and FAQs are also provided on the ICEGATE website www.icegate.gov.in
31	Daily Trade Return Messages	Daily Trade Return Messages are shared with other government agencies such as Ministry of Steel; DGCI&S of Ministry of Commerce; RBI, DGoV and DRI in the Ministry of Finance etc so as to enable them for policy making as well as in keeping track of licit/ illicit import/ export transactions.
32	24X7 helpdesk facility	The ICEGATE also provides for 24X7 helpdesk facility for its trading partners. During April, 2010 to September, 2010 the helpdesk received 48559 e-mails and 39295 tickets raised for resolution.
33	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 accurate tax payment data from banks for revenue and tax payer accounting available. 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. 26 banks out of the authorised 28 banks have got linked with this portal. From January 1st 2010 to Dec 30th 2010 around 40 lakh challans have been uploaded by the banks and in around 97% of the challans the assessee code is valid. 96% of the revenue in Central Excise and 76% of revenue in Service tax is through e-payment. R.B.I has issued Circular DGBA.GAD.No.H - 850/41.07.003/2010-11 dated 29th July 2010, making it mandatory for the authorised banks to accept Central Excise and Service Tax payments from only those assessees whose Assessee Codes (Registration Numbers) exist in the EASIEST Directory. With effect from 1st September, 2010, banks will not accept payments unless the Assessee Code exists in the Assessee Code Directory, which is down-loaded by the banks from the EASIEST (NSDL) portal, who receive it from the CBEC's ACES Registration Database. The improvement in the percentage of valid assessee codes can be attributed to this initiative. Outcomes of the EASIEST project 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. Capture of the unique Assessee code in EASIEST data enables accounting of the tax paid by each taxpayer.

		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 is used by the ACES application and assists in system-based verification of tax payment. 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 • 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 : **EASIEST Collection reports** a. Summary Report b. Chief Commissionerwise collection Report c) Top Assessee Report Top 25/50/100/500/1000 taxpayers for selected period d) e-Payment Report **EASIEST Coverage** a) Fund Settlement Statistics Report b) Branch Coverage Statistics Report **EASIEST Deficiency** **Invalid Assessee Code Report**

3.15.2 The details of on-going Projects in brief are as under:

<table>
<tr><th>Sl. No.</th><th>On- Going Projects</th><th>Brief Account</th></tr>
<tr><td>1</td><td>Automation of Central Excise and Service Tax (ACES)</td><td>
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, refunds, filing and processing of excise related export documents, dispute resolution, audit etc.
ACES has been rolled out in all 104 Commissionerates of Central Excise, Service Tax and Large Tax Payer Units on 23.12.2009.
The outcome of the project has been very encouraging. There has been a steady and progressive growth in the use of ACES by the users. ACES website is frequented by many visitors attracting hits of more than 30 crore in a very short period. This is indicative of the growing popularity of ACES. The usage of ACES website (www.aces.gov.in), as on 30-11-2010 is as follows:
<table>
<tr><th>S.No</th><th>Category</th><th>Number</th></tr>
<tr><td>1</td><td>Unique Visitors to ACES Website</td><td>30.52 lacs</td></tr>
<tr><td>2</td><td>No of Visits to ACES Website</td><td>45.31 lacs</td></tr>
<tr><td>3</td><td>No of Pages opened in ACES Website</td><td>7.50 crores</td></tr>
<tr><td>4</td><td>No of hits to ACES Website</td><td>31.48 crores</td></tr>
</table>
The data pertaining to use of Registration and Returns modules in ACES as on 30.11.2010 are given below:
</td></tr>
</table>

S.No	Nature of Document Filed	Number
1	Central Excise Registration Applications filed	30,328
2	Central Excise Returns	5,36,487
3	Service Tax Registration Applications filed	2,22,578
4	Service Tax Returns	1,25,825
5	Claims & Intimations	25,227

Notable features of the ACES Project are :

(1) Service Desk

In order to help the users, DGS has set up a Service Desk with a National Toll-free No 1800 425 4251, which can be accessed by both the departmental officers and taxpayers between 9 AM to 7 PM on all working days. Besides, they can send e-mails (24X7) to aces.servicedesk@icegate.gov.in. All the calls / e-mails are logged by the Service Desk Agents, who are issued unique ticket numbers. The departmental officers can also use Citrix to directly lodge complaints with the Service Desk, which automatically generates ticket numbers. If these Agents cannot resolve the issues at their end, they can escalate it to different teams namely the application team, Network team or the Hardware team for necessary action. The DGS teams closely monitor the progress of work in the service desk, analyse the issues and issue suitable instructions for early resolution. The close monitoring by the DGS team has resulted in a very high degree of resolution. So far 35,904 calls were received, out of which 35,812 (99.74%) issues have been resolved.

(2) Facilities for E-filing of Returns and E-payment of Duty/Tax

In order to assist the assessees in using ACES, CBEC has issued a comprehensive Circular No. 919/09/2010-CX dated 23rd March 2010 on the procedure for Electronic filing of Central Excise and Service Tax Returns and for Electronic Payment of Excise Duty and Service Tax. Updated e-filing utilities for all Central Excise and Service Tax Returns have been released and can be downloaded using the Download link on homepage. Further, to make it easy for the Dealers and other Central Excise assessees to file returns in ACES, XML Schema of ER 1, ER 2 and Dealer Returns have been hosted on the ACES website. By suitably modifying their own software application and using this Schema the assessees can also generate an up-loadable form of returns directly from their own database without the need to make fresh data entry.

(3) Training of Officials and Assessees

Training of over 20, 000 departmental officers and over 16 lakh assessees spread across the country was a daunting task. It was, therefore, decided to chalk out the following strategy to train the users and various stakeholders:

Preparation of Training Material: Development of a self-learning, multi-media-based, Learning Management Software (LMS), User Manuals, FAQs and other Training Material.

Learning Management Software (LMS): For the LMS, the DGS team held series of meetings with a new team, engaged by the vendor, to design the scope and finalise the text and other details of LMS. User Manuals and FAQs were scrutinized and hosted on the ACES website.

Training-of-Trainers (TOT): DG Systems collaborated with the National Academy of Customs, Excise and Narcotics (NACEN) to impart training through the Training-of-Trainers (TOT) mode. In toto, 19 TOTs were held in different cities for lead trainers, selected from the field formations. Using the training material supplied by the DGS, these lead trainers, under the over all supervision of DGS teams, trained other officers in the Commissionerates, Divisions and Ranges.

Selection and training of Systems Managers: Commissionerates were advised to identify officers with proper aptitude and knowledge to work as Systems Managers, called Commissionerate Administrators. In order to attract talents, it was kept-rank-neutral so that eligible officers, irrespective of their rank could shoulder this important task. These officers, who control the Access Control Logic (ACL)

		module of ACES and assign role, jurisdiction and activities to the officers, were given extensive training by DGS teams in different batches. **(4) ACES Certified Facilitation Centres (CFCs)** In order to provide multiple-access points throughout India and services to taxpayers who may not have requisite IT infrastructure/ resources to use ACES, facilities have been provided in ACES to enable CFCs to transact on behalf of the taxpayers. A proposal was approved for nation-wide setting of ACES Certified Facilitation Centres (CFCs) by the Members of the Institute of Chartered Accountants of India (ICAI), the Institute of Cost and Works Accountants of India (ICWAI) and the Institute of Company Secretaries of India (ICSI), having valid Certificates of Practice. DGS, Delhi has entered into Memorandum of Undertakings (MOU) with ICAI, ICWAI & ICSI to set up CFCs across the country. Authorized persons of ACES Certified Facilitation Centres (CFCs), set up by ICAI, ICWAI, ICSI and others can work in ACES on behalf of Central Excise and Service Tax assessee. Currently, more than 462 such CFCs are operating in about 163 cities across India and the services are available on payment of prescribed services charges for various services such as digitisation of paper documents and on-line filing/ uploading of documents such as Application for Registration, Returns, Claims, Permissions and Intimations etc. in ACES. This Directorate has also organized three workshops at Bhopal, Satna (MP) and Bhubaneswar for Members of ICAI, ICWAI and ICSI. **(5) Roadmap for Future Action** (a) Stakeholder Consultation - CBEC has been interacting with the members of trade and industry and internally with the departmental officers to get regular feedback during the development of the application and thereafter. It has interacted with a number of trade bodies including Chambers of Commerce and Industry for improvement in the software and the feedback has been very positive and encouraging. CBEC has constituted a Committee to look into the suggestions, received from the users on a regular basis, and to recommend necessary changes. The department is implementing these user friendly suggestions on a regular basis through periodic patch release process. (b)Digital Signature - Although the ACES application is enabled to accept digitally signed documents, in order to minimize problems to the users in the initial stage of the implementation of this new application, it was decided to defer its implementation. Now that the users are comfortable working in ACES, it is proposed to activate this process in a phased manner. The ACES project has also received three e-governance awards namely Skoch "ICT for India 2010", Information Weekly (India)'s EDGE award and PC Quest award.
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.
	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. 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. The mail messaging solution has been made online from Data Center to provide official mail accounts.
	Local Area Network	Local Area Network Connectivity has already been provided to CBEC users in 1147 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.
3	Data Warehouse (DW)	CBEC's Data Warehouse project aims at a consolidated national perspective of CBEC's data (Customs, Central Excise and Service Tax) for informed policy making and decision support. It provides a source of clean and consistent data for analytical reporting. Various Analytical reports on Customs, Central Excise and Service tax (both returns and payments data) have been developed and hosted on the EDW portal, using the 'best of breed' Business Intelligence software tools. These reports have been tested by various CBEC user groups and the feedback provided has been incorporated. The UAT phase of the project is complete and the project is in process of being rolled out to identified CBEC users. Following activities have been accomplished in the Year 2010: Development and testing of EDW Pilot Phase is complete Development and Testing of around 77 analytical reports, 6 dashboards and 10 multi-dimensional cubes for data analysis across Customs, Central Excise and Service Tax is complete and hosted on the CBEC production environment (Phase I and Phase II of EDW Project). Rigorous system testing, Load and Performance testing of the EDW application performed. Two training workshops conducted for CBEC users. Acceptance testing of the reports, dashboards and cubes by CBEC users is complete. Completion of all technical and end user documentation pertaining to EDW project. Preparation of a training manual for Instructor Led trainings is complete. Preparation of a Computer Based Tutorial for Self Learning / Instructor Led trainings is in progress. Planning for conducting end user trainings is in final stages. Various data mining reports for determining reference price for Imports and Central Excise, using text mining software tools have been prepared and shared with Directorate General of Valuation (DGoV). Automated Cluster formation exercise for sensitive commodities has been also done for DGoV. Supplier profiling has been accomplished and demonstrated to the respective CBEC user groups. Residual Risk modeling performed and shared with Risk Management Division (RMD) for further feedback. Price and Duty Elasticity models for Central Excise being prepared for Tax research Unit (TRU) and demonstrated to them in various forums. Report for Duty Difference, Volume difference and volume decomposition by state and commodity classification is in progress.
4	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 these locations are ready.

5	Electronic Data Interchange (EDI)	The Customs EDI system is being upgraded to Version 1.5 on central server which was installed at Delhi and Disaster Recovery Site at Chennai. A number of Customs locations have been migrated to ICES 1.5 taking the total number of automated locations to 90.
6	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 a software application. The system when put in operation is likely to benefit large number of passengers in Customs clearance at the airports.
7	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

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 Division

The new version of Risk Management System (RMS 3.1) is operational in 47 Customs locations and the old version (RMS 2.7) in three locations covering more than 85% of India's international trade. The risk management system has revolutionized the Customs import clearance process by cutting down the clearance time 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. 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 follow "Just in time" principles. Due to these efforts, the Indian Customs have been able to provide higher standards of service to the trading community.

3.16.1 Implementation of RMS in Export Promotion Scheme

- ➢ Risk Management System in Export Promotion Schemes, covering about 21 such schemes, has been implemented at all EDI locations where either RMS 3.1 or RMS 2.7 is operational 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.

3.16.2 RMS Training Programmes

- ➢ The Risk Management Division has been in the forefront of training Customs officers of various countries. Delegates from Tanzania and Congo 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 and Mumbai.

3.16.3 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. The launching of RMS in exports is going to be the priority once launching of new version of RMS in the central server environment at all the remaining EDI locations is successfully completed.

3.16.4 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. The pilot project of courier EDI is ongoing at Delhi and Mumbai. The UAT (user acceptance test) of courier RMS will be undertaken in the coming months.

3.16.5 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 its testing and implementation will be completed in the ensuing months.

3.16.6 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. Steps are being taken to migrate the entire application to the central server and make it compatible with RMS 3.1.

3.16.7 Accredited Clients Programme (ACP)

3.16.7.1 The Central Board of Excise & Customs (CBEC) has decided to introduce Risk Management based solution as the Risk Management System(RMS) with the "Accredited Clients' 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 Customs laws. 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 Clients' 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.

3.16.7.2 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 on the basis of 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.

3.16.7.3 Upon introduction of RMS, Concurrent Audit has been replaced by Post Clearance Audit (PCA) for all importers. Post Clearance Audit is being carried out on Bills of Entry selected by the Risk Management System.

3.16.7.4 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 50 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.

3.16.7.5 For qualifying for the ACP, the applicants 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 review of the compliance record of the Accredited Client. The ACP facility has been extended to Export Houses and Trading House, which have been granted such status under the Foreign Trade Policy (CBEC Circular 29/2010 dated 20.08.2010).

3.16.7.6 The importers who have been granted the status of Accredited Clients are required to maintain high levels of compliance. It is being closely monitored by the Risk Management Division in co-ordination with the Commissioners of Customs and where compliance levels fall, the importer is to be informed for improvement. In case of persistent non-compliance, the importer may be deregistered under the Accredited Client's Programme.

3.16.7.7 There are 251 ACP Clients as on 23rd of December 2010.

3.16.8 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.

3.17 SEVOTTAM

Central Board of Excise & Customs (CBEC) is the nodal agency implementing indirect tax laws across India. It has taken a multi-path approach towards citizen centric tax administration reorienting from regulation to facilitation. A tax-payer-service system is an important pillar for an efficient revenue administration. The system serves the premise that certainty of applicable tax and procedures flows into assessees' voluntary tax compliance.

To provide an effective and efficient tax-payer-service system, CBEC has launched project Sevottam. This is a Service Delivery Excellence Model which provides an assessment-improvement framework to bring about excellence in public service delivery. The model works as an evaluation mechanism to assess the quality of internal processes and their impact on the quality of service delivery. Sevottam is also an IS 15700: 2005 certifiable standard.

The implementation

To implement Sevottam, CBEC has benchmarked its services and their delivery is facilitated through different paths: (a) Citizens' Charter creating transparency and accountability, (b) Use of Technology creating easy access to services and grievance redress, (c) Dedicated Centers providing single window facility and information and (d) Quality Certificates building confidence of citizens.

CBEC initiated Sevottam in the year 2008 and has taken concrete steps to systematically create a tax-payer-service system.

- The department revised its Charter as per inputs received from key stakeholders to make it Citizen centric and demarcated its vision, defined regulatory and service functions and set-out fresh service standards and norms.
- The department adopted Centralized Public Grievance Redress and Monitoring System (CPGRAMS) giving tax-payers' easy access to get grievances redressed online. Public Grievance Officers have been nominated for each field formation and norms of acknowledging complaints and of providing final replies have been set.
- Three Commissionerates viz. Delhi-I Central Excise, Delhi Service Tax and Delhi Customs (Import & General) and the Office of the D.G. (Inspection) are now IS 15700:2005 certified. The said certificate was received on 4th November 2010, and is valid for 3 years.
- Service Quality Manual has been prepared incorporating the key learning at pilots on how to deliver and sustain quality in services. The manual has built on IS 15700 requirements to capture latest research and best practices in the field of service delivery. A service quality policy along with quality objectives and complaint handling objectives has been laid out to fulfill our commitments to citizens stated in the Citizens' Charter.

The road ahead:

20 formations viz Central Excise, Ahmedabad-I, Central Excise, Ahmedabad-III, Central Excise, Rajkot, Central Excise, Delhi-II, Central Excise, Delhi-III, Central Excise, Rohtak, Central Excise, Mumbai-III, Central Excise, Belapur, Customs, Bangalore, Customs, Mangalore, Chennai Sea-Import/Chennai Sea-Export, Chennai Airport & Air cargo, Delhi (ICD etc), Delhi (Air Cargo Export), Mumbai-Airport, Mumbai-Import, Mumbai-Export, Mumbai-General and Kolkata (Port) have been chosen for Phase-II expansion of Sevottam in addition to continual improvement, essential for sustained quality delivery. It is also proposed to undertake periodic review of the Citizens' Charter to incorporate increased expectations of the citizen.

On the whole CBEC has taken a dynamic approach towards quality delivery through business processes re-engineering.

3.18 Grievance Redressal Machinery

3.18.1 For prompt and effective redressal of grievances (which is a key requirement of Sevottam), CBEC has adopted the Centralized Public Grievance Redress and Monitoring System (CPGRAMS) a standardized web-based solution. This has been done 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.

3.18.2 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

3.19.1 A Committee on sexual harassment has been constituted in each Commissionerate/ Directorate on the recommendations of Hon'ble Supreme Court and National Commission for Women to look after the complaints of women.

Directorate of Logistics had in the past taken certain specific initiatives for empowerment/ welfare of women. The work has now been entrusted to Directorate of Human Resources Development so that gender issues can be addressed promptly & with greater ease & efficiency. The Directorate of Logistics had been sanctioning ex-gratia financial assistance to the spouse of employees who die while in service, in consideration of their poor financial condition. An amount of ₹ 21,25,000/- has been sanctioned in 22 cases as ex-gratia to the wives of the employees who died while in service. Besides this, the sum of ₹ 5,00,000/- each in 2 cases has been recommended to the widows of two departmental officials who died in a road accident while returning from overnight preventive patrolling.

3.19.2 In Cash Award scheme, 2009, the eligibility criterion for the girl child has been relaxed by reducing 5% and also amount of Cash Award is ₹ 1,000/- more than for the boys. In Scholarship Scheme of 2007-2008 and 2008-09 eligibility criterion has been relaxed for the girl child in terms of rank they obtain in the All India Entrance Test/ Examination.

3.20 Activities undertaken for Disability Sector, SCs & STs and other Weaker Section of Society

3.20.1 The policy of reservation for SCs/STs/OBCs and disabled persons in Government employment, in direct recruitment and promotion, has been followed in letter and spirit. The representation of SCs/STs/OBCs and Persons with Disabilities in CBEC are attended on priority and their grievances are sorted out.

3.20.2 Cash Award Scheme: the meritorious children of departmental officials are awarded with Cash award on the basis of their performance in Board Examination of class 10th & 12th standard. In Cash Award Scheme, 2009, the eligibility criterion has been reduced for SC/ST/ OBC categories. The eligibility criterion for SC category has been reduced by 10% and 6% for OBC category.

3.20.3 Scholarship Scheme: scholarship scheme is in operation in which scholarship to the children of officers/ staffs of the department are granted for pursuing professional courses under graduate level. Under Scholarship Scheme-, 2007-08 and 2008-09, eligibility criterion has been relaxed for the children of SCs/STs/ OBCs officials.

(Annexure-I)

Year-wise trends of Indirect Tax Revenue collection

(₹ crore)

Sl. No.	Head	2007-2008	2008-2009	2009-2010	April-Oct. 10 (P)	
					2009-10	2010-11
I	CUSTOMS					
	BE	98770	118930	98000	98000	115000
	RE	100766	108000	84477	84477	
	Actuals	104119	99879	84497	45144	73895
	% achievement of BE	105.4	84.0	89.6	46.1	64.3
	% achievement of RE	103.3	92.5	100	53.4	
	% growth over last year	20.6	-4.1	-15.4		63.7
II	UNION EXCISE					
	BE	130220	137874	106477	106477	130471
	RE	127947	108359	102000	102000	
	Actuals	123611	108613	106452	45129	62838
	% achievement of BE	94.9	78.8	100.1	42.4	48.2
	% achievement of RE	96.6	100.2	104.5	44.2	
	% growth over last year	5.1	-12.1	-2.0		39.2
III	SERVICE TAX					
	BE	50200	64460	65000	65000	68000
	RE	50603	65000	58000	58000	
	Actuals	51301	60941	58319	28956	33977
	% achievement of BE	102.2	94.5	89.7	44.5	50.0
	% achievement of RE	101.4	93.8	100.6	49.9	
	% growth over last year	36.4	18.8	-4.3		17.3
IV	INDIRECT TAX					
	BE	279190	321264	269477	269477	313471
	RE	279316	281359	244477	244477	
	Actuals	279031	269433	249268	119229	170710
	% achievement of BE	99.9	83.9	92.5	44.2	54.5
	% achievement of RE	99.9	95.8	102.0	48.8	
	% growth over last year	15.5	-3.4	-7.5		43.2

Source: Pr CCA / Receipts Budget

4. CENTRAL BOARD OF DIRECT TAXES

4.1 Organisations and Functions

4.1.1 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)

4.1.2 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 3.5 crore, the Income Tax department interfaces with almost every urban family in the country.

4.1.3 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 6.07% in F.Y. 2009-10.As a result of improved tax administration and better tax compliance direct tax collection is displaying positive trends.

An amount of Rs 3,77,982 crore (provisional) has been collected up to 31st March 2010 at a growth rate of around 13.23% over previous year's corresponding collection of ₹ 3,33,828 crore. During the span of last five years, the collection has almost trebled. During 2004-05, the direct taxes collection was ₹ 1,32,771 crore and for the year 2009-10, the direct taxes collection has reached ₹ 3,77,982 crore (provisional).

The collection from TDS till 31st March 2010 is ₹ 1,45,736 crore which is at a healthy growth rate of around 12.65% 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 0.72% in 2009-10 being one of the lowest in the world i.e. the Department spends only 72 paisa for each 100 rupees collected.

Table 3.7 Budget Estimates and Actual Collection of Direct Taxes during the Financial Years 2007-08, 2008-09 & 2009-10.

(₹ in Crore)

	2007-08		2008-09		2009-10	
Taxes	Budget Estimates	Collection	Budget Estimates	Collection	Budget Estimates	#Collection up to 31st Mar'2010
Corporate Income-tax	1,68,401	1,92,911	2,26,361	2,13,395	2,56,725	2,44,725
*Personal Income Tax	98,774	1,18,915	1,38,314	1,20,013	1,12,850	1,32,752
Other	315	387	325	420	425	505
Total	**2,67,490**	**3,12,213**	**3,65,000**	**3,33,828**	**3,70,000**	**3,77,982**

Note: - *Personal Income Tax collection includes collection under Security Transaction Tax, Fringe Benefit Tax and Banking Cash Transaction Tax.
Collection figures for 2009-10 are provisional.

Table 3.8 Arrear & Current Demand of Corpoarate Income Tax and Personal Income Tax For F.Y. 2008-09 And F.Y. 2009-10).

(₹ in Crore)

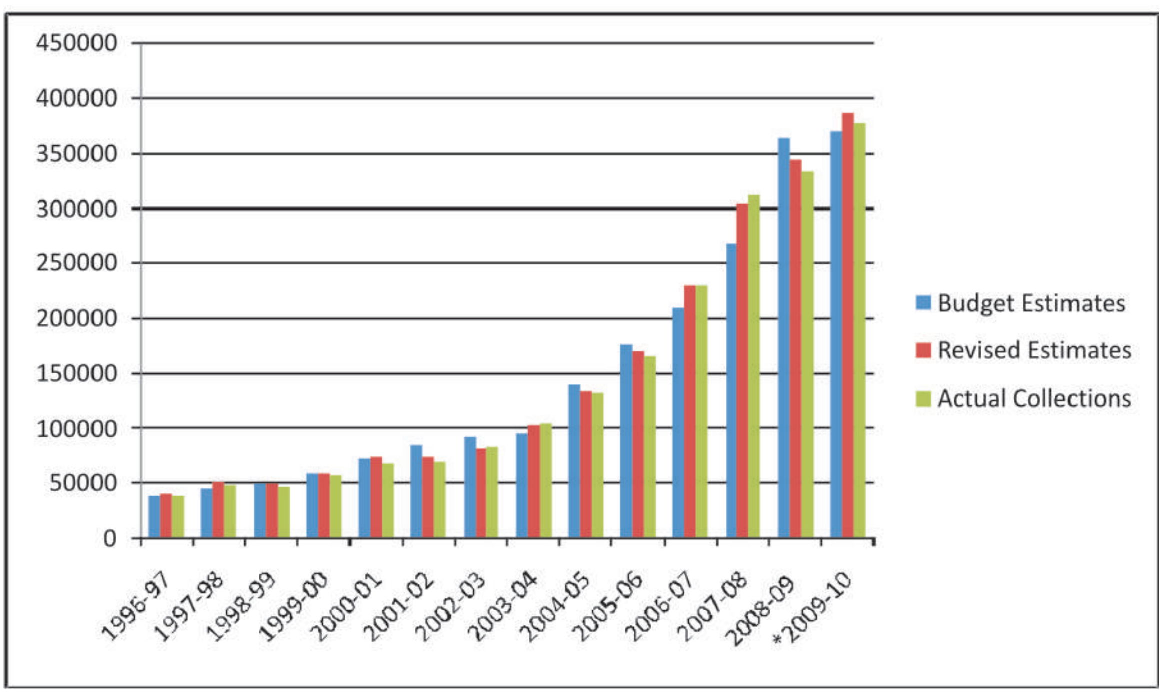
	Financial Year 2008-09	Financial Year 2009-10
A. Total Outstanding Demand	2,13,648	2,48,927
B. Reason-wise Analysis 1. Amount not fallen due 2. Amount difficult to recover including, amounts stayed by I.T. Authorities, Courts etc.	12,372 1,87,575	19,895 2,12,758
C. Net Collectible Demand (A-B)	**13,701**	**16,274**

The Department has collected ₹ 11,939 crore from arrear demand during 2009-10 at a growth rate of 19.19% against a corresponding collection of ₹ 10,016 crore last year. In current demands, the collection for 2009-10 stands at ₹ 24,300 crore at a growth rate of 14.48%. Arrear demand amounting to ₹ 23,717 crore has been liquidated pursuant to orders of appellate authorities, the courts and through rectification petitions.

Table 3.9 - BE-RE-Actual Collection (₹ in Crore)

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	333828	6.92%	91.46%	96.76%
*2009-10	370000	387008	377982	13.23%	102.15%	97.6%

*The figures of 2009-10 are provisional



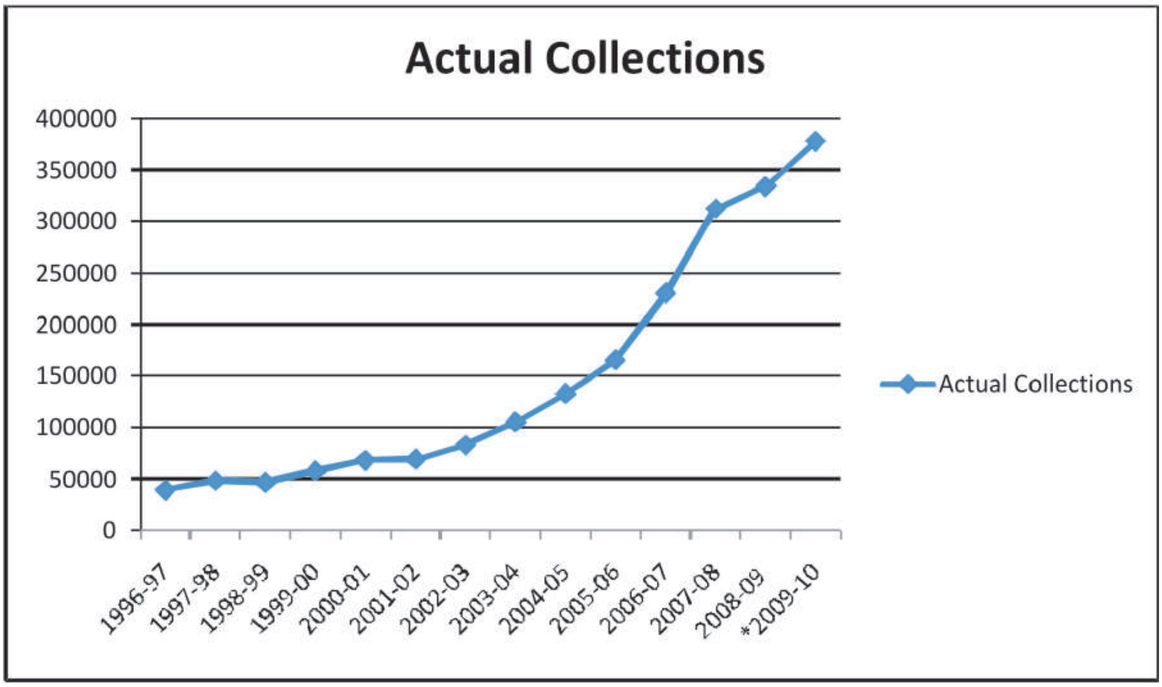


Table 3.10 Cost of Collection

Financial Year	Total Collections	Total Expenditure (Revenue)	Exp as % of Colln
	(₹ Crores)	(₹ Crores)	
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	333,828	2286	0.68%
*2009-10	377,982	2724	0.72%

* Figures of 2009-10 are provisional

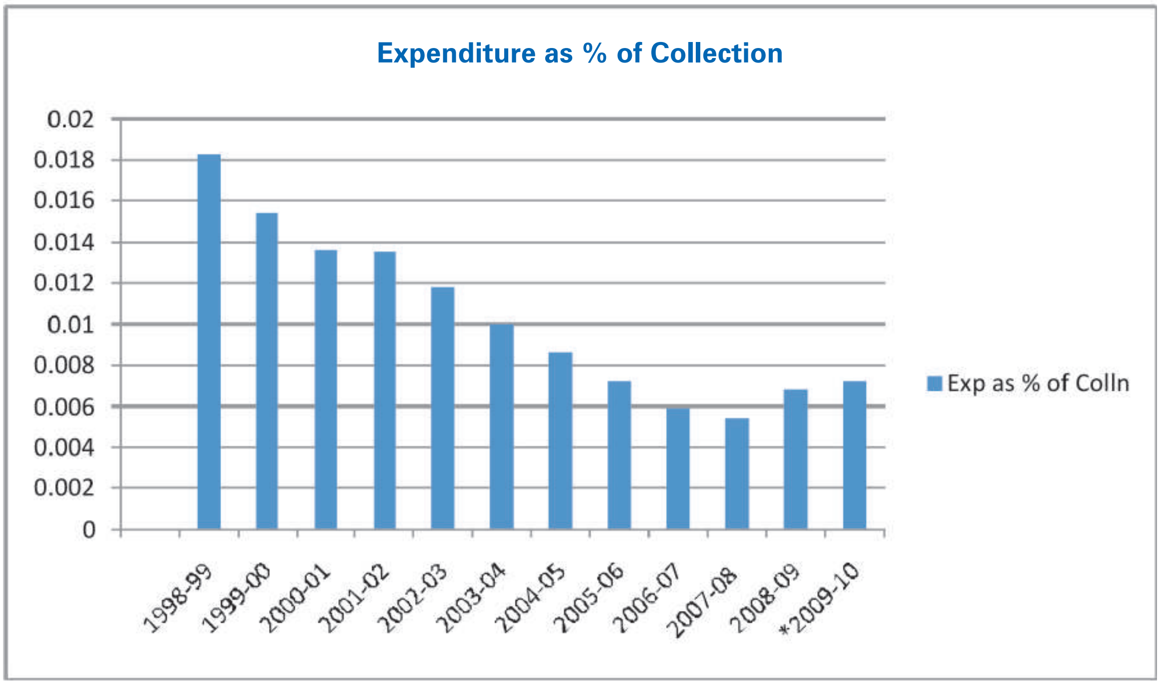
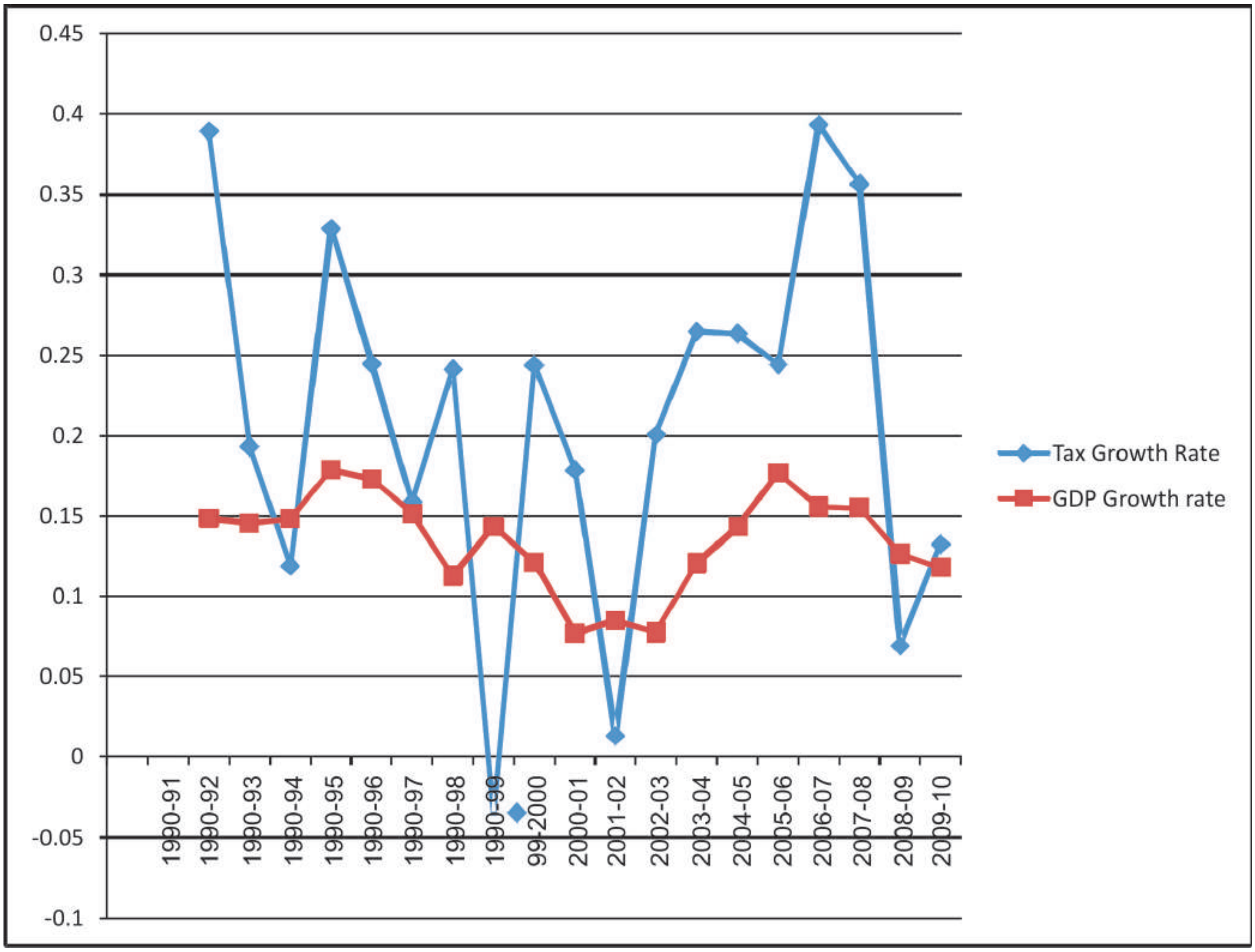


Table 3.11 Direct Tax - GDP Ratio

Financial year	Net collections of direct taxes	Gdp at current market prices	Direct tax-gdp ratio	Gdp growth rate	Tax growth rate	Buoyancy factor
	(₹.crore)	(₹.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	3706473	4.46%	17.69%	24.43%	1.79
2006-07	230181	4283979	5.37%	15.58%	39.33%	2.57
2007-08	312213	4947857	6.31%	15.50%	35.64%	2.48
2008-09	333828	5574449	5.99%	12.66%	6.93%	0.55
2009-10	377982	6231171	6.07%	11.78%	13.23%	1.25

** Figures of 2009-10 are provisional, GDP for 2009-10 are based on Advance Estimates
GDP for 2008-09 is based on Revised Estimates



It is seen that during the span of last five years the Direct Taxes-GDP ratio has risen from 4.22% to 6.07%. In fact the contribution from Direct Taxes to the Central Kitty is at present more than 60% of the total tax revenue collected.

During the current year (2010-11), up to November, 2010 the Income Tax Department has collected ₹ 2,16,628 crore at a growth rate of 17.85%, achieving 50.38% of the Budget Estimate of ₹ 4,30,000 crore for 2010-11. The collection from Corporate tax up to November, 2010 stands at ₹ 1,38,461 crore at a growth of 22.30%, the collection from Personal Income tax (including STT,FBT,BCTT) stands at ₹ 77,768 crore at a growth of 10.66% and the collection from Other Taxes stands at Rs 399 crore at a growth of 19.46%.

4.2.1 Significant landmarks

(i) On 31st March 2010, the Income Tax Department got certification under IS 15700:2005, from the Bureau of Indian Standards for the Aayakar Seva Kendra (ASK) at Pune. It provides for a front office backed by re-engineered processes so that the grievances of the taxpayers are redressed quickly.

(ii) The innovative project of the Income Tax Department Integrated Taxpayer Data Management System (ITDMS) was awarded PM's Award of Excellence for the year 2008-09. The award was presented on Civil Services Day held in Vigyan Bhavan on 21st April 2010. ITDMS is a comprehensive tool to make actionable intelligence from various databases both from within and outside the department. The tool has helped the department to develop focused intelligence and make the task of detection of tax evasion non-intrusive.

(iii) The revised Citizen's Charter was released by the Finance Minister on 24th July 2010 on the occasion of Income Tax completing 150 years of its existence.

(iv) The Direct Tax Code, Bill, 2010 (Bill No.110 of 2010) was introduced in the Lok Sabha on 30th August 2010.

(v) A Standing Committee has been constituted to identify systemic causes for service litigation and litigation with the payers and to prepare a road map for reducing litigation. The Committee has submitted its first report in September 2010. Since then several steps have been taken which will help in reducing litigation with tax payers as also with employees.

(vi) The vision of the Income Tax Department Vision 2020 was released on 5th January 2010 by the Finance Minister. The vision is to be a partner in the nation building process through formulation of progressive tax policy, efficient and effective tax administration and improved voluntary compliance. For the first time in the history of the Income Tax Department, a five year Strategic Plan 2011-15 has been prepared.

(vii) The Centralized Processing Centre (CPC) at Bangaluru was dedicated to the nation on 29th May

2010. It is a state of the art facility which would process the returns in an automated manner.

(viii) Of the e-returns filed, nearly 60% have been filed voluntarily by taxpayers indicating the broader acceptance of the convenience of e-filing. The use of digital signature was made mandatory for corporate taxpayers. It is noticed that 10% returns have been filed using digital signature, making the entire return filing process completely paperless in such cases. The Department has also launched new services to e-filers through the e-filing website such as verification of processing of e-filed I-T returns, status of ITR-V receipt, online rectification applications and Status of Refunds by using data from Central Processing Center (CPC), Bangalore.

4.3 Annual conference

The 26th Annual Conference of Chief Commissioners and Directors General of Income Tax was inaugurated by the Finance Minister Shri Pranab Mukherjee on 9th June 2010. The inaugural session was graced by MOSF(R) Shri S.S. Palanimanickam, MOSF (E , B & I) Shri Namo Narain Meena, Revenue Secretary Shri Sunil Mitra, 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 stated that Tax administration needs to be further toned up by appropriate use of technology on the one hand, and improving professional competence and responsiveness of the employees on the other. The need for expediting vigilance matters was emphasised.

The main areas of discussions in the Conference were TDS, processing of returns, issues raised by the Standing Committee of Finance and delegation of financial powers. The valedictory address was delivered by the Minister of State for Finance (Revenue) Shri S.S. Palanimanickam on 10th June 2010 .

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. Representatives 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. The second meeting of CDTAC was held on 18th May 2010. It was chaired by the Finance Minister and issues of simplification of tax laws and redressal of taxpayers grievances were discussed .

4.5 Measures to combat tax evasion

4.5.1 Drive against Tax Evasion:

i. The Income Tax Department has been continuously striving to check the menace of black money and tax evasion, which eats into the vitals of the national economy and also poses threats to national security through linkages to money-laundering and terrorism. During the Financial Years 2009-10 and 2010-11, investigation wing of the Income tax Department has successfully carried out investigations in a slew of large tax-evasion cases. Unprecedented success in the drive against tax evasion is on account of successful use of modern tools of investigation, including ITDMS (360 degree profiling of High Net Worth tax payers), Cyber Forensic Labs, etc. Information was exchanged with other Law Enforcement Agencies (LEAs) on a continuous basis and action taken in a number of cases both from the point of view of tax evasion and national security.

ii. A table indicating the increased operational efficiency of the investigative machinery is as under:

Period	No. of warrants executed	Value of Assets Seized (₹in crores)			
		Cash	Jewellery	Other assets	Total Seizure
2010-11 (*)	3271	494.24	115.91	105.50	715.65
2009-10	3454	300.97	132.20	530.33	963.50
2008-09	3483	339.86	122.18	88.19	550.23
2007-08	3281	206.35	128.07	93.39	427.82
(*) Up to 31.12.2010					

iii. Surveys u/s 133A are also an effective tool of detecting under-reporting of incomes and collection of due taxes, particularly in the MSME sector. During the year, surveys carried out by the Income Tax Department are as under:-

Financial Year	Number of Surveys conducted	Undisclosed income detected (₹in Crores)	Tax Implication (Rs Crore)
2010-11			
(Up 31.10.2010)	1626*	2700.59*	
(*figures are provisional)			

4.5.2 Measures to address the issue of black economy and illegal money belonging to Indian residents stashed abroad :

1. New Tax Information Exchange Agreements (TIEAs) & updating existing Double Taxation Avoidance Agreements (DTAAs): Department has completed negotiations of 10 TIEAs this year with countries/territories with whom it does not have a tax treaty. Department is also updating its existing tax treaty to enable it to exchange banking information. Updated tax treaty with Switzerland has already been signed.

2. Creation of Exchange of Information (EOI) Cell: A separate "Exchange of Information (EOI) Cell" in the Foreign Tax and Tax Research Division, fully computerized with regular tracking of all EOI requests (both inbound and outbound) having access to income-tax PAN data base, for effective exchange of information with other countries/jurisdictions is proposed.

3. Creation of eight Income Tax Overseas Units (ITOUs): In order to facilitate effective exchange of information, 8 more Income Tax Overseas Units (ITOUs) have been created within the Indian Mission in the USA, UK, Netherlands, Japan, Cyprus, Germany, France and UAE apart from the existing two such units in Singapore and Mauritius. These eight ITOUs would be operational soon.

4. Study on Black Economy: A fresh study will be conducted on unaccounted income/wealth both inside and outside the country, bringing out the nature of activities endangering money laundering and its ramifications on national security. The study, undertaken after a gap of nearly 25 years, will be conducted by reputed institutions and have participation from the Government. It will suggest ways to reduce generation and sustenance of black money.

5. Committee to suggest Special Scheme for assets and income outside India: A Committee has been constituted for suggesting Special Scheme to tax incomes and assets generated by Indian residents abroad. It has submitted an interim report, which is under examination of the government.

6. Committee on High Net-worth Individuals: A Committee has been constituted to look into various aspects of taxation of High Net-worth Individuals (HNIs) and suggest legislative and administrative measures to increase the contribution of such individuals to the national exchequer.

4.6 Widening of Tax Base, Assessment and Refunds

1. Widening of the Tax Base

Statistics showing the number of assesses over the last 7 years is as follows:-

(in lakhs)

S.No.	Financial year	Total number of assesses as on 31st March of F.Y
1	2004-05	308.08
2	2005-06	315.57
3	2006-07	319.26
4	2007-08	326.87
5	2008-09	333.98
6	2009-10	347.73
7	2010-11 (upto September 2010)	344.82
Source: CAP II		

2. Disposal of refund claims: After processing of return, the number of refunds granted is as follows:

(in lakhs)

S.No.	Financial Year	No. of refunds encashed
1	2008-09	45.50
2	2009-10	48.11
3	2010-11 (upto 15.11.2010)	39.12
Source: DGIT (Systems)		

3. Condonation of delay in filing refund 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 ₹ 50 lakhs and hence, very few refunds are pending at the Board level.

4. Valuation Cell: Valuation Cell have statutory powers in respect of the following:

(i) Determining the value of properties for purposes of Wealth Tax, Capital Gains and Gif-Tax Act

(ii) Determining the fair market value of attached properties which are auctioned for recovery of tax arrears.

The Valuation Cell is often requested by the Assessing Officers to assess the cost of construction of property. The Valuation Cell had disposed of 2031 cases out of 3109 cases during the F.Y. 2009-10. During the current F.Y. 2010-11 (up to August 2010), 524 cases were disposed of out of 1539 cases.

4.7 Media Centre

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 50 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. Several press briefings of senior functionaries were organised. As a result of regular interface with the media, a more realistic and positive image of the department could be projected.

4.8 Judicial Work

4.8.1 The ITJ Section of CBDT deals with matters of litigation in various High Courts pertaining to writ petitions/other litigation of Direct Taxes, filing of reference in cases of Central Government Public Sector Under-taking/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 CsIT(A), norms thereof and representation of cases by the Departmental representatives before ITAT.

4.8.2 The number of appeals filed by the Department during F.Y.2007-08, 2008-09 and F.Y. 2009-10 and disposal of cases filed by the department is as mentioned below. The number of appeals filed during F.Y. 2009-10 before ITAT and High Court has shown a decline.

Particulars	During F.Y. 2009-10			During F.Y. 2008-09			During F.Y.2007-08		
	Pendency of appeals filed by department as on 1.4.2009	Total appeal filed by the Department	Total No. of Disposal of Cases	Pendency of appeals filed by department as on 1.4.2008	Total appeal filed by the Department	Total No of Disposal of Cases	Pendency of appeals filed by department as on 1.4.2007	Total appeal filed by the department	Total No of Disposal of Cases
ITAT	24,608	14,962	18,306	27,215	17,831	22,350	11,069	20,022	
HC	32,194	8,630	8,894	29,366	9,251	6,973	9,292	10,968	8,305
SC	3,598	1,418	398	2,993	1,172	532	630	762	273

4.8.3 The disposal of appeals by CITs(A) is as mentioned below.

No. of cases disposed during 2009-10	No. of cases disposed during 2008-09	No. of cases disposed during 2007-08
79,709	66,351	63,645

The performance & disposal of appeals has shown an improvement by 19.18% over the previous year

4.8.4 The statistics of COD references made during the last 3 years is as mentioned below:

No. of cases referred during 2009-10	No. of cases referred during 2008-09	No. of cases referred during 2007-08
351	290	319

1. During the last 3 years the Statistics of engagement of Standing Counsels, Prosecution Counsels and Special Counsels is as under:

Category of Counsels	2009-10	2008-09	2007-08
Standing Counsel	22	24	26
Prosecution Counsel	08	08	06
Special Counsel	55	20	37

4.9 Legislative measures

Major changes by Finance Act, 2010

A. Changes in tax rates.

1. The basic exemption limit remains the same for all categories of cases.

2. The tax slabs have been widened and income up to ₹ 5,00,000 will attract tax @ 10%. Income between ₹ 5,00,000 and ₹ 8,00,000 will be taxed @20% and income above ₹ 8,00,000 will be taxed @ 30% in case of tax payers including individuals, Hindu undivided family, association of persons, body of individuals, women and senior citizens.

3. It is further provided that Surcharge in the case of domestic companies having income above Rupees one crore shall now be levied at the rate of seven and one half per cent. instead of ten percent (marginal relief will be provided). In all other cases (including section 115O, 115R etc) where surcharge at the rate of ten percent was applicable, the surcharge will be applicable at the rate of seven and one half percent. In the case of foreign companies having a total income exceeding one crore rupees the surcharge shall continued to be levied @ 2.5% (marginal relief to be provided).

4. The rates for deduction of income-tax at source during the financial year 2010-11 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 (No.2) Act, 2009, for the purposes of deduction of income-tax at source during the financial year 2009-2010.

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. No surcharge is levied 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 by Finance Act, 2010

Amendment	Rationale for Amendment
Change in the Definition of "charitable purpose"	For the purposes of the Income-tax Act, "charitable purpose" has been defined in section 2(15) which, among others, includes "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. The absolute restriction on any receipt of commercial nature may create hardship to the organizations which receive sundry considerations from such activities. Therefore, section 2(15) has been amended to provide that "the advancement of any other object of general public utility" shall continue to be a "charitable purpose" if the total receipts from 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 do not exceed ₹ 10 lakhs in the previous year. This amendment is effective retrospectively from 1st April, 2009 and will, accordingly, apply in relation to the assessment year 2009-10 and subsequent years.
Income deemed to accrue or arise in India to a non-resident	Section 9 provides for situations where income is deemed to accrue or arise in India. Vide Finance Act, 1976, a source rule was provided in section 9 through insertion of clauses (v), (vi) and (vii) in sub-section (1) for income by way of interest, royalty or fees for technical services respectively. It was provided, inter alia, that in case of payments as mentioned under these clauses, income would be deemed to accrue or arise in India to the non-resident under the circumstances specified therein. The intention of introducing the source rule was to bring to tax interest, royalty and fees for technical services, by creating a legal fiction in section 9, even in cases where services are provided outside India as long as they are utilized in India. The source rule, therefore, means that the situs of the rendering of services is not relevant. It is the situs of the payer and the situs of the utilization of services which will determine the taxability of such services in India. This was the settled position of law till 2007.

	However, the Hon'ble Supreme Court, in the case of Ishikawajima-Harima Heavy Industries Ltd., Vs DIT (2007)[288 ITR 408], held that despite the deeming fiction in section 9, for any such income to be taxable in India, there must be sufficient territorial nexus between such income and the territory of India. It further held that for establishing such territorial nexus, the services have to be rendered in India as well as utilized in India. This interpretation was not in accordance with the legislative intent that the situs of rendering service in India is not relevant as long as the services are utilized in India. Therefore, to remove doubts regarding the source rule, an Explanation was inserted below sub-section (2) of section 9 with retrospective effect from 1st June, 1976 vide Finance Act, 2007. The Explanation sought to clarify that where income is deemed to accrue or arise in India under clauses (v), (vi) and (vii) of sub-section (1) of section 9, such income shall be included in the total income of the non-resident, regardless of whether the non-resident has a residence or place of business or business connection in India. However, the Karnataka High Court, in a recent judgment in the case of Jindal Thermal Power Company Ltd. vs DCIT (TDS), has held that the Explanation, in its present form, does not do away with the requirement of rendering of services in India for any income to be deemed to accrue or arise to a non-resident under section 9. It has been held that on a plain reading of the Explanation, the criteria of rendering services in India and the utilization of the service in India laid down by the Supreme Court in its judgment in the case of Ishikawajima-Harima Heavy Industries Ltd.(supra) remains untouched and unaffected by the Explanation. In order to remove any doubt about the legislative intent of the aforesaid source rule, this Explanation has been substituted with a new Explanation to specifically state that the income of a non-resident shall be deemed to accrue or arise in India under clause (v) or clause (vi) or clause (vii) of sub-section (1) of section 9 and shall be included in his total income, whether or not, (a) the non-resident has a residence or place of business or business connection in India; or (b) the non-resident has rendered services in India. This amendment has been made effective retrospectively from 1st June, 1976 and will, accordingly, apply in relation to the assessment year 1977-78 and subsequent years.
Computation of exempted profits in the case of units in Special Economic Zones (SEZs)	Section 10AA was inserted in the Income-tax Act by the Special Economic Zone Act, 2005 with effect from 10.2.2006. Through the Finance (No.2) Act, 2009, section 10AA(7) of the Income-tax Act, 1961 was amended and the words "by the undertaking" were substituted for "by the assessee" with effect from assessment year 2010-11 and subsequent assessment years. This was done as the existing formula was perceived to be discriminatory in so far as those assessees are concerned who have multiple units in both the SEZ and the domestic tariff area (DTA) vis-à-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 were amended. In order to make the amendment effective for earlier years, a proviso to sub-section (7) has been inserted to provide that the provision of sub-section (7), as amended by Finance (No. 2) Act 2009, will apply to the assessment year 2006-07 and subsequent assessment years.
Cancellation of registration obtained under section 12A	Section 12AA provides the procedure relating to registration of a trust or institution engaged in charitable activities. Section 12AA(3) previously provided that if the activities of the trust or institution are found to be non-genuine or its activities are not in accordance with the objects for which such trust or institution was established, the registration granted under section 12AA can be cancelled by the Commissioner after providing the trust or institution an opportunity of being heard. The power of cancellation of registration is inherent and flows from the authority of granting registration. However, judicial rulings in some cases have held that the Commissioner does not have the power to cancel the registration which was obtained earlier by any trust or institution under provisions of section 12A as it is not specifically mentioned in section 12AA. Therefore, section 12AA has been amended to provide that the Commissioner can also cancel the registration

	obtained under section 12A as it stood before amendment by Finance (No.2) Act, 1996. This amendment will be effective from 1st June 2010.
Weighted deduction for scientific research and development	Under the existing provisions of section 35(2AB) of the Income-tax Act, a company is allowed weighted deduction of 150 per cent of the expenditure (not being expenditure in the nature of cost of any land or building) incurred on scientific research on an approved in-house research and development facility. In order to further incentivise the corporate sector to invest in in-house research, the Act has been amended to increase this weighted deduction from 150 per cent to 200 per cent. The existing provisions of section 35(1)(ii) of the Income-tax Act provide for a weighted deduction from the business income to the extent of 125 per cent of any sum paid to an approved scientific research association that has the object of undertaking scientific research or to an approved university, college or other institution to be used for scientific research. Further, under section 35(2AA) of the Act, weighted deduction to the extent of 125 per cent is also allowed for any sum paid to a National Laboratory or a university or an Indian Institute of Technology (IIT) or a specified person for the purpose of an approved scientific research programme. In order to encourage more contributions to such approved entities for the purposes of scientific research, the Act has been amended to increase this weighted deduction from 125 per cent to 175 per cent. These amendments take effect from 1st April, 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years.
Weighted deduction on payments made to associations engaged in research in social science or statistical research and exemption in respect of the income of such associations	Section 35 of the Income-tax Act provides for deduction in respect of expenditure on research and development. The existing provisions of section 35(1)(ii) provide for a weighted deduction from business income to the extent of 125 per cent of any sum paid to an approved and notified scientific research association or to a university, college or other institution to be utilized for scientific research. Section 35(1)(iii) provides similar deduction if the sum is paid to an approved and notified university, college or other institution to be used to carry on research in social science or statistical research. Section 80GGA allows deductions for donations made to such association, universities, etc. Under section 10(21), exemption is granted in respect of the income of a scientific research association which is approved and notified under section 35(1)(ii). The university, college or other institutions which are approved either under section 35(1)(ii) or under section 35(1)(iii) also qualify for exemption of their income under section 10(23C) of the Act subject to specified conditions. The associations which are engaged in undertaking research in social science or statistical research are not currently covered by the provisions of section 35(1)(iii). Such research associations are also not entitled to exemption in respect of their income. The section 35(1)(iii) has been amended so as to include an approved research association which has as its object undertaking research in social science or statistical research. Section 10(21) was also amended so as to also provide exemption to such associations in respect of their income. This exemption will be subject to the same conditions under which an approved research association undertaking scientific research is entitled to exemption in respect of its income. An amendment has been made to include allowability of deductions for donations made to such associations. These amendments take effect from 1st April 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years.
Investment linked deduction for specified businesses	A. Investment-linked tax incentive, which was introduced by the Finance (No. 2) Act, 2009, allows 100 per cent deduction in respect of the whole of any expenditure of capital nature (other than on land, goodwill and financial instrument) incurred wholly and exclusively, for the purposes of the "specified business" during the previous year in which such expenditure is incurred. Such "specified business" includes the business of setting up and operating cold chain facilities, warehousing facilities for storage of agricultural produce

	and laying and operating a cross-country natural gas or crude or petroleum oil pipeline network. The benefit of investment linked tax incentive under section 35AD has now been extended to the following specified businesses in addition to the existing businesses:- (i) building and operating, anywhere in India, a new hotel of two-star or above category as classified by the Central Government and commencing operations on or after the 1st day of April, 2010; (ii) building and operating, anywhere in India, a new hospital with at least one hundred beds for patients and commences operation on or after the 1st April, 2010; (iii) developing and building a housing project under a scheme for slum re-development or rehabilitation framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed and commences operation on or after the 1st day of April, 2010. B. Sub-section (3) of section 35AD has been substituted so as to provide that where a deduction under this section is claimed and allowed in respect of the specified business for any assessment year, no deduction shall be allowed under the provisions of Chapter VI-A under the heading "C.-Deductions in respect of certain incomes" in relation to such specified business for the same or any other assessment year. A similar amendment has been made in section 80A. These amendments take effect from 1st April, 2011 will be applicable in relation to the assessment year 2011-12 and subsequent years. C. The meaning of 'common carrier capacity' has been redefined for cross-country natural gas or crude or petroleum oil pipeline network on the basis of the regulations specified by the Petroleum and Natural gas regulatory Board. This amendment takes effect retrospectively from 1st April, 2010 and is applicable in relation to the assessment year 2010-11 and subsequent years.
Disallowance of expenditure on account of non-compliance with TDS provisions	A. The existing provisions of section 40(a)(ia) of Income-tax Act provide for the disallowance of expenditure like interest, commission, brokerage, professional fees, etc. if tax on such expenditure was not deducted, or after deduction was not paid during the previous year. However, in case the deduction of tax is made during the last month of the previous year, no disallowance is made if the tax is deposited on or before the due date of filing of return. The said section has been amended to provide that no disallowance will be made if after deduction of tax during the previous year, the same has been paid on or before the due date of filing of return of income specified in sub-section (1) of section 139. This amendment takes effect retrospectively from 1st April, 2010 and will, accordingly, apply in relation to the assessment year 2010-11 and subsequent years. B. Under the existing provisions of section 201(1A) of the Act, a person is liable to pay simple interest at one per cent for every month or part of month in case of failure to deduct tax or payment of tax after deduction. In order to discourage the practice of delaying the deposit of tax after deduction, the Act has been amended to increase the rate of interest for non-payment of tax after deduction from the present one per cent to one and one-half per cent for every month or part of month. This amendment takes effect from 1st July, 2010.
Taxation of income of non-life insurance business	Section 44 read with the First Schedule to the Income-tax Act provides the scheme of computation of income of insurance companies. According to Rule 5 of the said Schedule, the income of non-life insurance business is taken as 'profit before tax and appropriations' as per the profit and loss account of the company, prepared in accordance with the regulations made by the Insurance Regulatory Development Authority (IRDA), subject to certain adjustments. The Finance (No. 2) Act, 2009 amended the First Schedule to provide that in case of non-life insurance business, appreciation of or gains on realisation of investments taken credit for in the accounts shall be treated as income and be included in the computation of the total income.

	The appreciation in the value of investments, being in the nature of unrealized gain is not taken into account for determining profit or loss of non-life insurance business as per the IRDA regulations. It is, therefore, the Act has been amended that the unrealized gains due to appreciation in the value of investments will not be included in the total income. Similarly, deduction will not be allowed for provision for losses due to diminution in the value of investments as this is not a realized loss. It has also been provided that any gain or loss on realisation of investments shall be added or deducted for the purpose of computation of the total income, if the same is not already credited or debited in the profit and loss account. This amendment takes effect from 1st April, 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years.
Limit of turnover or gross receipts for the purpose of audit of accounts and for presumptive taxation	A. Under the existing provisions of section 44AB, every person carrying on business is required to get his accounts audited if the total sales, turnover or gross receipts in business exceed forty lakh rupees in the previous year. Similarly, a person carrying on a profession is required to get his accounts audited if the gross receipts in profession exceed ten lakh rupees in the previous year. In order to reduce the compliance burden of small businesses and professionals, the Act has been amended to increase the threshold limit from forty lakh rupees to sixty lakh rupees in the case of persons carrying on business and from ten lakh rupees to fifteen lakh rupees in the case of persons carrying on profession. B. In view of the above, the Act has also been amended to increase the maximum penalty, leviable under section 271B for failure to get accounts audited under section 44AB or to furnish a report of such audit, from one lakh rupees to one lakh fifty thousand rupees. C. For the purpose of presumptive taxation under section 44AD, the Act has been amended to increase the threshold limit of total turnover or gross receipts from forty lakh rupees to sixty lakh rupees. These amendments take effect from 1st April, 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years.
Conversion of a private company or an unlisted public company into a limited liability partnership (LLP)	The Finance (No. 2) Act, 2009 provided for the taxation of LLPs in the Income-tax Act on the same lines as applicable to partnership firms. Section 56 and section 57 of the Limited Liability Partnership Act, 2008 allow conversion of a private company or an unlisted public company (hereafter referred as company) into an LLP. Under the existing provisions of Income-tax Act, conversion of a company into an LLP has definite tax implications. Transfer of assets or shares held in the company by a shareholder on conversion attracts levy of capital gains tax. Similarly, carry forward of losses and of unabsorbed depreciation is not available to the successor LLP. Hence the Act has been amended, so that the transfer of assets or shares held in the company by a shareholder on conversion of a company into an LLP in accordance with section 56 and section 57 of the Limited Liability Partnership Act, 2008 shall not be regarded as a transfer for the purposes of capital gains tax under section 45, subject to certain conditions. These conditions are as follows: (i) the total sales, turnover or gross receipts in business of the company do not exceed sixty lakh rupees in any of the three preceding previous years; (ii) the shareholders of the company become partners of the LLP in the same proportion as their shareholding in the company; (iii) no consideration other than share in profit and capital contribution in the LLP arises to partners; (iv) the erstwhile shareholders of the company continue to be entitled to receive at least 50 per cent of the profits of the LLP for a period of 5 years from the date of conversion; (v) all assets and liabilities of the company become the assets and liabilities of the LLP; and

	(vi) no amount is paid, either directly or indirectly, to any partner out of the accumulated profit of the company for a period of 3 years from the date of conversion. The Act has been amended to allow carry forward and set-off of business loss and unabsorbed depreciation to the successor LLP which fulfills the above mentioned conditions. The Act has been amended that if the conditions stipulated above are not complied with, the benefit availed by the company shall be deemed to be the profits and gains of the successor LLP chargeable to tax for the previous year in which the requirements are not complied with. The Act has been amended that the aggregate depreciation allowable to the predecessor company and successor LLP shall not exceed, in any previous year, the depreciation calculated at the prescribed rates as if the conversion had not taken place. The Act has been amended that the actual cost of the block of assets in the case of the successor LLP shall be the written down value of the block of assets as in the case of the predecessor company on the date of conversion. It is also provided that the cost of acquisition of the capital asset for the successor LLP shall be deemed to be the cost for which the predecessor company acquired it. Credit in respect of tax paid by a company under section 115JB is allowed only to such company under section 115JAA. It is proposed to clarify that the tax credit under section 115JAA shall not be allowed to the successor LLP. These amendments take effect from 1st April, 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years.
Taxation of certain transactions without consideration or for inadequate consideration	Under the previously existing provisions of section 56(2) (vii), any sum of money or any property in kind which is received without consideration or for inadequate consideration (in excess of the prescribed limit of ₹ 50,000/ by an individual or an HUF is chargeable to income tax in the hands of 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 this provision. The existing definition of property for the purposes of section 56(2)(vii) includes immovable property being land or building or both, shares and securities, jewellery, archeological collection, drawings, paintings, sculpture or any work of art. These are anti-abuse provisions which were applicable only if an individual or an HUF is the recipient. Therefore, transfer of shares of a company to a firm or a company, instead of an individual or an HUF, without consideration or at a price lower than the fair market value was not attracted by the anti-abuse provision In order to prevent the practice of transferring unlisted shares at prices much below their fair market value, therefore, section 56 was amended to also include within its ambit transactions undertaken in shares of a company (not being a company in which public are substantially interested) either for inadequate consideration or without consideration where the recipient is a firm or a company (not being a company in which public are substantially interested). It is also provided to exclude the transactions undertaken for business reorganization, amalgamation and demerger which are not regarded as transfer under clauses (via), (vic), (vicb), (vid) and (vii) of section 47 of the Act. The provisions of section 56(2) (vii) were introduced as a counter evasion mechanism to prevent laundering of unaccounted income under the garb of gifts, particularly after abolition of the Gift Tax Act. The provisions were intended to extend the tax net to such transactions in kind. The intent is not to tax the transactions entered into in the normal course of business or trade, the profits of which are taxable under specific head of income. Therefore, the definition of property has been amended to provide that section 56(2)(vii) will have application to the 'property' which is in the nature of a capital asset of the recipient and therefore would not apply to stock-in-trade, raw material and consumable stores of any business of such recipient.

	In several cases of immovable property transactions, there is a time gap between the booking of a property and the receipt of such property on registration, which results in a taxable differential. Therefore clause (vii) of section 56(2) has been amended to provide that it would apply only if the immovable property is received without any consideration and to remove the stipulation regarding transactions involving cases of inadequate consideration in respect of immovable property. These amendments are effective retrospectively from 1st October, 2009 and will, accordingly, apply in relation to the assessment year 2010-11 and subsequent years. The definition of 'property' as provided under section 56 has been amended to include transactions in respect of 'bullion'. This amendment is effective from 1st June, 2010 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent years. Section 142A(1) has been amended to allow the Assessing Officer to make a reference to the Valuation Officer for an estimate of the value of property for the purposes of section 56(2). This amendment is effective from 1st July, 2010.
Deduction in respect of long-term infrastructure bonds	In tune with the policy thrust of promoting investment in the infrastructure sector, it is proposed to insert a new section 80CCF in the Income-tax Act to provide that subscription during the financial year 2010-11 made to long-term infrastructure bonds (as may be notified by the Central Government), to the extent of ₹ 20,000, shall be allowed as deduction in computing the income of an individual or a Hindu undivided family. This deduction will be over and above the existing overall limit of tax deduction on savings of upto Rs.1 lakh under section 80C, 80CCC and 80CCD of the Act. This amendment takes effect from 1st April, 2011 and will be applicable in relation to the assessment year 2011-12.
Deduction in respect of contribution to the Central Government Health Scheme (CGHS)	Under the existing provisions of section 80D, deduction in respect of premium paid towards a health insurance policy upto a maximum of ₹ 15,000 is available for self, spouse and dependent children. A further deduction of ₹ 15,000 is also allowed for buying an insurance policy in respect of dependent parents. The deduction is enhanced to ₹ 20,000 in both cases if the person insured is of age of 65 years or above. The Central Government Health Scheme (CGHS) is a medical facility available to serving and retired Government servants. This facility is similar to the facilities available through health insurance policies. Deduction from the total income has now been allowed in respect of any contribution made to CGHS by including such contribution under the provisions of section 80D. The deduction will be limited to the current aggregate as mentioned in the section. This amendment takes effect from 1st April, 2011 and will be applicable in relation to the assessment year 2011-12 and subsequent years.
Deduction for developing and building housing projects	Under the existing provisions of section 80-IB(10), 100 per cent deduction is available in respect of profits derived by an undertaking from developing and building housing projects approved by a local authority before 31.3.2008. This benefit is available subject to, inter alia, the following conditions: (a) 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. (b) 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. To allow for extraordinary conditions due to the global recession and the resultant slowdown in the housing sector, the period allowed for completion of a housing project in order to qualify for availing the tax benefit under the section, has been increased from the existing 4 years to 5 years from the end of the financial year in which the housing project is approved by the local authority. This extension will be available for housing projects approved on or after 1.4. 2005. Further, the current norms for built-up area of shops and other commercial establishments in housing projects have also been enhanced in order to

	enable basic facilities for the residents. The built-up area of the shops and other commercial establishments included in the housing project is proposed to be three per cent of the aggregate built-up area of the housing project or 5000 sq. ft., whichever is higher. This benefit will be available to projects approved on or after the 1.4.2005, which are pending for completion, in respect of their income relating to assessment year 2010-11 and subsequent years. These amendments take effect retrospectively from 1st April, 2010 and will be applicable in relation to the assessment year 2010-11 and subsequent years.
Deduction of profits of a hotel or a convention centre in the National Capital Territory (NCT)	Section 80-ID of the Income-tax Act provides for 100 per cent deduction for five years, of profits derived by an undertaking from the business of a two-star, three-star or four-star category hotel or from the business of building, owning and operating a convention centre located in the National Capital Territory of Delhi and the districts of Faridabad, Gurgaon, Gautam Budh Nagar and Ghaziabad, provided such hotel has started functioning or such convention centre is constructed during the period 1.4.2007 to 31.3.2010. To provide some more time for these facilities to be set up in light of the Commonwealth Games in October, 2010, clauses (i) and (ii) of section 80-ID have been amended to extend the date by which the hotel has to start functioning or the convention centre has to be constructed, from the existing 31st March, 2010, to 31st July, 2010. This amendment takes effect from 1st April, 2011 and will be applicable in relation to the assessment year 2011-12 and subsequent years.
Minimum Alternate Tax under Section 115JB	Under the existing provisions of section 115JB of the Income Tax Act, a company is required to pay a Minimum Alternate Tax (MAT) on its book profit, 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, 2010, is less than such minimum. The amount of tax paid under section 115JB is allowed to be carried forward and set off against tax payable upto the tenth assessment year immediately succeeding the assessment year in which tax credit becomes allowable under the provisions of section 115JAA. Sub-section (1) of section 115JB has been amended to increase the MAT rate to eighteen per cent from the existing fifteen per cent. This amendment takes effect from 1st April, 2011 and will be applicable in relation to the assessment year 2011-12 and subsequent years.
Rationalisation of provisions relating to Tax Deduction at Source (TDS)	Under the scheme of deduction of tax at source as provided in the Income-tax Act, every person responsible for payment of any specified sum to any person is required to deduct tax at source at the prescribed rate and deposit it with the Central Government within the specified time. However, no deduction is required to be made if the payments do not exceed prescribed threshold limits. In order to adjust for inflation and also to reduce the compliance burden of deductors and taxpayers, the Act has been amended to raise the threshold limit for payments mentioned in sections 194B, 194BB, 194C, 194D, 194H, 194-I and 194J as under:

Sl. No.	Section Nature of payment	Existing threshold limit of payment (Rupees)	Proposed threshold limit of payment
1.	194B Winnings from lottery or crossword puzzle	5,000	10,000
2.	194BB Winnings from horse race	2,500	5,000
3.	194C Payment to contractors	20,000 (for a single transaction) 50,000	30,000 (for a single transaction) 75,000

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<tr><td>4.</td><td>194D Insurance commission</td><td>5,000</td><td>20,000</td></tr>
<tr><td>5.</td><td>194H Commission or Brokerage</td><td>2,500</td><td>5,000</td></tr>
<tr><td>6.</td><td>194-I Rent</td><td>1,20,000</td><td>1,80,000</td></tr>
<tr><td>7.</td><td>194J Fees for professional or technical services</td><td>20,000</td><td>30,000</td></tr>
<tr><td colspan="4">These amendments take effect from 1st July, 2010.</td></tr>
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<tr><td>Certificate of Tax Deduction at Source (TDS) and Tax Collection at Source (TCS)</td><td>The existing provisions of section 203(3) of the Income-tax Act dispense with the requirement of furnishing of TDS certificates by the deductor to the deductee on or after 1st April, 2010. Similarly, under section 206C(5) of the Act, a collector of tax at source will also not be required to issue tax collection certificate to the person from whom tax has been collected on or after 1st April, 2010.
Considering the fact that the TDS/TCS certificate constitutes an important document for the deductee/collectee, the Act has been amended that the deductor/collector will continue to furnish TDS/TCS certificates to the deductee/collectee even after 1st April, 2010.
These amendments take effect from 1st April, 2010.</td></tr>
<tr><td>Settlement Commission</td><td>The conditions for filing of an application before the Settlement Commission and the time for disposal of an application by the Settlement Commission have been modified. The changes are as under:-
A. Under the existing provisions of section 245A(b), the term “case”, in relation to which an application can be made is defined as any proceeding for assessment, of any person in respect of any assessment year or assessment years which may be pending before an Assessing Officer on the date on which an application is made to the Settlement Commission. However, it excludes, among others, proceedings for assessment or reassessment resulting from a search or as a result of requisition of books of account or other documents or any assets, initiated under the Act.
It now includes proceedings for assessment or reassessment resulting from search or as a result of requisition of books of account or other documents or any assets, within the definition of a “case” which can be admitted by the Settlement Commission.
Explanation to section 245A (b) has been amended to specify the date on which the proceedings for assessment or reassessment shall be deemed to have commenced and concluded in the case of a person whose income is being assessed or reassessed as a result of search or as a result of requisition of books of account or other documents or any assets.
B. Under the existing provisions of section 245C of the Income-tax Act, an application can be filed before the Settlement Commission, if the additional amount of income-tax payable on the income disclosed in the application exceeds three lakh rupees.
The proviso to section 245C has been substituted so as to provide that an application can be filed before the Settlement Commission, in cases where proceedings for assessment or reassessment have been initiated as a result of search or as a result of requisition of books of account or other documents or any assets, if the additional amount of income-tax payable on the income disclosed in the application exceeds fifty lakh rupees. It is further proposed that, in other cases, an application can be made before the Settlement Commission, if the additional amount of income-tax payable on the income disclosed in the application exceeds ten lakh rupees.</td></tr>
</table>

	C. Under the existing provisions of section 245D (4A) of the Income-tax Act, the Settlement Commission shall pass an order within twelve months from the end of the month in which the application was made. Further, clause (ii) of sub-section (4A) has been amended so as to provide that the Settlement Commission, shall, in respect of an application filed on or after 1st June, 2007 but before 1st June, 2010, pass an order within the said period of twelve months. A new clause (iii) in sub-section (4A) has been inserted so as to provide that the Settlement Commission shall, in respect of an application made on or after 1st June, 2010, pass an order within eighteen months from the end of the month in which the application is made. D. Consequential amendments have been made in section 22A and section 22D of the Wealth-tax Act to effect the above mentioned changes. These amendments take effect from 1st June, 2010.
Power of the High Court to condone delay in filing of appeals	A. The existing provisions of section 260A(2) provide that an appeal against the order of Income-tax Appellate Tribunal can be filed before the High Court within a period of one hundred and twenty days from the date of the receipt of the order by the assessee or the Commissioner. Sub-section (7) of section 260A of the Income-tax Act provides that the provisions of Code of Civil Procedure, 1908 (5 of 1908) shall, as far as may be, apply in the case of an appeal filed under this section before the High Court. The Delhi High Court, while interpreting provisions of section 260A, has held that the High Court has the power to condone delay in filing of an appeal. However, Allahabad, Bombay, Kolkata, Guwahati and Chattisgarh High Courts have held otherwise. It has therefore been provided to retrospectively insert sub-section (2A) in section 260A of the Income-tax Act to specifically provide that the High Court may admit an appeal after the expiry of the period of one hundred and twenty days, if it is satisfied that there was sufficient cause for not filing the appeal within such period. Consequential amendments on similar lines have been made in section 27A of the Wealth-tax Act. These amendments take effect retrospectively from 1st October, 1998. B. Under section 256 of the Income-tax Act, the Income-tax Appellate Tribunal could to refer a case to the High Court. In case where the Income-tax Appellate Tribunal refused to refer a case to the High Court, the assessee or the Commissioner were allowed to file an appeal before the High Court against such refusal of the Tribunal within a period of six months from the date on which he was served with an order of refusal. Sub-section (2A) in section 256 has been inserted retrospectively so as to empower the High Court to admit an application after the expiry of the period of six months, if it is satisfied that there was sufficient cause for not filing the same within such period. Consequential amendments on similar lines have been made in section 27 of the Wealth-tax Act. These amendments take effect retrospectively from 1st June, 1981.
Document Identification Number	Section 282B (Allotment of Document Identification Number) is a new section inserted by the Finance (No. 2) Act, 2009 in the Income-tax Act with effect from 1st October, 2010. Under the provisions of this section, an income-tax authority is required to allot a computer generated Document Identification Number before issue of every notice, order, letter or any correspondence to any other income-tax authority or assessee or any other person and such number
	shall be quoted thereon. It also provides that every document, letter, 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. In order to cover the entire gamut of services mentioned in section 282B on a pan-India basis, it would be essential to have the requisite infrastructure and facilities in place. Section 282B has been amended so as to provide that Document Identification Number will be required to be issued on or after 1st July, 2011.

C. Other significant initiative in Direct Taxes - Direct Taxes Code 2010 (Bill No. 110 of 2010)

• Reasons for introducing the Bill

The Income-tax Act, 1961, has been subjected to numerous amendments since its passage fifty years ago. It has been considerably revised, not less than thirty four times, by amendment acts besides the amendments carried out through the fifty annual Finance Acts since the introduction of the Act. These amendments were necessitated by policy changes due to the changing economic environment, increasing sophistication of commerce, increase in international transactions as a result of globalisation, development of information technology, attempts to minimise tax avoidance and in order to clarify the statute in relation to judicial decisions. As a result of all these amendments, the basic structure of the Income Tax Act has been overburdened and its language has become complex. Tax administrators, accountants and tax payers have raised concerns about the complex structure of the Income Tax Act. In particular, the numerous amendments have rendered the Act difficult to decipher by the average tax payer. The Wealth Tax Act, 1957 has also witnessed amendments.

The Government therefore decided to revise, consolidate and simplify the language and structure of the direct tax laws. A draft Direct Taxes Code along with a Discussion Paper was released in August, 2009 for public comments. It proposed to replace the Income Tax Act, 1961 and the Wealth Tax Act, 1957 by a single Act, namely the Direct Taxes Code. Public and stakeholder feedback on the proposals outlined in these documents was analysed and suggestions for amendments received from members of the public, business associations and other bodies were taken into account. Thereafter, a Revised Discussion Paper addressing the major issues was released in June, 2010. The Direct Taxes Code Bill, 2010 was introduced in Lok Sabha on 30th of August, 2010.

Salient Features

- Single Code for Direct Taxes
- Complex structure is simplified
- Use of simple language
- Reduction in scope for litigation
- Flexibility
- Consolidation of provisions
- Elimination of Regulatory functions
- Providing stability

Specific Reforms

1) All rates of taxes are proposed to be prescribed in a Schedule to the Code, thereby obviating the need for legislation through Finance Act every year, if no change in the tax rate is proposed.
2) Introduction of investment linked deduction in place of profit-linked deductions
3) Existing area based & profit linked deductions grand fathered.
4) Simplification of Appellate Procedure for Public Sector Undertakings (PSUs)–Currently, a PSU or the Department cannot appeal to Appellate Tribunal or higher forums without concurrence of Committee of Disputes in the Cabinet Secretariat. Supreme Court has commented that this system is not working well. The simplified appellate procedure for PSUs envisages no appeal to Appellate Tribunal, High Courts or Supreme Court either by the Revenue or the PSU. Instead the appeal shall lie to Authority for Dispute Resolution and its decision will be final and binding on both Revenue as well as PSUs.
5) Introduction of Advance Pricing Agreements for Non-residents- This will bring in certainty in transfer pricing issues as any taxpayer can enter into a agreement with the tax administration, which will be valid for a period upto five years, regarding the method by which he would compute arms length price in his international transactions
6) Alignment of concept of residence (of a Company) with India's tax treaties by introduction of concept of place of effective management instead of wholly controlled in India
7) Controlled Foreign Company Rules- This is a provision which will assist in taxation of profits in the hands of resident share holders who have incorporated companies in low tax jurisdictions, are accumulating passive income (i.e. interest, dividends, capital gains etc.) in the company and are not repatriating the income to India. This provision exists in all major G-20 countries.
8) Introduction of Branch Profit Tax on foreign companies in lieu of higher rate of taxation – Currently, foreign companies are taxed at the rate of 42.2% (inclusive of surcharge and cess) while domestic companies are taxed at the rate of 33.2% (inclusive of surcharge and cess) plus a dividend distribution tax at the rate of 16.6% when they distribute dividend from accumulated profits. It is proposed to equate the tax rate of foreign companies with that of domestic companies by prescribing the rate at 30% and levying a branch profit tax (in lieu of dividend distribution tax) at the rate of 15%.
9) Introduction of General Anti Avoidance Rule (GAAR) to curb aggressive tax planning. The direct tax rates have been moderated over the last decade and are in line with international norms. A general anti-avoidance rule assists the tax administration in deterring aggressive tax avoidance in a globalised economy. General anti-avoidance rule exists in the tax legislation of the majority of G-20 countries.
10) Taxation of Non Profit Organizations and Trusts (Taxation of surplus @15%). This tax will be levied after allowing
    (i) all receipts of March to be carried forward so that they can be spent by the end of the next financial year
    (ii) a deduction of 15% of the surplus or 10% of the gross receipts, whichever is higher
    (iii) a basic exemption limit of ₹ 1 lakh

4.10 International Taxation

4.10.1 Foreign Tax & Tax Research Division -I

(i) One of the major elements of the work is negotiation and finalization of tax agreements, i.e Double Taxation Avoidance Agreements (DTAA) and Tax Information Exchange Agreements (TIEA). The work related to DTAAs and TIEAs during the year is as under:

(a) DTAA: In 8 cases negotiations were completed (Switzerland, Lithuania, Netherlands, Croatia, Malta, Georgia, Estonia, Romania). Cabinet approval was obtained in three cases (Switzerland, Norway and Lithuania), DTAA was signed with Switzerland and DTAA with Mexico and Finland were notified after they entered into force.

(b) TIEA: In 9 cases negotiations were completed (Bahamas, Bermuda, British Virgin Islands, Isle of Man, Jersey, Monaco, Cayman Islands, ST Kitts & Nevis and Marshall Islands). Cabinet approval was obtained in 4 cases (Bahamas, Bermuda, British Virgin Islands and Isle of Man). TIEA with Bermuda was signed and also entered into force.

(ii) Mutual Agreement Procedure (MAP) negotiations were held with the US, Japan, the UK and Netherlands competent authorities which led to resolution in number of cases. This year was a path breaking year in resolving a large number of cases and confirming addition made by Indian tax officers to the tune of many thousand crores.

(iii) India's Phase I review under the Peer Review Process of the Global Forum on Transparency and Exchange of Information was completed during the year and India got top rating in all the nine elements which were assessed. This is the best report any country can get.

(iv) India also provided two assessors who assessed four countries under the Peer Review Process of the Global Forum.

(v) Initiative was taken to project India as the global leader in the crusade against non-cooperative and non-transparent jurisdiction. India actively took part in Peer Review Process of other countries and provided valuable inputs for their assessments. 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.

(vi) A case in Delhi High Court against granting of tax benefit to a gas company was successfully defended.

(vii) 8 new overseas units were created during the year which is expected to play a major role in exchange of information and bilateral relations in tax matters.

(viii) The officers of the division were part of many committees which gave very important recommendations for CFC rules, thin capitalization, safe harbor rules, toolbox of countermeasures and voluntary disclosure schemes for illicit money abroad.

(ix) 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.

(x) All requests for down linking satellite signals were examined in the light of down linking guidelines in relation to taxation issues.

(xi) 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.

(xii) 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 Nations also appointed an Indian expert in the Transfer Pricing sub group.

(xiii) The division took initiative in sending department's officers to various OECD training courses held at Ankara, Seoul and Malaysia. During the year more than 40 officers from field have been sent to various OECD training courses to enhance their professional expertise.

(xiv) 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.

4.10.2 Foreign Tax & Tax Research Division –II

New Double Taxation on Avoidance Agreements:

(i) The First round of negotiations for entering into Double Taxation Avoidance Agreement (DTAA) with Hong Kong was held from 3rd to 5th August, 2010 at Hong Kong.

(ii) The Fourth and final round of negotiations for entering into Double Taxation Avoidance Agreement (DTAA) with Uruguay was held from 9th to 11th August, 2010 at New Delhi.

(iii) The 2nd round of negotiations for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income between India and Colombia was held from 5th to 9th July, 2010. During this round, all outstanding issues were resolved and Agreement was initialed at official level.

(iv) The second round of negotiations for entering into Double Taxation Avoidance Agreement (DTAA) with Bhutan was held from 18th to 20th October, 2010 at Thimpu, Bhutan.

Revision of Double Taxation Avoidance Agreements:

(i) Negotiations for revision of the existing Double Taxation Avoidance Agreement between India and Malaysia was held from 24th to 26th March, 2010;

(ii) The first round of negotiations for the revision of Double Taxation Avoidance Agreement with Australia was held from 27th to 30th July, 2010 at New Delhi.

(iii) The fifth round of negotiations for entering into Double Taxation Avoidance Agreement (DTAA) with Korea was held on 6th to 8th September, 2010 at New Delhi.

(iv) The 2nd and final round of negotiations for revision of India- Kenya DTAA was held from 17th to 19th November, 2010 in Nairobi. During this round, all outstanding issues were resolved and Agreement was initialed at official level.

Exchange of Information Agreements:

(i) The negotiation for Agreement for Exchange of Information and Assistance in Collection of Tax (AEI&ACT) with Argentina was held from 16th to 17th August, 2010 at New Delhi. At the conclusion of this round of negotiations, agreement was reached on all the Articles and initialed at official level.

Signed at Government Level

(i) The Double Taxation Avoidance Agreement (DTAA) between India-Mozambique was signed at Government Level by Hon'ble Finance Minister on 30th September, 2010 in New Delhi.

India –Brazil (IBSA HRAWG) Revenue Administrations Working Group:

The 5th IBSA HRAWG (India – Brazil) Revenue Administrations steering Group meeting was held at Salvador, Brazil. This meeting was attended by the Revenue Secretary, Chairman CBDT, DG (International Taxation) & Joint Secretary (FT&TR-II) and a MOU for establishing IBSA centre for Exchange of Tax Information was signed. Capacity building and Multilateral cooperation between IBSA member countries were other important topics dealt with in this meeting.

4.10.3 Directorate General of Income Tax (International Taxation)

Directorate General of Income Tax (International Taxation) is working directly under the Chairman, CBDT. There are 15 Directors of Income Tax who are handling the Directorates of International Taxation and Directorates of Transfer Pricing situated at New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Ahmedabad and Pune. Further 10 Dispute Resolution Panels (DRPs) have been constituted in accordance with the provisions of the Finance Act, 2009, to consider the draft assessment order and issue directions in the cases of eligible assessees, who are foreign entities or associate concerns of foreign entities. DRPs are set up at Delhi, Mumbai, Bangalore, Hyderabad, Chennai, Kolkata, Ahmadabad and Pune. DRPs are working under administrative control of the Director General of Income Tax (International Taxation).

4.10.3.1 Significant Achievements and performance

(a) In the case of Vodafone International Holding BV (Vodafone), orders u/s 201 and 201(1A) have been passed on 22.10.2010 determining the tax liability of Vodafone at ₹ 11,218 Crore. Vodafone has already deposited ₹ 2500 crore with the Supreme Court and bank guarantee in respect of remaining demand has been obtained in pursuance of direction of the Supreme Court. In this landmark case, the Mumbai High Court not only endorsed the extra-territorial jurisdiction of Income Tax Act but also held that in case of enterprise sale of entity located in India, transfer of bundle of rights associated with indirect transfer of stake in Indian company gives rise to taxable income in India.

(b) Similarly in the case of Sanofi Pasteur Holding, (Sanofi) orders u/s 201 and 201(1A) were passed on 25.05.2010 holding Sanofi 'assessee in default' for not deducting tax at source while making payment of sale consideration of Euro 550 million in respect of transfer of their interests in Shantha Biotechnics Ltd. (Shantha), an Indian company to another French Company. The total demand raised was of ₹ 648.54 crore.

(c) Directorates of Transfer Pricing have conducted a total of 2133 transfer pricing audits during the year. Out of the above, transfer pricing adjustments were made in 1126 cases. The quantum of adjustment made by Transfer Pricing Officers is ₹ 22,838 crore. A number of quality transfer pricing orders have been passed after due analysis of relevant data and information in consonance with global best practices.

(d) Newly created Dispute Resolution Panels have issued directions in more than 1097 cases referred to them till 30.09.2010.

4.11 Audit and Public Accounts Committee (A&PAC)

4.11.1. 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 Questions arising after the Oral Evidence are taken by the Committee.

4.11.2. During the year 2010 (from 1st January to 31st December 2010), C&AG has called for the comments of the Ministry on 455 Draft Paras proposed for inclusion in their Audit Report for the year 2009-10. Replies of 101 DPs out of 455 DPs received were furnished to C&AG

during that period. Further, replies on 743 Draft Paras for the Audit Report Years from 1999-2000 to 2008-09 had been forwarded to C&AG during the same period.

4.11.3 Audit Report Year disposal of DPs/ATNs during 1st January, 2010 to 31st December, 2010 is as under: (Table 4.12)

4.11.4 System Appraisal/Review

Draft System review has been received on the following subjects for inclusion in C&AG report of 2011.

i) Review on "Income tax refunds".
ii) Review on "taxation of payments to non-residents".
iii) Review of "the Appeal process".

All these 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 CCsIT for their comments.

4.11.5 Action Taken Report on 15th Report (15th Lok Sabha)

15th Report (15th Lok Sabha) of PAC relating to "Loss of Revenue due to short levy of tax, incorrect classification of excisable goods and non-fulfillment of export obligation" has been received from the Lok Sabha Secretariat and action taken Report on the same has been furnished to the Lok Sabha Secretariat.

4.12 Directorate General of Income Tax (Administration)

There are four Directorates under DGIT (Adminisration):

(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)

4.12.1 Directorate of Income Tax (Public Relations, Printing, Publications and Official Language)

4.12.1.1 The Directorate of Income-tax (Public Relations, Printing, Publications and Official Language) is responsible for the Publicity and Public Relations, 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 the Director General of Income-tax (Legal and 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 of the important work done by this Directorate during the period from 01.04.2010 are detailed below:

(i) Shift in communication strategy of Income-tax Department: The Income Tax Department (ITD) is spread through out the length and breath of the country. With a large taxpayers base, it is essential to communicate with the taxpayers in order to educate them and bring awareness about the tax laws so as to promote voluntary compliance. The Directorate of Income-tax (PR,PP&OL), carries out publicity campaigns to communicate with the taxpayers.

During the last year, the Department has shifted its communication strategy so as to portray itself not as a purely enforcement agency but also, as a service provider and an equal partner in the nation building. In the last few years, the Department has effectively communicated

Table 4.12

Audit Report Year	No. of DP replies	Number 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 1999-00	4	NIL	45
Audit Report 2000-01	15	NIL	52
Audit Report 2001-02	31	25	132
Audit Report 2002-03	30	18	99
Audit Report 2003-04	67	65	151
Audit Report 2004-05	73	52	116
Audit Report 2005-06	93	136	250
Audit Report 2006-07	70	148	282
Audit Report 2007-08	133	665	570
Audit Report 2008-09	227	203	280
Audit Report 2009-10	101	NIL	NIL
TOTAL	**844**	**1312**	**1977**

with the taxpayers as to how their contribution helps in building a secure, progressive and developed nation.

(ii) Taxpayers' Lounge: In the past, publicity campaigns of the Department have been carried out through print ads and electronic ads. Such communication has only been a one-way communication through which only information could be disseminated to the taxpayers. Although, it achieved the desired result of educating taxpayers about the legal provisions, due dates and various schemes/services of the Department, the campaign could not create the desired change in the way the taxpayers perceived the Department. With the shift in the communication strategy to promote voluntary compliance, the Directorate felt the need of engaging with the taxpayers by providing them with a platform for face-to-face interaction with the Department.

The need took shape in the form of a stall set up by the ITD at the India International Trade Fair held at Pragati Maidan, New Delhi in November, 2009. It was for the first time that an interactive module for taxpayer education as well as taxpayer services was conceptualized. The stall was named "Taxpayers' Lounge" where services in live form were taken to the taxpayers.

The "Taxpayers' Lounge" had a very friendly look with the motto of "Service with Smile" and the caption "Taxpayer service at your door step". It was manned by staff from NSDL/UTI, Tax Return Preparers (TRPs) as well as the officials from Directorate of Income-tax (PR, PP&OL) and Systems. The Taxpayers' Lounge" used all three modes of communications to communicate with the taxpayers i.e. information, interaction as well as transaction. The tax tutorials running on the LCD screens, posters, pamphlets as well as Taxpayers Information Series Booklets were used to provide the information based services to the taxpayers. Live demonstration of services related to PAN application, 26AS registration, TRP Scheme, e-filing, e-payment etc. by personnel of partner organization such as NSDL/UTI provided the interactive mode of communication where any query raised by the taxpayer was instantly responded to. The TRPs present at the staff educated the taxpayers about the scheme and also resolved their basic queries on various legal as well as procedural aspects on income-tax.

The "Taxpayers' Lounge" also provided an interactive mode of communication by providing services related to application of fresh PAN, change in PAN as well as registration for AS-26. The taxpayers were provided the facility to fill the forms on the spot and all formalities including documentation and identity verification were completed then and there. A visitors' register was kept for obtaining feedback from the public. Almost 10,000 taxpayers visited the stall during the 14 day period and the concept of "Taxpayers' Lounge" was greatly appreciated by the public.

After success of the "Taxpayers' Lounge" at the India International Trade Fair in Delhi, the Directorate replicated the same during the Taj Mahotsava in Agra in February, 2010. The officials of local CIT office were involved for the day to day management with overall supervision from the Directorate of (PR, PP&OL). The "Taxpayers' Lounge" at Agra again received positive feedback from the public at large.

(iii) Communication Strategy for School Children:
The Government has decided to frame a communication strategy for school in the age group of 10-12 years and 16-18 years to introduce them to the subject "Need for taxation in civil society". The key objective of the strategy is to prepare children to be responsible and complaint taxpayers when they grow up and to willingly contribute towards nation building. With this programme the Government wishes to reach out to future taxpayers at an early stage so as to have a far reaching impact on the outlook of children towards taxation. The message to be given to the children is intended to be twofold:

- to teach children that paying taxes is ethical i.e. to identify tax payment as a value norm, and
- to explain the economic rationale of tax payment i.e. to highlight the benefits of tax payment to the individual, community, society and nation and how the taxes are used to build roads, schools, hospitals, bridges etc.

With this programme children will get objective and clear inputs on the need for of taxation at a formative stage, which will not only enable them to fulfil their tax related obligation in their adulthood, but will also make them act as a pressure group for their parents and extended families to convince them about paying their due taxes.

The campaign is intended to be educative on the concept of taxation and to create curiosity and interest in the mind of young children. It will be executed through various channels including the electronic and print media. One of the important modes of delivery of the message is through the school curriculum whereby age appropriate material can be presented through class room sessions, projects, quizzes, debates, essay competitions, game, online tutorials and other similar modes. The subjects would range from a history of taxation, rational for taxes, how the government raises revenues and spends it, role of government in society, and some basic calculations. While framing the communication strategy, inputs have been taken from various stakeholders including experts in the field of education and communication, schools principals and teachers, tax professionals, marketing agencies and the school children themselves. During consultation, NCERT had indicated that minor modifications to introduce the concept of taxation in NCERT text books can be done for the coming academic session. Accordingly, six text boxes/picture chart have been sent to NCERT so that the same may be considered for inclusion in the text books that were to be reprinted for the next session.

(iv) Tax Return Preparer Scheme: The Tax Return Preparer Scheme (TRP Scheme) was launched by the Government in November 2006 to train unemployed and partially employed graduates of select discipline to assist small individual and HUF Individual and HUF taxpayers file their return of income. In return the TRPs are also authorized to receive incentives @ 3%, 2% and 1% from the Income-tax Department for preparing returns of new taxpayers and stop filers for the 1st, 2nd and 3rd years respectively. The TRPs can charge a maximum amount of ₹ 250 per return from the taxpayers. There is a dedicated website of the Tax Return Preparer Scheme (www.trpsheme.com) and a Toll free help line (1800-10-23738) to assist the TRPs in their functioning. The website also acts as a medium to connect the TRPs and the Resource Centre in the Income-tax Department.

In the second phase the scope of the Scheme was enlarged to include TDS returns, service Tax Returns within its ambit primarily to provide a more meaningful self employment opportunity to the TRPs. The TRPs have also been notified as qualified e-return intermediaries and can file e-returns of eligible persons in accordance with the provisions of the Electronic Filing of Return of Income Scheme, 2007.

The Department has put in place a new Advanced Learning Portal on the TRP website so that the TRPs can update their knowledge on a constant basis. This Advance Learning Portal gives detailed information on contemporaneous issues as well as opportunity to the TRPs to text their knowledge through online mock texts. The TRPs have also been extended the facility of consulting experts through telephone calls or internet and seek guidance from them on any tax related issues. The Department has also nominated Mentors at every station who are entrusted with the responsible of explaining the scheme to local officers and staff and to ensure that the Department is actively associated with the Scheme.

The Scheme has not only added self-employment opportunities for young graduates but also helped the small and marginal taxpayers to file their returns at low or no cost and the Income-tax Department in widening its tax base.

4.12.1.2 Public Relations

Booklets under the 'Tax Payers Information Series' are published as part of the 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 Payers Service. The following TPI Series booklets are being updated and will be brought out during the year 2010-11.

1. How to Compute Your Capital Gains
2. TDS on Salary
3. Valuation of Perquisites
4. Income Tax Ombudsman
5. Filing Your Tax Return
6. Income From House Property
7. Taxation of Salaried Employees, Pensioners and Senior Citizens
8. TDS other than Salaries

Similarly, the brochures on the following subjects have been prepared to improve taxpayers service.

1. Know Your Tax Deducted at Source Rates
2. Tax Deducted at Source (Deductor)
3. Tax Deducted at Source (Deductee)
4. Tax Return Preparers Scheme
5. Dates with Direct Taxes
6. Facilitating the Tax Payer (ASK)
7. Tax Credit Status (26AS)
8. e-filing
9. Citizen's Charter
10. PAN
11. Know Your Income-tax Rates (Company) (Hindi)
12. Know Your Income-tax Rates (Individual) (Hindi)
13. Know Your Income-tax Rates (Company) (English)
14. Know Your Income-tax Rates (Individual) (English)

During the IITF, Pragati Maidan, New Delhi, quiz, painting and slogans writing competition weres organized for orphanage and school children which was appreciated by the public at large.

4.12.1.3 Printing and Publication

a) The following publication were printed & distributed:- Let Us Share Vol. III (Deptt. Version), I.T. Act & Rules, 2010, W.T. Act & Rules 2010, Quarterly Tax Bulletin Vol. 87 (Jan.-March, 2009), Compendium of CBDT Orders 2009, CBDT (Admn.) Bulletin Vol. 52 (Jan.-Dec.2006), Action Plan for the F.Y. 2010-11, Explanatory Notes to the provision of the finance Act 2008 (Circular No. 01/2009 (English), Pamphlet Citizen's Charter, 2010, Appreciations Certificates to the awardees of Let Us Share Vol. III, Direct Taxes Code Bill 2010, Quarterly Tax Bulletin (Half Yearly) Vol. 40(1) (April. –Sept., 2001), Explanatory Notes to the Provision of Finance Act, 2008, Circular No. 01/2009 (Hindi) and Direct Tax Bulletin (Half Yearly) Vol. 43 (1) (April-Sept, 2004).

b) The following publications were printed and distributed :- Quarterly Tax Bulletin (Vol. 88) April-June, 2009, CBDT (Admn.) Vol. 53 (Jan-Dec, 2007) and Direct Tax Bulletin Vol. 43(2) (Oct., 2004 to March, 2005)

c) The following publications were under printing:- Direct Tax Bulletin (Half Yearly) Vol. 45(1) (April. 2006 to Sept., 2006), Direct Tax Bulletin (Half Yearly) Vol. 45(2) (Oct., 2006 to March, 07), Direct Tax Bulletin Vol. 89 + 90 (July 2009 to Dec., 2009) and Direct Tax Bulletin Vol. 91 (Jan., 2010 to March, 2010)

d) The Work order for updation of Circulars, Instruction, Notification and updation of CD on digest w.e.f. 01.04.1961 to 31.03.2010 was awarded to the publisher.

e) The Publication titled Let Us Share Vol. III (Sanitized Version) printed and work order for giving right to sale was to be issued.

f) It was also planned to compile publication titled "Case Laws in Favour of Department".

g) The indent for PPCCS refund stationery for ₹ 25,000/- & above and upto ₹ 24,999/- for I.T., C.T., W.T. and Other Direct Taxes for MICR & Non-MICR for the year 2010-11 were sent to ISP Nashik for printing and distribution to all field stations.

h) The approval has been given by DIT (Systems) for printing of Income-Tax Challan forms ITNS-280, 281, 282 & 283 for the year 2010-11. The same has been sent to the Govt. of India Press for printing and distribution to all field stations.

i) The tenure of 1 year in respect of authorized transporter is getting expired 16.12.2010. The floating of tender process is underway and will be completed by the end of Dec., 2010.

4.12.1.4 Implementation of Official Language Policy

1. 72nd, 73rd and 74th meetings of Direct Taxes Official Language Implementation Committee were organized in time.
2. Inspections of a total of 12 offices outside the Headquarter were done by Director General of Income-tax (Admn.), Director of Income-tax (PR, PP&OL), Dy.Director (OL) (Hq.)(Admn.) and Assistant Director (OL).
3. Parliamentary Committee on Official Language inspected the offices of CIT, Shillong, Jt.CIT, Ambala, CCIT, Ghaziabad, Addl. CIT, Srinagar, CCIT, Indore-I&II, CCIT, Ahmedabad and CCIT, Shimla. Director General of Income-tax (Admn.), Director of Income-tax (PR, PP&OL), Dy. Director (Hq.) (Admn.) represented the Headquarters in this inspection meetings.
4. Advertisement issued by the Public Relation section of this Directorate in Newspapers were translated and vetting of the translation was done for publication in leading Hindi newspapers.
5. All India Hindi Seminar were organized for Assistant Director (OL) and Translators in Indore and Hyderabad respectively.
6. Hindi Fortnight was organized in September, 2010. Various Hindi competitions were organized during this period. The Certificate and prizes were distributed to successful candidates in Hindi Fortnight closing ceremony.
7. The pages related to the Headquarters of Inspection Questionnaire were prepared and made available to the concerned offices for inspections to be done by Parliamentary Committee on Official Language.

4.12.2. 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 dossiers with demands exceeding ₹10 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 by this Directorate, during the year is as follows:-

(A) Recovery of arrear and current demands: Two types of dossier reports are received (i) cases having demand between ₹ 10-25 crore. (ii) cases having arrear demand above ₹ 25 crore. The target of cash collection from the arrear demand during the year 2010-11 was fixed at ₹ 13906 crore. As per the Central Action Plan (CAP) of October, 2010 prepared by the Directorate of Organisation and Management System (DOMS), cash collection is shown at ₹ 5545.20 crore. which comes to 39.88% of the target of ₹ 13906 crore. During the fiscal year 2009-10, total collection was at Rs 11939 which was 91% of the Action Plan target of Rs 13153 crore.

The dossier reports of both the categories i.e. between ₹ 10-25 crore and above ₹ 25 crore are compiled/collated and consolidated report is forwarded to CBDT. Scrutiny of these reports revealed that there were 644 dossier cases of demand exceeding ₹ 25 cores. Out of this, there were 327 cases having wholly actionable demand. Whereas, total number of dossier cases of demand between ₹ 10-25 crore were 725. Out of this, there were 384 number of cases. Further detailed analysis of wholly actionable cases of demand above ₹ 25 crore for 9-10 stations was made and the remarks of the Directorate weres forwarded to the field formations for necessary action. Further the tours for the major stations were also to be undertaken for discussion with the field officers. These efforts were made to give greater focus on collection and recovery of outstanding demand.

(B) Write off matters: At the beginning of the year there were 35 write off proposals pending with the Directorate and 3 more proposals were received. Deficiency letters in all the cases of write off proposals were issued and the field authorities requested to remove the deficiencies in the write off proposals in order to process the same and for onward submission to the Board.

(C) BIFR Matters

(i) The Board for Industrial and Financial Reconstruction (BIFR) is machinery created under the Sick Industrial Companies (Special Provisions) Act, 1985 for the purpose of detections of sick companies and to frame scheme for revival of sick companies.

(ii) 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 coordinating agency between the BIFR and the CBDT. BIFR approves a Sanctioned Scheme for rehabilitation of a Sick Company, envisaging certain reliefs from CBDT and to process such reliefs, report is called from the Assessing Officer and the company. The case is processed by this Directorate and the

DGIT(Admn.) as the nodal agency presents the same to the Board for final approval.

During the year efforts were made to address the following:-

(a) Attending all statutory notices of the hearing before BIFR/AAIFR either by filing written submission/ representation through counsel. During the period form 01.01.2010 to 30.11.2010 in 1092 cases written submission have been sent to BIFR/AAIFR in response to the statutory notices of hearing.

(b) Constant monitoring of BIFR cases from its website and obtain the copy of Draft Rehabilitation Scheme wherever it is not received.

(c) Obtaining specific information from the company and the field authorities before the rehabilitation package is sanctioned.

(d) During the period from 01.01.2010 to 30.11.2010, 36 cases of DRS were received and in all the cases written submissions raising necessary objections were filed within the statutory time limit of 60 days.

(e) Obtaining the status of outstanding demand from the field authorities in all cases where DRS is received from company/operating agency 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. During the year in many cases, directions were given to the companies by BIFR to provide the IT dues in the Sanctioned Scheme.

(f) Processing the IT reliefs and concessions for the sick companies after taking necessary input from the company and field authorities. During the period 01.11.2010, in 19 cases, tax reliefs and concessions were processed by the Directorate.

(g) Analyzing the dossier cases where field authorities have shown the outstanding demand as not collectible on ground of pendency of cases before BIFR. After verification correct status where case is no more in BIFR intimated to the field authorities for necessary action of recovery or taking up the issue with official liquidator where the company had been wound up.

(h) Filing miscellaneous application before BIFR for rectifications of orders and appeal before AAIFR/ High Courts in suitable cases. During the period from 01.01.2010 to 30.11.2010 total number of MA/Appeal/reply to the appeal/Rejoinders/Written Synopsis has been filed before BIFR/AAIFR/High Courts was 79 after making judicial analysis of the cases.

4.12.3 Directorate of TDS

This Directorate is headed by a Director of Income tax and assisted by one Addl. Director of Income tax and two Deputy Directors of Income-tax. The Directorate monitors on behalf of CBDT the functioning of eighteen Commissionerates of TDS across the country.

The following functions are assigned to this Directorate:

- 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.
- Identification of new areas for application of TDS provisions.
- Co- ordination with TPC/ITA section for legislative changes for administering TDS provisions.
- Issue of Circulars, instructions, guidelines for TDS wing.
- 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 from TDS over the years has been increasing in relation to total tax collection except in the F.Y. 2009-10, when there had been a marginal fall. However, during the financial year 2010-11 till 30.10.2010, the total TDS collection of ₹ 89928 crore was made in relation to overall direct tax budget collection of ₹ 2,03,160 crore upto this period which works out to about 44% of the total budget collection. As per the Action Plan Target for F.Y. 2010.-11, the target for TDS collection was fixed at 40% of the total Direct Tax collection.

The Directorate organised All India Conference of Commissioners of Income Tax (TDS) and Directors of Income tax (Int. Taxation) on 10.11.2010 to discuss various issues related to TDS administration and to deliberate on ways and means for increasing TDS collections. The best practices of the Commissionerates of TDS across the country were also shared.

For the education of deductors and to enlighten them about TDS laws and procedures, a compilation of "dos" & "donts" was placed on the website of the Directorate of PRPP &OL.

Several education and awareness programme for deductors, deductees/tax payers and tax professionals were organised throughout the country. Total of 796 TDS workshops/trainings for deductors were organised by the field officers during F.Y 2010-11 (upto 31.10.2010) which was attended by about 40000 deductors.

The field formations in TDS charges conduct surveys/ inspections of deductors to determine whether Tax is being deducted/collected correctly. During the F.Y 2010-11 (upto 31.10.2010) 1159 Surveys/inspections were conducted by the various Commissionerates of TDS across the country. In the quantification of work done, Revenue gain on account of these surveys/

inspections was determined at about ₹ 250 crore. This figure was likely to increase considerably when quantification gets completed. Last year (F.Y. 2009-10) Revenue gain on this account was around 1500 crores. The collection of TDS during the last four years and for the current year vis.-a-vis. the total budget collection is as below: (Table 3.13)

4.12.4. Directorate of Income-Tax (Income-tax)

The Directorate of Income-tax (Income-tax) 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.

I. Inspection Wing

The instrument of inspection is an effective tool to maintain and sustain a high standard in the fields of assessment, recovery, investigation, 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 came into operation w.e.f. 4th November, 2008.

Under the New System of Inspection, Offices of DCIT/ACIT are to be inspected by the concerned Administrative Commissioner. The offices of ITOs & TROs are to be inspected by the Range Head, i.e., Addl./ Joint Commissioner. The office of CIT(Appeals) was also brought under the purview of Inspection. Under the New Inspection System, inspection of assessment work was 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 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 DCsIT/ ACsIT 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 of Income-tax (Income-tax). The Directorate monitors the progress of inspections and also examines and reviews the inspection reports. Based on such reviews, feedback is now being given to the field formations. Quarterly review reports are prepared, bringing out the salient points brought out in the inspection reports by the inspecting and the reviewing officers. A comparative analysis of inspections done since 2002-03 onwards, till 30.11.2010 is as under at Table 3.14:-

II. 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 appear in the Departmental Examinations conducted by the Directorate & with RTI applications connected with Departmental Examinations.
- Result of the 2nd Departmental Exam. and 1st Departmental Exam. (Supplementary) for 62nd batch of ACIT(Prob.) were declared during the month of April 2010. Result of the 2009 ITO Exam. was declared during the month of April 2010 and that of 2009 ITI Exam. was declared during the

Table 3.13

Year	TDS Collection (in Crores)	Total direct Tax collection (in Crores)	% age of TDS to Total direct Tax Collection
2007-08	105047	312213	33.64
2008-09	130470	333828	39.08
2009-10	145735	377982	38.55
2010-11 upto 30.10.2010	89928	203160	44.26

Table 3.14		
Financial year	No. of reports received	No. of reports reviewed
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**	1126	714
2010-11**	1772	506

**Under the New system of Inspections

month of May 2010.

- Ist Departmental Exam. for ACIT(Prob.) of 63rd batch and IInd Departmental (1st Supplementary) Exam. for 62nd batch were held in the month of August 2010 and result declared in November, 2010.

- In the previous year 2009, the Examinations were conducted under the old as well as new pattern keeping in view the persistent demands of field formations for allowing a last chance to the old pattern candidates. The demand continued to pour in from field formations this year 2010 as well. After detailed discussion and deliberations, the old pattern papers were merged with the new pattern and a specific provision inserted in the Examination Rules where under the matching paper schedule was prescribed and the old pattern candidates were allowed to appear only in those papers which they could not qualify earlier. To accommodate the 'own merit' demand of SC/ST candidates, a new rule was inserted enabling them to avail a betterment chance in line with the spirit of own merit concept. Total number of 9700 candidates appeared in the Departmental Examination for ITOs/ITIs conducted in November - December 2010 including 1253 number of Partially Qualified candidates and 139 number of Betterment opportunity candidates.

- 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) Applications under the Right to Information Act (RTI) and RTI Appeals filed by the candidates on different issues were processed and disposed.

  (c) Review, amendment and interpretation of the Examination Rules and setting the syllabus for various Departmental Examinations were effected.

  (d) 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 CCsIT/CsIT and from various staff associations in connection with Departmental Examinations.

4.13 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 to bring out the compilation of best practices and orders of the Income tax Department. During the period under consideration, the third volume of "Let us Share – A compilation of best practices and orders" was released during CCsIT Conference by the Hon'ble Finance Minister. Public version of "Let Us Share" Volume-III was released on 24.07.2010. The contributors to the volume were awarded certificates of merit.

II. The process for compilation of the fourth volume of "Let Us Share" has already commenced. The CCsIT (CCA) were requested to constitute the Regional Evaluation Committees (RECs) for this purpose. The best orders/practices passed/developed during the calendar year 2010 (01-01-10 to 31-12-10) were to be considered. To widen the scope of the compilation, it was decided to include in the compilation books and articles by departmental personnel published in journals of national and international repute.

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 on an annual basis. Accordingly, this Directorate organized a two-day workshop at Bangalore on 6th & 7th of October, 2010. The theme was "Collaboration across silos". The key note address was delivered by Shri Durgesh Shankar, Member(R), CBDT and various eminent speakers took part in the Workshop. The valedictory address was made by Shri C.S. Kahlon, Member (L&C),CBDT.

IV. 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 track implementation of Sevottam. The concept of Sevottam was crystallized and the same was implemented on a pilot basis in Pune, Kochi and Chandigarh with the following modules and functionalities:

- Aayakar Sewa Kendra (ASK) is a single-window taxpayer service center with amenities 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 was 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

The applications for certification under IS: 15700 were filed for all the three Kendras. The Aayakar Seva Kendra, Pune was granted certification by the Bureau of Indian Standards(BIS) as the system placed at ASK, Pune was in conformity with the standards laid down under IS: 15700. The other two centers are yet to be audited by BIS.

After successful implementation of ASK at pilot locations, CBDT, in the first phase of roll out, decided to set up Aayakar Seva Kendras at 13 locations. The work at ASK, Chinsurah has since been completed and this Kendra was inaugurated by the Hon'ble Finance Minister on 4th of December, 2010. The other locations are at various stages of completion.

To sensitize officers and staff about the concept of Sevottam, a massive training programme was organized wherein about 200 officers/staff of the Income-tax Department were imparted training by National Institute of Training for Standardization (NITS), Bureau of Indian Standards.

V. The Citizen's Charter 2007 was revisited and a revised Citizen's Charter 2010 was prepared after carrying out extensive consultations with all the stakeholders. This charter was released by the Hon'ble Finance Minister on 24th of July, 2010 during celebrations of 150 years of Income Tax in India.

VI. Vision 2020: A core drafting committee was 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 agency for preparing the Vision 2020 document of the Income Tax Department. Vision 2020 & Strategic Plan 2011-15 prepared after extensive consultations with all the stakeholders was approved by the Board.

VII. Information on Point No. (ii) of Paragraph 157 of the Central Secretariat Manual of office Procedure, 12th edition of May, 2003 requires Ministries/Department to include the following six aspects of information in their Annual Report: (Table 3.15)

4.14 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

Table 3.15

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 2007 was reviewed & rewritten which was released by the Hon'ble Minister of Finance on 24th of July, 2010.
2.	Action taken to implement the Charter.	The Charter has been implemented in the entire Income Tax Department.
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	Wherever ASK centres are functional, the commitments made in the Charter are being evaluated through a specifically designed software.
6.	Details of revision made in Charter on the basis of external review	Not applicable for the present.

inspections, etc.

4.15 Training

National Academy of Direct Taxes (NADT) is the apex training institution of the Income Tax Department responsible for training of officers of the rank of Asstt. Commissioners and above. There are 7 DTRTIs under NADT located at Ahmadabad, Bangalore, Chandigarh, Chennai, Kolkata, Lucknow and Mumbai and under which there are 26 MSTUs which impart training to all officials of the Department from Ministerial staff upwards. NADT is continuing its mandate of imparting quality training to the Departmental Personnel.

Academic Activities:

NADT being the apex training institution of the Income Tax Department is entrusted with the responsibility of imparting training to the Department Personnel. The flagship programme of NADT is the 18 month Induction Training for the newly recruited officer-trainees of the Indian Revenue Service. In continuing endeavour to match training inputs to the changing needs of the field, the academic curriculum of the Induction course have undergone a total overhaul for the 63rd Batch onwards. The new changes introduced include a longer spell of on-the-job training and more inputs on topics such as HRD. This year, NADT has also conducted a 15 week Foundation Course for Civil Services along with other premier training institutions such as LBSNAA. Besides Induction programmes, NADT also conducts In-Service Programmes for serving officials from the rank of Asstt. Commissioners of Income Tax to Chief Commissioners of Income Tax. The In-Service programmes conducted in the current financial year include courses on Contemporary topics such as Risk Management, International Taxation, Investigation, Judicial, Management, Audit etc,. In addition to courses for departmental officials, NADT has also conducted Outreach programmes for officer-trainees of All India Services, Other Central Services such as Indian Revenue Service (Customs and Central Excise), Indian Audit and Accounts (IA & AS), Indian Railway Accounts Service (IRA) etc., and Defence Services. The Direct Taxes Regional Training Institutes working under NADT have conducted training programmes for other officials from the rank of Inspectors of Income Tax to Addl. Commissioners of Income Tax. The training programmes were on variety of topics chosen based on the training needs analysis of the field formations.

NADT has also partnered with OECD to host training programmes on topics such as International Taxation and Transfer Pricing.

Infrastructure:

To boost infrastructural facilities, a new Hostel Building for the officer-trainees and an Advanced Training Centre (ATC) are under construction. Once functional, ATC would cater to the training needs of tax officials both from India and abroad. The total investment involved in the two projects is ₹ 125 crores.

4.16 Director General of Income Tax (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 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.

4.17 Directorate of Income Tax (HRD)

Some of the main activities/initiatives of the Directorate of Income Tax (HRD)during the year 2010-11 are as follows:

- The Transfer and Placement Guidelines 2010 were implemented in F.Y. 2010-11. As a result of its implementation, there has been no litigation on transfer/posting orders issued during the year.
- Approval of CBDT on the Cadre Review Report was obtained and the same was submitted to Government for approval.
- Proposals for amendment to Recruitment Rules of IRS and Multi Tasking Staff were approved by CBDT.
- A committee was constituted for implementation of a suitable Human Resources Information System for the Department. It studied the HRIS system followed by some Govt. /Non-Govt. Bodies like Infosys, SBI, Indian Army etc. The report of the committee was under preparation.
- Mid Career Training for the IRS officers of the level of JCIT and above was approved by the Hon'ble Finance Minister and is scheduled to commence this year. Necessary follow up action for finalisation of the training modules was being carried out by this Directorate with the various Training Partner Institutes.
- A programme for Training of Trainers of various RTIs at the Civil Services College, Singapore was approved by the Finance Minister and was conducted from 13th to 17th Dec. 2010.
- Domestic and foreign training matters of officers including the international attachments of probationers are processed by this Directorate.
- The process for revision of the performance appraisal system from the present Annual Confidential Report (ACR) to the Annual Performance Appraisal Report (APAR) was also initiated by the Directorate. The forms were devised to take into account the rationale of making the APAR a tool for improving the performance of the officers and to meet the human resources management needs of the Department.
- A Sports and Cultural Committee was set up on All India basis to promote such activities in the Department.

4.18 Directorate of L&R

The Directorate of Income Tax (L&R) has been notified as attached office of the Board mainly to render technical assistance to the CBDT for examining proposal for filing Special Leave Petitions in the Supreme Court against the judgments of High Court which are not found acceptable.

The Directorate has also the task of carrying out research on topics assigned by the Board for the purpose. The statistical wing of the Department has been functionally attached to the Directorate for the purpose.

The statistical data of number of SLP proposals received/ processed and number of cases out of such proposals where SLP was not filed for 2006, 200, 2008 and 2010 are as under:-

No. of SLPs Proposals:-

Year	Received	Not Filed
2006	1269	477
2007	1971	958
2008	2167	208
2009	2223	379
2010	1858	569

The Directorate has been assigned the task of creating a data base for entire life cycle of an appeal from the ITAT to the Apex Court. The implementation of National Judicial Reference System is underway. When operational, the system will bring consistency in pursuing litigations in High Court/Supreme Court, and will go a long way in improving the quality of appeals to be pursued and also reduce the litigations.

4.19 Infrastructure

a) Functions/ working of the Organization and set-up of the Division, including its various Advisory Boards and Councils:

The Directorate was notified vide Ministry of Finance's order dated 21.11.2005. The Directorate of Income Tax (Infrastructure) is presently headed by two Directo₹The Directorate functions under the administrative control of DGIT(Systems), New Delhi. The functions of the Directorate include drawing up of construction programme for I.T. Department on all India basis, implementation of construction programme, examination of individual proposals including drawing up a schedule of accommodation, scrutiny of plans and estimates, securing approval of Expenditure Finance Committee where necessary. The Directorate also deals with the scrutiny of proposals regarding acquisition of land for construction of building, finalization of budget proposals in respect of construction, acquisition of land and purchase of buildings. Examination of proposals regarding repairs of departmental buildings and minor works, hiring of office / office-cum-residential accommodation, purchase of vehicles for the Department, including replacement and hiring of vehicles are also being dealt by the Directorate.

b) Performance / achievements upto the last year:

The Directorate has approved/completed various construction projects during the last year. Financial Sanction of ₹ 252.90 Crores was accorded in various cases relating to purchase of land and construction of office, residence and guest house. An Asset Register was prepared giving details of the projects undertaken and completed by the Department.

c) Highlights of the performance and achievements:

Proposals regarding purchase of land, purchase of ready built accommodation for office and staff quarters, construction of office and quarters received from various field formations of Income Tax Department were processed in this Directorate. During the period 01.01.2010 to 30.11.2010 financial sanction of ₹ 2499.23 crore for purchase of land / construction, and ₹ 52.48 crore for minor repairs were accorded. List of

Major Projects Sanctioned Upto 30.11.2010

S. No.	Station	Region	Head	Amount (in Rs.)	Sanction No.	Dated
1	Proposal to acquire office space in Civic Centre being Constructed & developedby MCD at J.L. Nehru Marg, (Minto Road) New Delhi.	Delhi	4059	2007,52,00,000/-	O/36/2010-11Ad. VIII (DT)	06.07.2010
2	Construction of office building and guest house cum transit accommodation for the IT. Deptt., at Firozabad.	Kanpur		8,19,43,268/-	O/95/2010-11Ad. VIII (DT)	01.12.2010
3	Construction of office building and 7 staff quarters at Pandrauna Kushinagar.	Allahabad		3,13,97,000/-	O/68/2010-11Ad. VIII (DT)	21.10.2010
4	Payment of enchanced compensation for the residential plot purchased at Panchkula.	Panchkula		2,04,91,380/-	R/22/2010-11Ad. VIII (DT)	03.11.2010
5	Payment of extension fee in respect of land measuring 12497 sq. yards for construction of office building Phase-II at Sector-17E, Chandigarh.	Chandigarh		1,56,74,325/-	O/73/2010-11AD. VIII (DT)	03.11.2010
6	Renovation/Modification of Income Tax Building at Allahabad.	Allahabad		1,18,15,186/-	O/63/2010-11Ad. VIII (DT)	04.10.2010
7	Provision of additional facilities in the building under construction at Jahahalli, Bangalore of the Direct Tax Regional Training Institute (DTRTI) Grant of A/A & F/S.	Nagpur	4059	1,43,57,486/-	O/6/2010-11 Ad.VIII(DT)	29.04.2010
8	Extra orderinary repairs for Income Tax quarters at Baraccha road Chennai - Grant A/A & F/S.	Chennai	4216	3,47,66,000/-	O/25/2010-11Ad. VIII(DT)	12.05.2010
9	Construction of office building having carpet area of 1302 sq.mtrs. for the Income Tax Department at Alapuza, in the charge of CCIT, Thiruvananthapuram – Grant of administrative approval and financial sanction		4059	6,80,32,000/-	O/44/2010-11 Ad.VIII(DT)	02.08.2010

10	Construction of Advanced Training centre, Hostel and Mess at National Academy of Direct Taxes at Tagpur through NBCC LTD. -Grant of A/A & F/S.	Chindwara Road, Nagpur	4059	1,01,12,27,209/-	O/45/2010-11 Ad.VIII(DT)	04.08.2010
11	Purchase of land measuring 5,4848 acres from Greater Mohali Area Development Authority (GMADA) for construction of building for Direct Taxes Regional Training Institute at Chandigarh - Grant of administrative approval and financial sanction.	Chandigarh	4059	33,18,30,400/-	O/49/2010-11 Ad.VIII(DT)	09.08.2010
12	Construction of office building cincluding cost of central AC and furniture for the Income Tax Department at Udaipur - Grant Of A/A & F/S.	Udaipur	4059	16,25,44,100/-	O/41/2010-11Ad. VIII(DT)	15.07.2010
13	Purchase of land of construction of 56 staff qtrs at B.C.Complex Mumbai-Grant of A/A & F/S	Mumbai	4216	89,30,74,552/-	R-14/2010-11AdVIII(DT)	28.09.10
14	Acquisition of land of construction of office bldg. for I.T. Deptt. At Mumbai Payment of additional premimum & interest to MMRDA	Mumbai	4059	22,78,00,000/-	O-60/2010-11 AdVIII(DT)	28.09.10
15	Purchase of land measuring 9500.57 sq.mtrs. From Jamnagar Area Development Authority for construction of office building and staff quarters for Income Tax Deptt. At Jamnagar in the charge of CCIT, Rajkot- Grant of A/A & F/S.	Rajkot, Jamnagar	4059	8,28,44,970/-	O/70/2010-11 Ad.VIII(DT)	26.10.10
16	Requirement of Addl. Grant for the CCIT Ahmedabad for furniture layout at Ahmedabad office building	Ahmedabad		5,92,00,000/-	O/61/2010-11 Ad.VIII(DT)	29.09.2010
17	Construction of office building having carpet area of 1273 sq. mtr. for the I. T. Department at Matigara Siliguri.	Kolkata	4059	5,49,14,200/-	O/113/2009-10	21.01.2010
18	Purchase of land measuring 2146 sq. mtr. from Bihar State Housing Board (BSHB) for cosntruction of office building and residential quarters at Gaya.	Patna	4059	1,39,41,747/-	6,44,000/- O-149/ 2009-10	26.03.2010
19	Construction of office building and 12staff quarters for I. T. Department at Muzaffarpur	Patna	4059	21,62,22,000/-	O-11/2010-11	29.04.2010
20	Purchase of land of construction of staff quaters at G Block of Bandra Kurla Complex, Mumbai	Mumbai	4216	89,30,74,552/-	R/12/2009-10	28.09.2010

21	Construction of 49 residential quarters and guest house at Hmachaal Vihar, matigar, Siliguri	Kolkata	4216	10,69,86,000/-	R/23/2010-11	11.11.2010

Asset Register was prepared for the year with the detailed information.

4.20 E-governance In The Income Tax Department

1. Project Name: Issue of PAN.

PAN (Permanent Account Number) is a 10 digit alpha-numeric 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, 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 demat accounts, obtaining registration for Service Tax, Sales Tax / VAT etc.

- The services like receiving PAN application forms, verification of the documents submitted, digitizing the PAN application form, uploaded data on the NCC (National Computer Centre), printing of and dispatch of PAN cards have been outsourced to Service Providers, M/s UTITSL and M/s NSDL. The Service Providers through their network of 6478 front offices (PAN centres), receive and process the PAN applications submitted by applicants. However, the PAN is generated through robust software at National Computer Centre (NCC) of the Income Tax Department and thereafter printed and dispatched through service providers.
- 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 some 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 strengthen the verification process to ensure that no duplicate and fraudulent PAN is issued.
- It was decided to capture the biometric features 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 PAN project was kept in abeyance till the business rules of Unique Identification Authority of India (UIDAI) project are finalized to avoid duplication of efforts. Currently, the process of integration of UID number with PAN with biometrics features has been initiated and the biometric PAN project has been taken up.

Achievements: PAN database has shown steady growth in tune with economic progress. The progressive number of PANs allotted as on 30th November 2010 is 11,20,12,822. (Table 3.16)

2. Project name: e-filing of Income Tax Returns

Project Description

The project is aimed at enabling e-filing of Income tax returns over Internet directly by taxpayers or through e-return intermediaries. The e-filing project is an eminent e-governance and e-delivery measure taken by the Income Tax Department for providing better services to the taxpayers. The system also provides for PAN/TAN verifications. The System has been enhanced in FY 2010-11 to include submission of online rectifications, verification of status updates for receipt of ITR-V, processing status and refunds for e-filed returns prcessed at CPC, Bangalore.

Achievements:

- The Income Tax Act has with effect from 1-04-2010 has made e-filing of returns compulsory for the Individual, HUF in addition to Firms with turnover more than ₹ 40 lakh (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 2010-11 has commenced from May 2010. In FY 2010-11, nearly 58.46 lakh e-returns were received upto 20.12.2010 as compared to ₹ 34.83 Lakh for similar period in FY

Table 3.16 PAN Allotment

Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (till 30.11.2010
PAN allotted during the year	6082464	8503616	13213826	15941691	15005002	15593323
Progressive PAN Database	43755364	52258980	65472806	81414497	96419499	112012822

2009-10, which shows the enthusiastic response of taxpayers towards e-filing of I-T returns. Total number of e-filed returns for the full year is expected to be around 75 lakh returns.

- 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	52,52,771
FY 10-11	58,46,088 (upto 20.12.2010)

- Of the e-returns filed, nearly 60% have been filed voluntarily by taxpayers indicating the convenience provided by e-filing.
- Use of digital signature was made mandatory for corporate taxpayers and 10% returns have been filed using digital signature, making the entire return filing process completely paperless in such cases.
- The Department has also launched new services to e-filers through the e-filing website such as verification of processing of e-filed I-T returns, status of ITR-V receipt, online rectification applications and Status of Refunds by using data from Central Processing Center (CPC), Bangalore.

3. Project name: Centralized Processing Center (CPC) for Income Tax Returns

Project Description

Enabling Centralized Processing of all e-filed Income tax returns and paper returns of Karnataka and Goa at Bangalore

Status and Achievements

- The establishment of the Centralized Processing Center (CPC) of Income Tax Department at Bangalore was approved by the Union Cabinet in February 2009. Within 4 months of award of work to M/s Infosys Technologies Limited, the infrastructure facilities and first set of processes i.e. receipt of ITR-Vs from taxpayers were enabled at CPC. By October 2009, the business rules for computation and financial accounting system were tested and first set of I-T returns were processed.
- By January 2010, digitization and processing of paper filed salary returns of AY 2008-09 of Bangalore were commenced.
- By April 2010, processing of e-filed returns of AY 2009-10 was taken up.
- In November 2010, e-returns of AY 2010-11 had also been taken up for processing.
- At each stage, numerous technical and process related challenges had been overcome that involved extensive software and architecture changes or enhancements.
- Proactive project management by Directorate of Systems, along with the deep involvement and commitment of the relatively small CPC team (31 officers and staff) at Bangalore to surmount daily operational challenges, have been key to smooth functioning of the CPC. Some operational performance statistics are presented below to showcase the staggering scale of CPC operations, implemented in a phased manner:
- Over 69 Lakh I-T returns processed (of AY 2008-09, AY 2009-10 and AY 2010-11).
- Over 16 Lakh refunds generated (of AY 2008-09, AY 2009-10 and AY 2010-11).
- Over 80 Lakh ITR-Vs (1 page verification form signed and submitted by taxpayers to validate their E-return) received from taxpayers for AY 2009-10 and AY 2010-11 and acknowledged back via email.
- Over 75 Crore TDS and Tax payment data entries from FY 2007-08 onwards and 932,000 outstanding arrear demand entries totaling to Rs 1.64 Lakh Crore imported into financial accounting system.
- Over 2000 business rules for tax processing of I-T returns designed and implemented.
- Over 1.5 Lakh I-T returns verified case by case for variations and for testing purposes.
- Over 1.5 Lakh taxpayer calls attended by call center.
- Over 1 Lakh returns processing capacity per day.
- Additionally, a complete new software system including a comprehensive financial accounting system has now supplanted the old system.

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, the paper and electronic refunds determined by the Income Tax assessing officers are sent in separate electronic files by Income Tax Department to the State Bank of India (SBI), which has been designated as agent (Refund Banker) of the Department. The Refund Banker is then required to, in case of paper refunds, print and dispatch the refund cheques (payable at par through Core Banking all over India), and send NECS or Direct Credits to the bank accounts, where the refunds have been processed for electronic payment. The refunds are dispatched by speed post to the tax-payers or credited to the taxpayers' accounts 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. In October 2009, the Scheme was extended to nine more stations viz. Ahmadabad, Allahabad, Bhubaneswar, Chandigarh, Cochin, Hyderabad, Kanpur, Pune and Trivandrum, as well as to the refunds issued by CPC, Bangalore. With effect from September, 2010, the Scheme has been extended to the non-corporate charges all over India.

- A web based status tracking facility in collaboration with India Post and National Securities Depository Ltd. (NSDL) is available under the Scheme.
- The electronic method of payment has reduced delivery time to 1-2 days as against paper refunds which takes 4-8 days. The State Bank of India has set up remote printing facility for Income Tax refunds at Chennai, Kolkata and Delhi. Further, SBI is likely to set up remote printing facility during F.Y. 2010-11 (up to March, 2011) at Bangalore, Hyderabad, Nagpur, Bhopal, Jaipur, Kanpur and Jamshedpur.
- 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 re-send the refund for payment after removing the deficiency.
- The SBI has provided for a call centre with toll free number 1800 42 59 760 for tracking of status of refunds issued through the scheme.

Achievements:

- There has been steady increase in number and percentage of refunds issued through the scheme, as illustrated in Table 3.17 :
- During F.Y. 2009-10, the percentage of number of refunds issued through the scheme has gone up to 28 % of the total number of refunds issued all over India. After extension of the Scheme to the non-corporate charges all over India (with effect from August/Sept., 2010), the percentage of number of refunds issued through the scheme in F.Y. 2010-11 (up to Nov., 2010), has substantially gone up to more than 63 % 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 unpaid/unpicked refunds (with ageing) are available on system for monitoring status of issue of refunds.
- An internet based Refund Banker Dashboard is under preparation and is expected to be launched soon for monitoring by senior functionaries of the Income Tax Department.

5. Project Name: System integrator (SI) Project for Data base Consolidation

Project Description

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 in December

Table 3.17: Achievements on ECS Refund- Refund Banker Project

Year	Paper Cheques	Electronic Refunds (ECS)	Total	Percentage of Electronic 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	7,95,681	5,76,346	13,72,027	42.01 %
F.Y. 10-11 (up to Nov., 2010)	25,74,832	4,29,614	30,04,446	14.30 %*

* The no. of ECS refunds has registered a decline since Refunds with amount >= ₹ 25000 are now sent in paper mode only, irrespective of the mode of payment opted by assessee or indicated by the assessing officer.

2008 and the entire data of RCCs has been 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.
- Six monthly BCP drills were conducted in 2010-11 to test the switching over of system from PDC to BCP site located at different station in case of any unforeseen eventuality.
- The System is providing online facilities to 4000 concurrent users of Income Tax Department, in addition to data support for e-filing and Central Processing Centre (CPC).
- The Facility Management Services (FMS) through SI project is also being provided to 13000 ITD application users at 752 locations.

6. Project Name: e-Payment

Project Features

- All Direct Taxes e.g. Income Tax, Corporate tax, FBT, BCTT, TDS, Advance tax, self assessment tax can be 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 of any other person on behalf of the tax-payer.
- e-payment facility has been now extended by 29 out of 31 agency banks which are facilitating e-payment. SBI has started the e-payment facility online through its debit cards as well.
- Facility of payment of direct taxes through ATMs of Corporation Bank and Bank of Maharashtra has been launched. The facility is likely to be extended through ATMs of other agency banks by Feb., 2011.
- In F.Y. 2009-10, an amount of ₹ 3,17,741.56 crores was paid through e-payment. The count and amount of e-payment challans for F.Y. 2009-10 were 36.40% and 74.30% respectively. However, in F.Y. 2010-11 (up to Oct., 2010), the count and amount of e-payment challans have gone up to 43.40% and 82.74% respectively, registering a substantial increase, both in terms of count and amount of e-payment challans.

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 Government deductors both Central and State Government.
  - ➢ For all deductors where number of deductee records is 20 or more.
- Filing of newly introduced Form No. 24G has been made compulsory by Pay & Accounts Officer/ Treasury Officer/Cheque Drawing & Disbursing Officer (PAO/TO/CDDO) on monthly basis which will be the basis to generate BIN (Book Identification Number) to be used for reconciliation of TDS paid without production of challan in the case of Central/ State Governments Deductors.

Achievements

- Base of tax deductors has increased from 9.3 lakh in FY 2007-08 to 16 lakh till FY 2010-11 Q2.
- Overall PAN quoting has improved from 46% for F.Y. 06-07 to 94% for F.Y. 2010-11.
- Challan matching with OLTAS has improved to 95% in FY 2010-11.
- The Department has taken a new initiative of online dissemination of tax payer specific information in form 26AS (Tax credit statement) which contains the details of TDS/TCS deducted by the deductors, advance tax/self-assessment tax/regular assessment tax and paid refunds. The scheme is intended for online verification of all tax credits available with the ITD and mismatch, if any, to be followed by the tax payer for proper credit. The benefits of form no. 26AS include seamless processing of income tax returns and speedy credit of refunds and the verification of tax credits and refunds by the tax payers.
- Online facility to view Tax Credit Statement (26AS) has been enabled for net banking users of Corporation Bank, IDBI, Union Bank of India, Bank of Maharashtra, Citi Bank, Indian Overseas Bank, State Bank of India, State Bank of Mysore, Federal Bank, ICICI Bank and registered users at portal of Income Tax Department and NSDL. Around 25 Lakh registered users have already availed this facility. The status of e-TDS & e-TCS filing for various quarters is at Table 3.18.

8. Project Name: OLTAS (Online Tax Accounting System)

Project Description

- OLTAS project, a part of TIN (Tax Information Network) of the Income Tax Department, 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 with the paper trail for tax credit and paper validation system. The scheme was uniquely placed to reduce the tax payers'

Table 3.18 Status of e-TDS and e-TCS Filing		
TDS Returns for	e-TDS return received	e-TCS return received
2006-07 Quarter I	6,18,753	11,311
2006-07 Quarter II	6,48,148	11,987
2006-07 Quarter III	6,65,596	12,429
2006-07 Quarter IV	8,34,499	13,773
2007-08 Quarter I	7,72,889	13,926
2007-08 Quarter II	8,47,294	15,729
2007-08 Quarter III	8,82,032	16,455
2007-08 Quarter IV	11,72,432	18,273
2008-09 Quarter I	9,74,280	18,378
2008-09 Quarter II	10,15,472	19,098
2008-09 Quarter III	10,25,226	18,702
2008-09 Quarter IV	13,66,870	20,853
2009-10 Quarter I	1,002,571	18,063
2009-10 Quarter II	10,37,002	19,041
2009-10 Quarter III	10,36,854	19,583
2009-10 Quarter IV	13,49,883	21,289
2010-11 Quarter I	6,71,710	15,295
2010-11 Quarter II	5,79,061	14,775

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/TAN irrespective of the place of payment.
- Country wide 31 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.
- 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.
- The banks enter data of tax payment challans in their computer system and transmit the challan information online to the server of the Tax Information Network (TIN) of the Income-tax Department, maintained by 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.
- NSDL extracts the data, prepares OLTAS files and transmits the same to the OLTAS server maintained at NCC, New Delhi. From there, the data is populated into the ITD OLTAS database, enabling the Assessing Officers to give due credit to the taxpayers for the tax payments made by them, and generation of Collection reports for AO/Range Head/CIT/CCIT based on PAN/TAN jurisdiction, irrespective of the place or mode of payment. Reports on top advance tax payers and TDS payers with quarter-wise comparative analysis w.r.t. previous financial year are also made available to the Commissioners of Income Tax and Commissioners of Income Tax (TDS) for monitoring of collections.
- Monthly MIS reports are generated by TIN for Income Tax Department as well as for Principal CCA, CBDT and RBI, for monitoring and follow-up.
- OLTAS dashboard facility has been introduced through TIN website for the Finance Minister, senior functionaries of CBDT, Chief Commissioners/ Director Generals of Income Tax, Commissioners of

Income Tax (TDS) and Commissioners of Income Tax (Computer Operations) for monitoring direct tax collections on a daily basis.

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). Data (with PAN) coming through AIR, TDS returns, CIB information & OLTAS, and uploaded into ITD database is used to populate ITS (Individual Transactions Statement). The ITS 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 shown substantial improvement in the AIRs filed for F.Y. 2009-10 as compared to previous years:

F Y 2004-05:	35.47 %
F Y 2005-06:	61.56 %
F Y 2006-07:	62.63 %
F Y 2007-08:	69.39 %
F Y 2008-09:	64.83 %
F Y 2009-10:	73.57 %

- 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 numbers in the AIR.
- The statistical information about No. of transactions and their value for last 3 years is at Table 3.19.

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 Description and Progress

- The computerization in the Income tax Department has been strengthened by imparting training on ITD Applications in the new environment to all officers and one staff per Assessing Officers. 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.
- M/s NIIT - Hewitt Associate consortium imparted training and developed toolkits for Change Management by conducting workshops at 60 locations across India for the officers of the level of Additional Commissioner and above. Further, training to departmental officers were imparted though 544 batches at 30 locations across India covering various modules of ITD Application.
- A Learning Management System (LMS) has been customized and hosted on Primary Data which is available on departmental network for the use of online e-learning by the departmental officers. The work for content updation on LMS is also being under taken to make it up to date.

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.

Table 3.19: Transaction-wise Comparative Statistics of Valid PAN in AIR Info (as on 30th Nov., 2010)				
AIR for	Transaction type	Total	With PAN	PAN cases %
2007-08	Cash deposits in SB a/c	8,09,568	3,16,695	39.12
	Credit Card payments	4,11,700	1,77,042	43.00
	Mutual Fund	17,22,600	16,53,680	96.00
	Bonds / debentures	48,507	43,935	90.57
	Shares	85,353	78,950	92.50
	Immovable property purchase	1,58,295	60,954	38.51
	Immovable property sale	1,89,679	44,923	23.68
	RBI Bonds	3,911	3,525	90.13
	Total	**34,29,613**	**23,79,704**	**69.39**
2008-09	Cash deposits in SB a/c	8,91,350	3,28,905	36.90
	Credit Card payments	5,34,232	2,48,200	46.46
	Mutual Fund	12,68,953	12,62,054	99.46
	Bonds / debentures	56,553	53,010	93.74
	Shares	13,127	12,167	92.69
	Immovable property purchase	1,56,390	66,575	42.57
	Immovable property sale	2,00,504	50,500	25.19
	RBI Bonds	5,960	5,805	97.40
	Total	**31,27,069**	**20,27,216**	**64.83**
2009-10	Cash deposits in SB a/c	8,58,284	3,94,858	46.01
	Credit Card payments	6,01,588	3,40,879	56.66
	Mutual Fund	15,76,207	15,67,856	99.47
	Bonds / debentures	46,771	44,485	95.11
	Shares	41,597	40,376	97.06
	Immovable property purchase	1,81,807	1,05,270	57.90
	Immovable property sale	2,09,240	87,636	41.88
	RBI Bonds	24,889	23,381	93.94
	Total	**35,40,383**	**26,04,741**	**73.57**

(ii) Providing 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) ASK provides 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 2010	122836	122701	99.89%
Q2 → July to September 2010	196663	196627	99.98%
Q3 → October. to December 2010 (till 13.12.2010)	129315	129282	99.97%

12.Project: IT Website/http://incometaxindia.gov.in

Project description

- Provides dissemination of information to taxpayers on the department and its activities.
- The field offices have also got their independent pages at the cadre controlling Chief Commissioner level.
- 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 of tax credit, refund status, etc.

Achievements

- Website has more than 6,000 concurrent visitors on average daily during FY 2010-11.
- The Website is witnessing on average 13 lakh hits

per day and the peak hits of more than 55 lakhs during 2010-11.

- A new Website is under process with several enhanced new features. The tender for new website has been issued on 17.11.2010. The new Website will be bilingual (English & Hindi) and disabled friendly.

'Sevottam' - for An Integrated Delivery of Services.

1. "Sevottam" is an integrated model for excellence in delivery of services by a Government Department. The Income Tax Department is one of the 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 launched projects at select stations 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 have been put in place. Tax payer Service Centers (TPSCs), which is a single window computerized service mechanism for centralized receipt, registration and distribution of dak, are, therefore, being launched at 12 stations in F.Y. 2010-11. The software also provides 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 July, 2010, 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.
4. 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, all the paper returns of income are also being received at Aayakar Samparak 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.
5. While efforts are being made to get certification IS 15700:2005 to Bureau of Indian Standards (BIS) for the pilot stations of Kochi & Chandigarh, IS 15700:2005 certification from BIS has been given to Pune Centre.

4.21 Directorate of BPR

During the year 2010-11 Directorate of BPR(DoBPR)has been active in various processes to make the Income Tax Department more efficient, citizen centric and e-enabled.

In this regard attention is invited to the following initiatives:–

1. Front office (FO): Front office is a project to make ITD more citizen friendly. A common service centre is proposed to be set up in all ITD buildings for single window interface. DoBPR had constituted a committee and its report had been approved by the Board. Pilots were to be run at various stations e.g Hyderabad. FO was to take care of all the receipt and dispatch of Dak (including internal correspondences) with tracking and monitoring facilities. Since Aayakar Sewa Kendras under PMO initiatives of Sevottam is already functional in 3 centres and is to be extended to 10 more this year a proposal to integrate FO and CAR in ASK was mooted. Recently the Board has approved the integration of FO/ CAR with Sevottam-ASK. This directorate is working with the DOMS for successful integration of the two and implementation resulting in substantial cost savings and efficiency.
2. Central Appeals Registry (CAR): - Central Appeals Registry is an initiative to streamline the functioning of CsIT (A) in centers having more than 3 CITs (A) posted. The appeal allocation will be done through an automated process (Computerized scheduler) to distribute work among CsIT(A) more equitably. Manual intervention in group cases will be done; if required, by a collegiums of Chief Commissioner of Income Tax. This will also merge with Sevottam-ASK as mentioned earlier.
3. Training Needs Analysis(TNA): For improvement of functioning of the Income Tax Department, need of attitudinal change and up gradation of knowledge was felt. For this purpose a committee under the chairmanship of Shri Qaiser Shamim, CCIT, Delhi-IV was constituted. Outside consultants were also taken on board to get wider professional advice. The report has been submitted on 07-10-2010 and same is being examined for submission to CBDT.
4. Record Management (RM): Record Management has been achilles' heel for the Department DoBPR had earlier constituted a committee under Shri S S Rana for formulation of Archival and Weeding out policy. Recently committee on Record Management was formed under the chairmanship of Shri M.P. Varshney to study Durgesh Shankar committee report, S.S. Rana committee report and CPC model of Bangalore and submit its report. After wide studies and discussions committee has submitted its report on 29-10-2010. The same is being examined for submission to CBDT.
5. TAN/PAN: For studying the requirement, viability and structure of the Directorate of TDS & PAN, a committee was formed under the chairmanship of Sh. M.C. Joshi, Member, CBDT. The committee is expected to submit its final report soon.
6. Administrative Reforms Commission(ARC): Some paras of the report (4th report on "Ethics

in Governance") of the Administrative Reforms Commission were referred to this directorate for study and formulation of implementation framework. A committee was formed for this purpose. The report has been submitted by the committee and the same has been sent to the Board for its consideration.

7. Paperless office/ e-office: DoBPR has started running a pilot on scanning and computerization of paper records of DoBPR, use of itaxnet and digital signatures for correspondence etc. between officers and staff and other offices. Later this concept will be extended all over the ITD Centers for paperless office/e- office.
8. The report of external consultant Price Waterhouse Coopers had 64 items of recommendations, out of which 60 recommendation have been fully or in modified form accepted. The Directorate of BPR is working on identifying the areas where action has been initiated and where action is still to be taken up. Meanwhile the directorate has been working for creating awareness about the BPR exercise and various initiatives being undertaken by the DoBPR. Presentation on BPR was made during the CCsIT/ DGsIT Conference in the month of June, 2010.

4.22 Central Revenue Sports Board

1. For the financial year 2010-11 the management of CRSB matters was entrusted with CBDT. A meeting of the reconstituted CRS Board was held in the chamber of the Chairman, CBDT on 27th October, 2010 at 12.00 noon. Following items were discussed:

(i) Performance-cum –Achievement Report for the year 2009-10
(ii) Matters related to Audit of statement of accounts and utilization certificates from field for the year 2009-10
(iii) Annual calendar for the financial year 2010-11
(iv) Presentation of annual budget estimates for the year 2010-11

2. All the events of financial year 2009-10 were conducted smoothly as per the calendar approved. All India CRSB Cultural Meet was conducted by CCE Bhubaneswar in January, 2010. All India CRSB meet was conducted by CCIT, Lucknow at Lucknow & Allahabad in March, 2010. CRSB Annual Foundation Day was celebrated in Delhi on 20th March, 2010. It was organised by CCIT Delhi at Mawlankar Hall.

4.23 Grievance Redressal Machinery

In the Income-tax Department comprehensive and multilayered Grievance Redressal Machinery is functioning as under:

(i) A Central Grievance Cell under the Chairman, Central Board of Direct Taxes at New Delhi is looked after by an officer of the rank of a Director to the Government of India.
(ii) Regional Grievance Cells are functioning under each Chief Commissioner/Director General of Income-tax. In places like Delhi, Kolkata, Mumbai and Chennai, where there are more than one Chief Commissioner, the Regional Grievance Cell functions under the Cadre Controlling Chief Commissioner. A Commissioner of Income Tax (Helpline) is also functional in these four metropolitan cities for settlement of grievance.
(iii) In all other places, where there is no Chief Commissioner or Director General, Grievance Cell functions under the Commissioner of Income Tax.
(iv) Income-tax Ombudsmen are functioning in 12 cities for speedy and independent resolution of complaints relating to public grievances against the Income Tax department.
(v) The Sevottam Scheme has been introduced under which Aayakar Seva Kendras have been opened to help tax-payers in filing income tax returns as well as to redress their grievances related to income-tax matters.

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 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 has to give his name, address and PA Number so that the Grievance Cell can make further communication with him, if required.

The number of grievances received and disposed off by the Central Grievance Cell from 1st January 2010 to till date:-

No. of application received	Disposed off
623	419

5. Narcotics Control Division

5.1 INCB Mission To India (13th to 17th December 2010):

5.1.1 The International Narcotics Control Board (INCB) is an independent and quasi-judicial monitoring body for the implementation of the United Nations international drug control conventions. It was established in 1968 in accordance with the Single Convention on Narcotic Drugs, 1961.

Broadly speaking, INCB deals with the following:

a. As regards the licit manufacture of, trade in and use of drugs, INCB endeavours, in cooperation with Governments, to ensure that adequate supplies of drugs are available for medical and scientific uses and that the diversion of drugs from licit sources to illicit channels does not occur. INCB also monitors Governments' control over chemicals used in the illicit manufacture of drugs and assists them in preventing the diversion of those chemicals into the illicit traffic;

b. As regards the illicit manufacture of, trafficking in and use of drugs, INCB identifies weaknesses in national and international control systems and contributes to correcting such situations. INCB is also responsible for assessing chemicals used in the illicit manufacture of drugs, in order to determine whether they should be placed under international control.

5.1.2 In discharge of its mandate under the international drug treaties, INCB maintains an ongoing dialogue with Governments through various forms, such as regular consultations and country missions. Accordingly, the Board undertakes a number of country missions every year to discuss with competent national authorities measures taken and progress made in various areas of drug control. Such missions provide the INCB with an opportunity to not only obtain first hand information but also better understand the drug control situation in each country in its visit, thereby enabling the Board to provide the Government with relevant/institutions and to promote treaty compliance.

5.1.3 The last INCB mission to India had taken place in May, 2003. Thereafter, an INCB Mission comprising:

(i) Dr. Sri Suryawati, Second Vice President of the INCB and Chairperson of INCB's Standing Committee on Estimates,

(ii) Mr. Pavel Pachta, Deputy Secretary, INCB, visited India from 13th to 17th December, 2010.

5.1.4 The purpose of the mission was as follows:

- Discuss with Indian Government the experience gained from the implementation of the national drug control policy in India,
- Examine with the competent authorities issue related to the system of control of narcotic drugs, psychotropic substances and precursor control,
- Review current drug abuse and trafficking situation in India,
- Review matters pertinent to availability of controlled substances for medical purposes,
- Review current cultivation of opium poppy and production of opium in India and plans of the Indian Government regarding production of Opiate Raw Materials in future.

5.1.5 During their week long visit, the Department of Revenue organized meetings of the Mission with all concerned Ministries/ Departments/ Agencies engaged in the field of supply and demand reduction of drugs as also agencies involved in treatment and rehabilitation of victims of drug abuse. DoR also organized a visit of the mission to the Hqrs of Central Bureau of Narcotics at Gwalior as also to the Government Opium and Alkaloid Works, Neemuch and visit to the opium cultivation area at Neemuch.

5.1.6 The report of the Mission to India is awaited.

5.2 Preparation of National Policy on Narcotic Drugs And Psychotropic Substances:

5.2.1 Narcotic Drugs and Psychotropic Substances have several medical and scientific uses. However, they can be and are in fact abused and trafficked. The principle of prohibiting use of drugs except for medicinal use, as provided under Article 47 of the Indian Constitution and also adopted by the UN Drug Conventions has therefore been taken into account while enacting the Narcotic Drugs and Psychotropic Substances Act, 1985. However, the different dimensions of the narcotic drugs and psychotropic substances and the activities related thereto viz. administration of the NDPS Act and Rules framed there-under, drug supply reduction, drug demand reduction and legal production, trade etc are at present, being handled by different Ministries/Organizations in the Government of India as well as by the State Governments, which sometimes results in divergence in approach. A need for spelling out to the world, a clear and comprehensive policy towards narcotic drugs and psychotropic substances and re-assert our commitment to combat the drug menace in a holistic manner, has therefore, been felt for some time.

5.2.2 In order to have uniformity of approach and a well coordinated action by all Central and State Government Ministries/Departments/organizations in the matter, a draft National Policy on NDPS was prepared by the Department of Revenue and circulated to all State Governments/Union Territories calling for their comments/concurrence. Earlier, it was also circulated to all concerned Ministries in the Government of India. Before giving final shape to the said policy and also to give it a national character, it was thought fit to discuss all the salient features of the policy threadbare with all stakeholders.

5.2.3 A 2-day Conference on the draft policy on Narcotic Drugs and Psychotropic Substances was accordingly organized by Department of Revenue at New

Delhi on February 1st and 2nd, 2011 at Main Committee Room, Parliament House Annexe. The Conference was inaugurated by the Minister of State, Finance Ministry and saw participation from all the concerned Ministries and Agencies as well as representatives from the concerned departments of almost all States and Union territories.

5.2.4 At the end of the 2-day conference, the delegates gave a set of recommendations in respect of the draft policy, which will be taken into account while finalizing the policy.

5.3 Functions/working of the Central Bureau of Narcotics (CBN)

5.3.1. 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.

5.3.2 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 are exercised through the provisions 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 the 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, Anthranilic 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 and issues no objection certificate for export of Ketamine.

5.3.3 Achievements

(i) No. of NOC's issued by Central Bureau of Narcotics during the year 2009-10 (from 1-4-2009 to 31-03-2010) and for the period from 1-4-2010 to 30-11-2010 for the export/import of Precursor chemicals is as under:

	From 1-4-2009 to 31-03-2010	From 1-4-2010 to 30-11-2010
No. of NOCs issued for export of Precursor Chemicals	1424	879
No. of NOCs issued for import of Precursor Chemicals	89	90

(ii) International Narcotics Control Board (INCB) has developed Online PEN system to make exchange of information between the Competent National Authorities. CBN uses the system of Pre-Export Notification (PEN) in verifying the genuineness of the transaction. CBN had issued approximately 1300 PEN's (During the year 2009-10) and 924 PENs (During the period from 1-4-2010 to 30-11-2010) to the Competent Authorities of various importing countries, for verifying the legitimacy of the transactions. On the initiative taken by the Central Bureau of Narcotics, through Online PEN system, CBN 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) In order to ensure that the export/import documents issued by the Central Bureau of Narcotics are secured and cannot be forged, CBN has started the issuance of new Import Certificate, Export Authorization and No Objection Certificate (NOC) incorporating security features w.e.f. 1st November, 2010. The new Import Certificate, Export Authorization and NOC for various substances have distinguishing colours for ease of identification. Some apparent identifying features of new export/import documents issued by Central Bureau of Narcotics are as under :-

- Format is printed on 95 GMS Paper having cluster of four Ashoka Pillar watermark with "Satyamav Jayate".
- Running serial number in the top right side of the document.
- Border is provided with inter locking design.
- Background relief tint of "GOVERNMENT OF INDIA" is provided.

(iv) No. of Export Authorization and Import Certificate issued by Central Bureau of Narcotics during the current financial year and previous financial year for the export/import of Narcotic Drugs/ Psychotropic Substances and Ketamine is at Table 3.20.

Number of Manufacturing license issued/renewed for manufacture of synthetic narcotic drugs and number of Registrations for import of poppy seeds, issued during the above period are at Table 3.21

(v) The procedure of allocation of quota of narcotic drugs has been changed from this year vide Office Memorandum issued by Department of Revenue, Ministry of Finance, Government of India vide F.No. N12019/10/2009-NC-II dated 9th March, 2010. In terms of the above mentioned office memorandum, the Narcotics Commissioner, Central Bureau of Narcotics (CBN), Gwalior has to allocate the quota of narcotic drugs to all the consuming companies, hitherto being done by the Drug Controller of respective States, furnish Estimates for next year in Form "B" and Consumption Report for the previous year in Form "C" to the INCB. The details of quota of narcotic drugs allocated to consuming companies for the year 2010 are at Table 3.22.

(vi) In order to ensure that the export/import documents issued by the Central Bureau of Narcotics are secured, it has been decided to issue Import Certificate, Export Authorisation and No Objection Certificate (NOC) incorporating security features. The new Import Certificate, Export Authorization and NOC for various substances have distinguishing colours for ease of identification. Some identifying features of new export / import documents issued by Central Bureau of Narcotics are as under:

❖ Format is printed on 95 GMS Paper having cluster of four Ashoka Pillar watermark with "IR;eso t;rs";

❖ Running serial number in the top right side of the document;

Table 3.20

	Psychotropic Substances		Narcotic Drugs		Ketamine	
	2009-10	2010-11 (till 15.12.2010)	2009-10	2010-11 (till 15.12.2010)	2009-10	2010-11 (till 15.12.2010)
No. of Export Authorization Issued	1648	1343	207	143	105	108
No. of Import Certificate issued	151	103	84	34	N. A.	N. A.

Table 3.21

Year	Registration	Manufacturing licence
2009-2010	340	17
2010-2011 (till 15.12.2010)	223	20

Table 3.22

Sr. No.	Name of Narcotic Drugs	No. of Companies to whom quota has been allocated	Total quantity allocated (in Kg.)
1.	Codeine	135	50,000
2.	Dextropropoxyphene	55	1,65,124
3.	Diphenoxylate	14	15,498
4.	Ethylmorphine	6	486
5.	Fentanyl	13	3.4821
6.	Medicinal Opium	60	4034
7.	Morphine	18	365
8.	Oxycodone	1	11.7
9.	Pethidine	9	160
10.	Pholcodone	10	320
11.	Sufentanil	1	0.00335
12.	Thebaine	5	540

- Border is provided with inter locking design;
- Background relief tint of "GOVERNMENT OF INDIA" is provided.

  The issue of new Import Certificate, Export Authorization and No Objection Certificate (NOC) commenced from 1st November, 2010.

(vii) The Govt. of India has inserted a new provision to Rule 54 of the NDPS Rules,1985 vide Gazette Notification S.O. 1661(E) dated 13.07.2010 thereby permitting direct import of Codeine, Morphine, Thebaine and their salts for utilization in the manufacture of products for export purpose and for test and analysis purposes subject to import certificate from the Narcotics Commissioner. Further, the Govt. of India vide Gazette Notification S.O. 2799(E) dated 18.11.2010 has notified eight pharmaceuticals companies who may import Codeine, Morphine, Thebaine and their salts under proviso to Rule 54 of the NDPS Rules,1985.

(viii) Details of Seizure cases effected by CBN financial year 2010-11 (up to 09.12.2010) (Table 3.23)

Table 3.23		
Name of Drug	Details of seizure	
Opium	Qty. (in kgs.)	55.84
	No. of cases	12
	Persons Arrested	24
Acetic Anhydride	Qty. (in ltrs.)	54
	No. of cases	0
	Persons Arrested	0
Sus. Powder	Qty. (in kgs.)	0.5
	No. of cases	1
	Persons Arrested	-
Poppy Husk	Qty. (in kgs.)	4130.54
	No. of cases	1
	Persons Arrested	5
Poppy Husk Powder Destruction of Illicit		
Area (in sqm.)		91.24
Illicit Poppy Cultivation		
	State	Area (in Hect)
	Uttarakhand	157.75

(ix) DESTRUCTION OF ILLICT OPIUM CULTIVATION IN 2010

On receipt of report about illicit poppy cultivation in the State of Himachal Pradesh and Uttarakhand State in the year 2010, the Central Bureau of Narcotics deputed its officers for verification and survey of the land under illicit poppy cultivation in these states at different points 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 157.75 hectares of illicit opium poppy cultivation has been destroyed during this year.

(a) Destruction of illicit poppy crop in Himachal Pradesh

The Central Bureau of Narcotics officers with support from Himachal Pradesh Police conducted operation to destroy illicit poppy crop in Kullu district of Himachal Pradesh in the month of May, 2010. In this operation conducted during 21st to 24th May, 2010, illicit poppy crop in about 13.250 hectares was destroyed.

The crop was found in high altitude varying from 3800 to 10330 feet.

(b) Destruction of illicit poppy crop in Uttarakhand State

The CBN officers in association with Districts Administration of Uttarkashi district in Uttarakhand State conducted operation to destroy illicit poppy crop from 28th April 2010 to 9th May, 2010.

In the month of April, 2010 (from 28-04-2010 to 30-04-2010) illicit opium poppy crop in about 56.5 hectares was destroyed by the CBN officers. In the month of May 2010 officers destroyed illicit poppy crop in about 88 hectares from 01-05-2010 to 09-05-2010.

Overall illicit poppy crop in about 144.5 hectares was destroyed in Uttarakhand State. The poppy cultivation was found in very high altitude and stated to be in the forest land.

5.3.4 Cultivation of opium poppy and production of opium during the year 2009-10.

During the crop year 2009-10, 739 Metric Tonnes (provisional) of opium at 70 degree consistence was procured. The average yield at 70 degree consistence on the basis of provisional results received from Madhya Pradesh, Rajasthan and Uttar Pradesh for the crop year 2009-10 was 60.23, 60.75 and 28.74 kgs./hectare (provisional) respectively. The All India average yield during 2009-10 was 60.37 kgs./hectare at 70 degree consistency (provisional). The figures related to opium cultivation are provisional as final reports from factories for the crop year 2009-10 are awaited. The figures are for 2009-10 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 and average yield for the previous Five years is enclosed herewith at Annexure-"A".

5.3.5 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 financial year 2010 several significant seizures of NDPS were affected by Central Bureau of Narcotics.

(1) On 23.04.2010, during the course of general checking, a preventive party of Dy Narcotics Commissioner office, Neemuch effected a seizure of 6.240 kgs. of opium near Nayagaon Toll Tax barrier, Neemuch and arrested two persons in an Indigo Car which was also seized under provisions of NDPS Act, 1985.

(2) On the basis of a specific information, a preventive party of CBN, Garoth (M.P.) effected a seizure of 10.800 kgs. of Opium on 25.04.2010 at the Narayan Kheda railway station crossing, Bhawanimandi, Distt. Jhalawar (Rajasthan) and arrested two persons. A motorcycle was also seized in this regard.

(3) On the basis of an information, a preventive party DNC, Kota effected a seizure of 5.000 kgs. of Opium on 15.06.2010 at Bhadsoda Chauraha, Chittorgarh-I Udaipur road (Rajasthan) and arrested one person. A motorcycle was seized in the matter.

(4) On the basis of an information, a preventive party of CBN, Kota effected a seizure of 11.250 kgs. of opium on 19-09-2010 at Kota – Baran road, Distt. Kota (Raj.) and arrested three persons in this regard.

(5) On the basis of secret information, a preventive party of CBN Hqrs. Office, Gwalior effected a seizure of 4110.540 kgs of Poppy Straw and 91.240 kgs. of Poppy Straw powder on 07-10-2010 at Malanpur Industrial Area, Bhind (M.P.) and arrested five persons in this regard. Two four wheeler vehicles were also seized in the case.

Number of Persons convicted/ acquitted in CBN cases decided by various Courts during the financial year 2010-11

Financial year	Total no. of persons who were facing prosecution	Total no. of persons convicted	Total no. of persons acquitted	Conviction rate (%)
2010-11	75	50	25	66.6%

Number of Cases convicted/ acquitted in CBN cases decided by various Court during the financial year 2010-11

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 (%)
2010-11	50*	38	9	76%

** In three cases, the accused died during trial.*

The relevant statistical details of seizures booked by CBN during the financial year 2009-10 and 2010-11 (upto 15.12.2010) is enclosed herewith as Annexure-"B".

5.3.6. Other highlights of performance and achievements during the year 2010-11.

World Drug Day, 2010 by Central Bureau of Narcotics :

On the occasion of the World Drug Day, Central Bureau of Narcotics organized a series of events from 19th to 26th June, 2010. In concurrence with the theme of this year's World Drug Campaign 'Think Health – Not Drugs', a week long Yoga Camp was organized in the premises of CBN Headquarters at Gwalior (M.P.). In the same spirit, voluntary Blood Donation and Health Check-up camps were organized for the staff and officers of CBN on 24th June, 2010 and 25th June, 2010 respectively. Further, for raising awareness of the masses regarding the growing menace of drug trafficking, a Signature campaign was organized at City Mall, Gwalior which attracted an overwhelming response from the general public. In addition, tree plantation and Slogan writing competition were held at the Headquarters. A formal function was organized at the CBN Headquarters, Gwalior where rewards were distributed by the Narcotics Commissioner to the officers who had enthusiastically participated in the illicit Opium Poppy cultivation destruction operations conducted in various states of India during the last two years. The field offices of CBN also observed the World Drug Day with similar zeal and enthusiasm. Several competitions like essay writing, debates etc. were organized at Unit Headquarters. In addition, a 'Nukkad Sabha' was organized at vill. Kanwarpura, Tehsil Ramganjmandi, Kota (Rajasthan) with a view to increase awareness of the common man against Drug abuse and Illicit Trafficking of Drugs. The staff of office of the DNC, Kota presented the ill effects of Drug abuse to the students through power point presentations at the various coaching centres of Kota.

5.3.7 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.

5.3.8 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.

5.3.9 Activities undertaken for Disability Sector, SCs, & STs and Other Weaker Sections of Society.

As per Ministry's instructions reservation for SC/ST/OBC and Physically Handicapped were maintained in the Central Bureau of Narcotics. Shri G.P. Chandolia, Deputy Narcotics Commissioner, Kota has been appointed as a Liaison Officer to look after the interest, representation and welfare of ST/ST/OBC employees.

5.3.10 Implementation of the Judgment/Orders of the CAT (New items included for 2010-11). The information is as under:-

Sl. No.	OA No. Name & Subject	Judgment of case	Status of implementation
1	O.A. No. 828/2010 – A.K. Mishra Vs. UOI filed before Hon'ble CAT, Allahabad (F.No. 8/4/Estt/2010)	O.A. disposed off with a direction to consider & decide the pending representation by a reasoned & speaking order within a period of 3 Months (Decided on 04-06-2010)	Action has already been taken
2	O.A. No. 305/2009 – B.L. Chhipa Vs. UOI filed before Hon'ble CAT, Jaipur Bench (F.No. 8/12/Estt/2009)	O.A. disposed with direction to release of the increments to be affected officers from the date as otherwise due, without pressing for endorsement of draft rules warranting the officers to pass the said departmental examinations (Decided on 03-05-2010)	Action has already been taken
3	O.A. No. 306/2009 – J.C.Srivastava Vs. UOI filed before Hon'ble CAT, Jaipur Bench (F.No. 8/11/Estt/2009)	-do-	Action has already been taken
4	O.A. No. 780/2010 – RSS Yadav Vs. UOI filed before Hon'ble CAT, Jabalpur Bench (F.No. 8/8/Estt/2010)	The case has been dismissed as the counsel for the applicant prayed to withdraw the case. (Decided on 02-11-2010)	No Action
5	O.A. No. 781/2010 – RSS Yadav Vs. UOI filed before Hon'ble CAT, Jabalpur Bench (F.No. 8/9/Estt/2010)	The case has been dismissed as the counsel for the applicant prayed to withdraw the case. (Decided on 02-11-2010)	No Action
6	O.A. No. 782/2010 – S.P.Srivastava Vs. UOI filed before Hon'ble CAT, Jabalpur Bench (F.No. 8/10/Estt/2010)	The case has been dismissed as the counsel for the applicant prayed to withdraw the case. (Decided on 02-11-2010)	No Action

7	O.A. No. 783/2010 – D.P.Srivastava Vs. UOI filed before Hon'ble CAT, Jabalpur Bench (F.No. 8/11/Estt/2010)	The case has been dismissed as the counsel for the applicant prayed to withdraw the case. (Decided on 02-11-2010)	No Action
8	O.A. No. 78/2006 – Yogesh Sharma Vs. UOI filed before Hon'ble CAT, Jadhpur Bench (F.No. 8/1/Estt. I/2006)	The case has been dismissed. (Decided on 27-04-2010)	No Action
9	W.P. No. 2425/2010 – Munnawar Khatum Vs. UOI filed before Hon'ble H.C. Indore Bench. (F.No. 8/1/Estt.I/2006)	It is too late to claim Compassionate Appointment after expiry of almost 13 yea₹The petition is devoid of any merit and is dismissed. (Decided on 19-10-2010)	No Action
10	O.A. No. 283/2007 – Sumitra Devi Vs. UOI filed before Hon'ble CAT, Jaipur Bench (F.No. 8/5/Estt.I/2007)	The case have been dismissed. (Decided on 03-08-2010)	No Action
11	O.A. No. 252/2008 – Manju Saxena Vs. UOI filed before Hon'ble CAT, Jaipur Bench (F.No. 8/11/Estt.I/2008)	The O.A. has been dismissed having been withdrawn. (Decided on 18-04-2010)	No Action.
12	O.A. No. 155/2007 – Laxman lal Keer Vs. UOI filed before Hon'ble CAT, Jodhpur Bench (F.No. 8/6/Estt.I/2007)	The O.A. has been dismissed. (Decided on 06-04-2010)	No Action.
13	Contempt Petition No. 42/2009 in O.A. No. 211/2006 – Bhanwar lal Vs. UOI filed before Hon'ble CAT, Jodhpur Bench (F.No. 8/7/Estt.I/2006)	Contempt petition has been disposed with a liberty to file a Fresh O.A. (Decided on 06-05-2010)	No Action.
14	O.A. No. 610/2009 – Amit Kumar Vs. UOI filed before Hon'ble CAT, Allahabad Bench (F.No. 8/6/Estt./2009)	O.A. dismissed in default and for non-prosecution. (Decided on 19-04-2010)	No Action.
15	W.P. No. 4342/2008 – Arvind Kumar Vs. UOI filed before Hon'ble H.C., Indore Bench (F.No. 8/14/Estt.I/2008)	W.P. is disposed with a liberty to file an O.A. before CAT. (Decided on 21-06-2010)	No Action.

5.3.11 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.

5.3.12 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 down load from the CBN website: www.cbn.nic.in.

ANNEXURE-A

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

CROP SEASON					
Name of the Unit	2005-06	2006-07	2007-08	2008-09	2009-10 (Prov.)
AREA LICENSED/HARVESTED IN HECTARES					
Madhya Pradesh	3637/3500	3416/3294	2830/1518	6556/5257	13009/6647
Rajasthan	3492/3411	2824/2616	1844/1131	4458/3594	10108/5554
Uttar Pradesh	123/65	29/3	6/4	6/2	308/36
Total	7252/6976	6269/5913	4680/2653	11020/8853	23425/12237
NUMBER OF VILLAGES LICENSED HARVESTED					
Madhya Pradesh	1128/1128	1049/1049	901/847	879/879	964/955
Rajasthan	1211/1211	1001/998	691/666	629/623	979/932
Uttar Pradesh	105/84	31/9	9/7	5/3	97/30
Total	2444/2423	2081/2056	1601/1520	1513/1505	2040/1917
NUMBER OF CULTIVATORS LICENSED/ACTUALLY HARVESTED					
Madhya Pradesh	36352/35799	34151/33538	28286/15860	27462/25722	32242/26785
Rajasthan	34909/34614	28233/26659	18439/11727	17337/15769	27322/21426
Uttar Pradesh	1217/706	274/35	50/41	22/11	1223/163
Total	72478/71119	62658/60232	46775/27628	44821/41502	60787/48374
OPIUM PRODUCED (IN TONNES) AT 70°C					
Madhya Pradesh	226	207	103	307	401
Rajasthan	213	150	73	217	337
Uttar Pradesh	3	0.046	0.210	0.087	1
Total	442	357	176	524	739
AVERAGE YIELD PER HECTARE AT 70°C (IN KGS.)					
Madhya Pradesh	64.46	62.87	67.73	58.53	60.23
Rajasthan	62.44	57.54	64.59	60.31	60.75
Uttar Pradesh	41.20	17.25	48.80	40.40	28.74
All India	63.36	60.38	66.41	59.18	60.37
PAYMENT TO CULTIVATORS (IN LAKH RUPEES) (rounded off)					
Madhya Pradesh	3298	2926	1580	4287	5165
Rajasthan	2946	1986	1126	3046	4453
Uttar Pradesh	18	0.34	2	1	9
Total	6262	4912	2708	7334	9627
AVERAGE COST OF OPIUM PAID TO THE CULTIVATORS PER KG.					
Madhya Pradesh	1474	1422	1522	1395	1290
Rajasthan	1415	1331	1532	1409	1320
Uttar Pradesh	746	838	1079	1162	838
Total	1417	1376	1539	1400	1303

Note: Figures have been rounded off to nearest decimal.

Annexure-"B

Seizure cases effected by CBN financial year 2009-10 & 2010-11 (upto 15-12-2010)

Name of Drug		2009-10	2010-11 (upto 15-12-2010)
Opium	Quantity (in kgs.)	66.63	55.84
	No. of cases	13	12
	Persons Arrested	27	24
Heroin	Quantity (in kgs.)	2.31	-
	No. of cases	2	-
	Persons Arrested	4	-
Morphine	Quantity (in kgs.)	-	-
	No. of cases	-	-
	Persons Arrested	-	-
Charas	Quantity (in kgs.)	-	-
	No. of cases	-	-
	Persons Arrested	-	-
Ganja	Quantity (in kgs.)	-	-
	No. of cases	-	-
	Persons Arrested	-	-
Acetic Anhydride	Quantity (in ltrs.)	33.29	54
	No. of cases	2	0
	Persons Arrested	5	0
Methaqualone	Quantity (in kgs.)	0.139	-
	No. of cases	-	-
	Persons Arrested	-	-
Alprazolam	Quantity (in kgs.)	-	-
	No. of cases	-	-
	Persons Arrested	-	-
Diazepam	Quantity (in kgs.)	-	-
	No. of cases	-	-
	Persons Arrested	-	-
Nitrazepam	Quantity (in kgs.)	-	-
	No. of cases	-	-
	Persons Arrested	-	
Ephedrine	Quantity (in kgs.)	-	-
	No. of cases	-	-
	Persons Arrested	-	-
Caffin	Quantity (in kgs.)	-	-
	No. of cases	-	-
	Persons Arrested	-	-
Sus. Powder	Quantity (in kgs.)	-	0.5
	No. of cases	-	1
	Persons Arrested	-	-
Poppy Husk	Quantity (in kgs.)	-	4130.54
	No. of cases	-	1
	Persons Arrested	-	5

P.H.Powder Destruction of illicit Area (in sqm.)		-	91.24
Illicit Poppy Cultn.	Area (in Hect)		
	Arunachal Pradesh	250	-
	West Bengal	614.5	-
	J&K (Pulwana)	1110	-
	Uttarakhand	-	144.5
	Kullu(H.P.)	82.23	13.25
canabis	Kullu(H.P.) & J&K	6.010	-
	Rajasthan	15 Ares	-
	Case	1	-
	Persons Arrested	2	-
Cultivation (in poppy cultivation in Arunachal Destruction of illicit Poppy growing areas)	Ares (in hectare) Persons Arrested		

5.4 Government Opium and Alkaloid Works (GOAW)

5.4.1 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 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 (2009-10) are as follows:

Government Opium and Alkaloid Factories (GOAF)

Performance of GOAF for the Year 2009-2010

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	450	312	- 31
2	Manufacture of Drugs :				
	a) Codeine Sulphate	KGS.	400	136	- 664
	b) Morphine Sulphate	KGS.	300	188	- 37
	c) Codeine phosphate (I.P.)	KGS.	7546	8657	15
	d) Dionine	KGS.	500	587	17
	e) Pure Thebaine	KGS.	502	549	9
	f) Noscapine BP	KGS	2683	2587	- 4
	g) Pholcodine	KGS	250	169	- 32
	Total Finished Drugs	KGS	12181	12873	
	h) IMO Powder	KGS.	3000	4896	63
	i) IMO Cake	KGS.	APD	2104	
	j) Papavarine S.R.	KGS		1334	
3	i) C.P. Import for Domestic Market			19988	
	ii) Import for Vendor Specific				
	a) Codeine Phosphate U.S.P.	KGS.		12946	
	b) Theabine	KGS		81	
	Total (ii)			**13027**	

B. Sales			
Sl.No.	**Particulars**	**Qty. (Kgs)**	**Sales (Rs/Crores)**
(1)	**(2)**	**(3)**	**(4)**
1	Export of opium at 90ºC	336.433	163.61
2	Domestic Sale of Drugs :		
	a) Codeine Sulphate	194	0.90
	b) Morphine salts	231	1.16
	c) Codeine Phosphate (I.P. + import)	33780	111.47
	d) Dionine	520	2.80
	e) Pure Thebaine	450	1.91
	f) Noscapine B.P.	2540	8.89
	g) Papavarine S.R.	1743	0.35
	h) Pholcodine	174	0.80
	i) IMO Powder	4714	2.10
	j) IMO Cake	2168	0.85
	Total	**46514**	**131.23**
3	Sale of Imported Drugs (Vendor Specific)		
	a) Codeine Phosphate U.S.P.	12946	32.89
	b) Thebaine	81	0.19
	Total (a+b)	**13027**	**33.08**
	Grand Total (1+2+3)	**59541**	**164.31**

C Country wise Export of Opium (Excluding IMO Powder & Cake) At 90ºc				
Unit	USA	FRANCE	JAPAN	TOTAL
Ghazipur	0	2.500	91.008	93.508
Neemuch	242.925	0	0	242.925
Total	**242.925**	**2.500**	**91.008**	**336.433**
D	OPIUM CHARGED FOR PRODUCTION OF DRUGS: (Qty. in MTS at 90° C)			109.647

E Revenue Receipts (On Realisation Basis)

(₹ in crores)

Unit	Opium Factories	Alkaloid Works	Total
Ghazipur	43.27	48.75	92.02
Neemuch	120.49	86.06	206.55
Total	**163.76**	**134.81**	**298.57**

Similarly, the achievements during the period April to November of current year 2010-2011 are as follows: -

Achievement of CCF Organisation
Up to the Month of November 2010 with Comparative Data of Previous Year i.e. 2009 for the similar period

Sl. No.	Particulars	Unit	Actual Production Up to November		% age increase over previous year
			2009-10	2010-11	
(1)	(2)	(3)	(4)	(5)	(6)
A.	PRODUCTION				
1	Drying of opium for Export at 90 C	MT	168	360	114
2	Manufacture of Drugs :				
	a) Codeine Sulphate	KGS.	66	122	85
	b) Morphine salts	KGS.	41	----	-100
	c) Codeine phosphate	KGS.	5599	9127	63
	d) Dionine	KGS.	254	60	- 76
	e) Pure Thebaine	KGS.	322	294	- 9
	f) Noscapine BP	KGS	1313	2241	71
	g) Pholcodine	KGS	119	72	- 40
	h) Papavarine S.R.	KGS	931	902	- 3
	i) IMO Powder	KGS.	2285	5575	144
	j) IMO Cake	KGS.	990	1260	27
	Total Finished Drugs	**KGS**	**11920**	**19653**	
3.	i) Import for Domestic Market		2000	6000	200
	ii) Import for Vendor Specific				
	a)Codeine Phosphate U.S.P.	KGS.	10600	9530	- 10
	b) Theabine	KGS	0	0	
	Total (ii)		**10600**	**9530**	

B. Sales		2009-10		2010-11	
Sl. No.	Particulars	Qty. (Kgs.)	(Rs./ Crores)	Qty. (Kgs.)	(Rs./ Crores)
(1)	(2)	(3)	(4)	(5)	(6)
1	Export of opium on accrual basis	236087	95.13	247317	(*) 95.72
2	Domestic Sale of Drugs : (on actual basis)				
	a) Codeine Sulphate	131	0.61	113	0.52
	b) Morphine salts	153	0.77	105	0.53
	c) Codeine Phosphate (I.P. + import)	11980	39.53	16378	54.05
	d) Dionine	256	1.38	154	0.83
	e) Pure Thebaine	325	1.38	249	1.06
	f) Papavarine	1153	0.21	600	0.12
	g) Noscapine BP	1345	4.71	849	2.97
	h) Pholcodine	121	0.56	72	0.33
	i) IMO Powder	1902	0.83	5224	2.50
	j) IMO Cake	1567	0.61	1723	0.70
	Total	**18933**	**50.59**	**25467**	**63.61**
3	Import (Vendor Specific)				
	a) Codeine Phosphate U.S.P.	9400	22.43	9530	22.16
	b) Cod. Phos. Hemihydrate	0	0	0	0
	c) Thebaine	0	0	0	0
	Total	**9400**	**22.43**	**9530**	**22.16**
	Grand Total (1+2+3)	**264420**	**168.15**	**282314**	**181.49**
* *Provisional figures.*					

C. Comparative Country Wise Export Of Opium (upto November of each financial year)

(Qty. in MTS) at 90 C

Unit	USA	FRANCE	Hungary	JAPAN	IRAN	TOTAL
2009-10						
Ghazipur	0	0	0	61	0	61
Neemuch	175	0	0	0	0	175
Total	**175**	**0**	**0**	**61**	**0**	**236**
2010-11						
Ghazipur	0	0	0	74	0	74
Neemuch	173	0	0	0	0	173
Total	**173**	**0**	**0**	**74**	**0**	**247**

Comparative Revenue Receipts on Realisation Basis (upto November of e ach Financial Year)

(₹ in Crores)

Unit	Opium Factories	Alkaloid Works	Total
2009-10			
Ghazipur	28.38	13.93	42.31
Neemuch	86.20	37.03	123.23
Total	**114.58**	**50.96**	**165.54**
2010-11			
Ghazipur	22.63	23.79	46.42
Neemuch	23.87	48.98	72.85
Total	**46.50**	**72.77**	**119.27**

5.4. 1 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 uploaded 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.

5.4.2 Activities Undertaken for Disability Sector & SCs/STs & Other Weaker Sections of Society: The CCF organization is strictly adhering to the prescribed rules and regulations for the welfare and development of disabled, SCs, STs and other weaker sections. With an objective to initiate prompt action on grievances of such sections, a committee has been formed with members drawn from such sections. Roster registers for this purpose are also being maintained.

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 economic intelligence and enforcement activities under the Ministry of Finance.

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. Presently it is working with a reduced working strength of 78.

6.1.3 In terms of its existing charter, the CEIB functions as

a) The Secretariat for the Economic Intelligence Council (EIC)

b) Coordinator and repository of economic intelligence (ECOINT) and

c) Administers the COFEPOSA Act, 1974

6.1.4 As part of its mandate, the CEIB

i) Maintains databases on economic offenders and offences

ii) Act as a Think Tank and studies and analyses macro level economic activities

iii) Supervises and monitors the functioning of 22 Regional Economic Intelligence Committees (REICs) which is a coordinating body at the field level and comprise of representatives from various Central and State enforcement and investigative agencies dealing with economic offences.

iv) Organizes training programmes in premier training institutions for officers of the Department of Revenue/ Member agencies of REICs.

6.1.5 In addition, the Bureau monitors the implementation of the directions received from Economic Intelligence Council (EIC) headed by the Hon'ble Finance Minister and the Working Group on Intelligence Apparatus chaired by the Revenue Secretary. For coordinating Intelligence and Investigations, the Bureau works with the Heads of Agencies Committee and the Group on Economic Intelligence (GEI) set up in CEIB.

6.2 Major activities undertaken by the Bureau during the current financial year (March-December 2010) are as follows:

6.2.1 The working Group on Intelligence Apparatus pertaining to the EIC met under the Chairmanship of Revenue Secretary on 6.7.2010 and the meeting of EIC was held under the Chairmanship of Hon'ble Finance Minister on 20.10.2010, 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 conferences of the Conveners of REICs were held at Kolkata (Eastern Zone), and Kochi (Southern Zone).

6.2.3 Head of Agencies (HOA):- The Head of Agencies Committee comprises of Heads of Intelligence and

Investigative agencies under the Department of Revenue and discusses the trends of intelligence emerging in the economic field. It shares strategic intelligence in the areas of Customs, Central Excise and Service Tax, Income Tax, Hawala, Drugs and FICN, and identifies cases with inter agency ramifications, for joint and /or coordinated action. During the year 3 meetings of the HOA were held.

6.2.4 The Group on Economic Intelligence (GEI) provides a common platform for sharing of intelligence among the member agencies. Inputs shared through this platform help in pooling of resources for co-coordinated action for combating economic offences. The Bureau, on its own, also develops inputs in the field of economic offences and shares them with appropriate enforcement agencies for action.

During the current year 42 intelligence inputs were shared among the member agencies through the Bureau. The inputs covered the fields such as smuggling of FICN, Drugs, Red Sanders wood, woven fabrics and contraband, Hawala networks, receipt of foreign funds from suspect sources, violation of MTSS guidelines and duty evasion of customs, Central Excise, Service Tax and Income Tax.

6.2.5 Other issues discussed/ monitored under the GEI were

i) Information on significant offenders.
ii) Dossier Status
iii) Status of connectivity of the Secure Information Exchange Network (SIEN) Project and its use by Agencies.
iv) Identification of issues for examination by GEI/Core-Committees.
v) Report on destruction of illicit opium cultivation in areas identified by Satellite Imagery during the crop season 2010.

6.3 Study/ Reports of Inter-Ministerial Groups

Reports of Inter-ministerial groups constituted in the Bureau on issues relating to:

a) Dumping of Electronic Waste in India : A group consisting of representatives from Ministry of Environment & Forests, Dept. of Information Technology, CBEC (Anti Smuggling Unit) and DGFT was constituted in CEIB which examined the issue and recommended banning of imports of electronic waste. The EIC in its meeting held on 18.01.2010 accepted the recommendation. Thereafter, the DGFT issued amendment to the Foreign Trade Policy banning the import of Second hand computers including the peripherals like printers, monitors etc.
b) Multi Level Marketing Scheme- the report has been finalised and submitted to the Ministry of Finance.
c) A Study on the Feasibility of Accessing data from servers located abroad has been completed and the report submitted.
d) The report on the Collection of Data on Foreign Remittances was discussed in the EIC meeting on 20th October 2010, wherein the EIC gave suitable directions.
e) Studies on subjects like i) Rigging of Equity Capital ii) Cheque Discounting, iii) Smuggling of Cattle across Indo-Bangladesh Border iv) Money Transfer Service Scheme v) Smuggling of Memory Cards, are under examination / finalization.

6.4 Foreign Currency Declarations

The Bureau receives reports of currency declarations from Customs Airports, of international passengers arriving in India with more than USD 10,000/-. These are collated and analyzed in the Bureau and the results are shared regularly with concerned agencies.

6.5 CEIB's Database on Economic Offences and Offenders

CEIB is building up a database of economic offenders and offences. Inputs from Intelligence and Investigative Agencies of Central and State are received in pre defined formats and entered into the system. The Database is maintained in Oracle 10g on a Linux platform. At present it contains dossiers of about 1200 Economic Offenders and about 10000 cases of Economic Offences. The Bureau also has databases in MS Excel of economic offences relating to FICN, Drugs, evasion cases received from field formations of Customs, Central Excise, Service Tax and Income Tax.

6.6 Secure Information Exchange Network (SIEN)

As per the decision of the EIC in 2007, a secure network platform for online exchange of intelligence and information is being built by National Technical Research Organisation (NTRO). The Secure Information Exchange Network (SIEN) enables secure transmission of email, fax video and telephone The network when fully operational will facilitate secure exchange among eleven investigation and intelligence agencies such as CEIB, DRI, DGCEI, CBDT, NCB, FIU-IND, ED, CBI, BSF, IB, and Cab. Sectt. At present full connectivity has been set up between CEIB, DRI, FIU-IND and BSF. CEIB is using this platform to share information with FIU-IND.

6.7 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 2010 to 21st November, 2010, 55 Detention Orders were issued under the Act, and 35 persons were actually detained during this period, including those against whom Detention Orders were issued in previous years.

6.8 Training

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 2010-11, training programmes on the following subjects were organized:

a. Computer and Internet Crimes
b. Intelligence gathering & Intelligence Tradecraft
c. Investigating Economic Crimes in Financial Markets
d. Prevention of Insurance Frauds.

7. Directorate of Enforcement

7.1 Organisation and Functions:

7.1.1 The Directorate of Enforcement is headed by a Director. [Additional Secretary rank Officer]. The other officers of the Directorate are Special Directors (3), Additional Director (1), Deputy Directors (12), Assistant Directors (74), Additional Director Prosecution (1), Deputy Legal Advisers (2) and 10 Assistant Legal Advisers assisted by other officers. The Directorate mainly implements three different legislations, Foreign Exchange Management Act (FEMA), 1999, Conservation of Foreign Exchange & Prevention of Smuggling Act (COFEPOSA), 1974 and Prevention of Money Laundering Act (PMLA), 2002. Apart from the above, adjudication, prosecution and penalty recovery under repealed Foreign Exchange Regulation Act (FERA)) are also being dealt by the Directorate.

7.1.2 The Directorate has 10 Zonal and 11 sub Zonal Offices as under:-

Zones	Mumbai, Delhi, Chennai, Kolkata, Chandigarh, Lucknow, Cochin, Ahmedabad, Bangalore & Hyderabad
Sub Zones	Jaipur, Jalandhar, Srinagar, Varanasi, Guwahati, Calicut, Indore, Nagpur, Patna, Bhubaneshwar & Madurai.

7.1.3 The main functions of the Directorate of Enforcement under FEMA/PMLA/COFEPOSA/FERA are mentioned below :-

i) To collect, develop and disseminate intelligence relating to violations of FEMA, 1999. The intelligence inputs are received from various sources such as Central and State Intelligence agencies, complaints etc.
ii) To investigate suspected violations of the provisions of the FEMA, 1999 relating to activities such as "hawala" foreign exchange contraventions, non-realization of export proceeds, non-repatriation of foreign exchange and other forms of violations under FEMA, 1999.
iii) To adjudicate cases of violations of the erstwhile FERA, 1973 and FEMA, 1999.
iv) To realize penalties imposed on conclusion of adjudication proceedings under FEMA.
v) To handle adjudication, appeals and prosecution cases under the erstwhile FERA, 1973
vi) To process and recommend cases for preventive detention under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act (COFEPOSA)
vii) To undertake survey, search, seizure, arrest, prosecution action etc. against offender of PMLA offence.
viii) To provide and seek mutual legal assistance to/from contracting states in respect of attachment/confiscation of proceeds of crime as well as in respect of transfer of accused persons under PMLA.

7.2 Foreign Exchange Management Act, 1999 (FEMA)

7.2.1 With the object of facilitating external trade and payments and for promoting the orderly developments and maintenance of foreign exchange markets in India, the FEMA was introduced on 1.6.2000 by replacing the old legislation i.e. FERA.

7.2.2 The basic features of FEMA are: (1) it is a civil law – violation under FEMA is civil offence; (2) offences under FEMA are compoundable by the RBI; (3) Basic Travel Quota has been liberalized to great extent and all current account transaction are free except a few. However, in terms of Regulation 7 of Foreign Exchange Management (Foreign currency Accounts by a person Resident in India) Regulation, 2000, there is a general permission with regard to opening, holding and maintaining a foreign currency account outside India by the following persons/entities, subject however to certain conditions, as mentioned in the said Regulations:-

i) An authorized dealer in foreign exchange in India;
ii) A branch outside India of a bank incorporated or constituted in India;
iii) A shipping or airline company incorporated in India;
iv) LIC or GIC of India & their subsidiaries;
v) A firm or a company or a body corporate registered or incorporated in India, or its branch outside India or its representative posted outside India – by making remittances from India for the purpose of business operation of the office/branch or representative subject to certain guidelines;
vi) An exporter who has undertaken a construction contract or a turnkey project outside India or who is exporting services of engineering goods from India on deferred payments terms subject to certain guidelines;
vii) A person resident in India, who gone abroad for duties or on a visit – during the period of his stay outside India provided however that on his return to India, the balance in the account is repatriated to India;

viii) A person resident in India, who has gone abroad for participating in an exhibition/trade fair – for crediting the sale proceeds of goods on display in the exhibition/trade fair – provided that the balance in the account to be repatriated into India within a period of one month from the date of closure of exhibition/fair.

ix) Foreign Nationals resident in India, in employment of a foreign company or an Indian employed by a company outside India – for receiving salary [payable for the services rendered in India by such foreign company, provided that the amount to be credited in foreign account shall not exceeds 75% of the salary accrued to or paid in India in rupees, and also that Income Tax shall be paid on the entire salary as accrued in India.

7.3 Prevention of Money Laundering Act (PMLA), 2002

7.3.1 The Prevention of Money Laundering Act, 2002 (hereinafter referred to as PMLA) has come into force from 1.7.2005. This Act has conferred on the Directorate of Enforcement the powers to prevent the money-laundering (ML) offence connected with several criminal scheduled offences including terrorist acts and financing of terrorism [FT] in India. The PMLA was amended vide the Prevention of Money Laundering (Amendment) Act, 2009, which came into force with effect from 1st July, 2009. The Amendment Act further strengthened the anti-money laundering provisions. This Act has created four statutory bodies to fulfill the various legal obligations cast by the law such as (i) The Director of Enforcement - for investigation and prosecution under the said Act (ii) The Director- Financial Intelligence Unit, India (FIU-Ind), which has been created to ensure reporting of transactions from the banking companies, Financial Institutions and intermediaries in terms of Chapter-IV of PMLA. Till 30th October, 2010, the Enforcement Directorate had registered 1141 cases of offences of PMLA and have attached movable and immovable properties to the value of ₹ 44940.54(in lacs)

7.3.2 The Adjudicating Authority and the Appellate Tribunal under PMLA are also functional.

7.3.3 Combating of Financing of Terrorism Under PMLA

7.3.3.1 Money laundering associated with Terrorist Financing is an offence under PMLA, 2002.

i. Money laundering as an offence is criminalized under section 3 and punishable under section 4 of the Act.

ii. Section 3 in brief criminalizes the activity of dealing in proceeds of crime knowingly and projecting it as untainted property. [claiming to have been obtained from legitimate and licit sources and at the same time hiding and concealing the criminal source of funds]

iii. Proceeds of crime is defined under section 2(u) of PMLA, as proceeds relating to a criminal activity as mentioned in schedule to the act.

iv. There are three Schedules attached to the Act, namely part-A, part-B & part-C.

v. In part-A there is a paragraph 4 which covers the various sections of 'The Unlawful Activities (preventions) Act, 1967' (as amended) which tackles terrorist Act and terrorist financing (a) the money laundering connected with the offences are to be investigated under PMLA. Action can be initiated against following types of properties which fall under the category of property involved in the offence of money laundering and therefore liable for confiscation under the Act:

- ❖ Raising or collection of funds in India or abroad by any person for the intended purposes of financing a terrorist activity. The act of donations of funds is also an offence if these funds are donated for promoting/abeting intended terrorist activity [section 17]
- ❖ Holding of property [proceeds of crime] derived/ obtained from the commission of a terrorist act. [section 21]
- ❖ Property obtained directly or indirectly [proceeds of crime] by organizing the terrorist camps[section 18 A]
- ❖ Property obtained directly or indirectly [proceeds of crime] by recruiting persons for a terrorist camp[section 18B]
- ❖ Property [proceeds of crime] acquired for causing terrorist act[section 15 read with section 16]
- ❖ Property held as a member of a terrorist organization [section 38]

7.3.3.2 Registration of the case under Section 3, for the offence of Money Laundering and Terrorist Financing: Directorate has the sole responsibility to register the offence of money laundering under section 3, and for causing the financial investigation to identify suspected proceeds of crime.

7.3.3.3 Investigation of the case of Money Laundering: A case registered for the Offence of Money laundering is further investigated by using various tools like summoning the concern persons, conducting survey (section 16), conducting search of suspect (section 18) and collection of incriminating material, arrest of suspect (section 19)

The property suspected to be involved in money laundering is provisionally attached under section 5 of the Act so that same is available for final confiscation under the provisions of this Act.

7.4 Proceeding before the Adjudicating Authority [Section 8]

Complaint before the adjudicating authority is filed by the Directorate wherever required to present the evidence of involvement of property in the offence of money laundering and attached provisionally, for seeking order of confirmation in terms of section 8(3) of PMLA. Directorate is required to take possession of attached property in terms of section 8(4) of the Act, upon confirmation of the order by the authority. Directorate is also required wherever needed to file an Appeal before the Appellate Tribunal in terms of section 26 of PMLA [against the adverse orders of adjudicating authority].

7.5 Initiation of Prosecution:

- Proceeding before the Special Court [section 43 to 45]: Directorate is authorized to file a Complaint within the meaning of section 45, before the Special Court for taking cognizance of any offence punishable under section 4 punishment for the offence of money laundering] of PMLA. Directorate is required to have close coordination with the public prosecutor during the trial, so that interest of the Government is properly protected and guilty are punished as per the law of land.

7.6 Exchange of Information with FIU-IND:

Directorate processes the Suspicious Transaction Reports[STR] received from FIU and also originates certain Requests for the FIU to be taken up with the foreign FIU's.

7.7 International Co-operation [Mutaul Legal Assistance] Chapter – IX of the Act:

- Attachment, seizure and confiscation of proceed of crime derived or obtained, directly or indirectly by a person from the commission of an offence under section 3 but such proceeds of crime being available in a contracting state can be acted upon by way of Letter of Request [LR] to be sent through designated court under the MLAT [mutual legal assistance treaty] and similarly execution of such Requests in India in terms of section 60 of the Act.

7.8 E- Governance

(i) The Directorate of Enforcement has computerized its Head Quarter office as well as Zonal Offices. All the zonal offices are connected with HQ through NIC-net except Kolkata and Lucknow as there was some delay because of finalization of office premises.

(ii) One main server in Head Office has been installed for storage of information received from Zones/ sub-zones. The services of programmers have been obtained for preparation of software. E-mail addresses have also been allotted by NIC to the officers/officials of this Directorate. The use of internet in the development of information and intelligence and its sharing with sister organization has proved to be very handy.

(iii) The data entry work relating to software developed for cases handled in investigation/intelligence section and personal service data base as well as cases pending before Additional Chief Metropolitan Magistrate (ACMM)/High Courts/Supreme Court/ Appellate Tribunal for Foreign Exchange (ATFE) have already been taken up.

Website Development:

The Directorate of Enforcement has got Public Web site having address http://directorofenforcement.gov.in

7.9 Gender Budgeting / Empowerment of Women

A complaint Committee for prevention of sexual harassment of women at the workplace has been constituted in the Directorate of Enforcement, New Delhi but no case of gender discrimination or harassment of women at their work place has come to the notice of the Committee.

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 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 2010-2011 (up to November,2010) , the Competent Authorities have forfeited property worth of ₹ 24.04 lakhs in 12 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 2010-2011 (up to November, 2010) are given at Table 3.24.

8.4 During the period from 1st April, 2010 to 15th December, 2010, 18 Appeals and 49 Miscellaneous Petitions were filed in ATFP and 185 appeals and 75 Miscellaneous Petitions were disposed of under SAFEMA and NDPS Act during the same period.

9. State Taxes Section

9.1 State Taxes Section

State Taxes Section of the Department of Revenue handles legislative work relating to Central Acts having significant interface with the States like 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) in the form of assistance for computerization of State VAT system and coordinating the issues related to Goods and Services Tax (GST) are the other significant assignments of the State Taxes Section.

9.2 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. VAT has been introduced by all the States and UTs, except by the UTs of Andaman & Nicobar Islands and Lakshadweep. Sales Tax/VAT is a State subject and the Central Government has been playing the role of a facilitator for successful implementation of VAT by States and UTs. Some of the steps taken by the Central Government in this regard are listed below:

i. A package for payment of compensation to States for any revenue loss on account of introduction of VAT has been implemented. An amount of ₹ 17975.31 crore has already been released by Central Government to States till 25th November, 2010 on account of claims filed by the States for the years 2005-08.

ii. Technical and financial support on 100% basis has been provided for computerization of VAT administrations of North Eastern States. A project for computerization of VAT administration in Himachal Pradesh and Jammu & Kashmir with overall cost of ₹ 40.49 crore has been sanctioned. A Mission Mode project for computerization of

Table 3.24 : 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 (₹ in Lakh)	Number	Value (₹ in Lakh)	₹ 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	48	21	178.5	20	2153.20	NIL
2010-11						
(upto November, 2010)	25	12	255.32	12	24.04	714.38

commercial tax administrations of State and UTs has been sanctioned.

iii. 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.

iv. 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 financial assistance of ₹ 23.63 crores out of the total project cost of ₹ 33.13 crore.

The experience with implementation of VAT has been very encouraging. The new system has been received well by all the stake-holders and the States revenues have grown on rapidly since the introduction of VAT.

9.3 Central Sales Tax (CST)

9.3.1 Entry 92A of List-I (Union List) empowers the Central Government to impose tax on inter-State sale of goods. Further, Article 269 (3) of the Constitution 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.

9.3.2 The Central Sales Tax Act, 1956 imposes the tax on inter-State sale of goods and formulates the principles for determining inter-state sale, export and import and imposes restrictions on power of States to levy VAT/ Sales tax on declared goods. The Government of India has 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.

9.3.3 The CST, being an origin-based non-rebatable tax, is inconsistent with the destination based taxation concept of VAT or GST. CST rate has been reduced from 4% to 3% w.e.f. 1st April, 2007. The CST rate has further been reduced from 3% to 2% w.e.f. 1st June, 2008.

9.3.4 A package of compensation to the States and UTs for revenue loss on account of phasing out of the CST has been agreed to. 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-D has been withdrawn w.e.f. 01.04.2007. Also, enabling provisions have been made for States to levy VAT on Tobacco and Tobacco Products without losing any part of the devolution of Central taxes to the States. For the residual losses thereafter, the Central Government has further released ₹20397.60 crore to States till 25th November, 2010 as compensation for the loss due to reduction of rate of CST for the claim years 2007-10.

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:-

i. 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).

ii. 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 Schedule VII of the Constitution;

iii. Provisions other than those relating to rates of Stamp 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 even when levied by the Central Government are collected and appropriated by the States. The rates of stamp duty in respect of Debenture and Promissory Notes have been rationalized by the Central Government in September, 2008. A comprehensive Review of Indian Stamp Act, 1899 has been undertaken in consultation with various State Governments.

9.6 E-Governance Activities

9.6.1 Under the National e-Governance Plan (NeGP), the Department of Revenue has launched a Mission Mode Project (MMP-CT) for Commercial Tax administration of States and UTs. The Cabinet in February, 2010 has approved this Project. This project, with an overall cost of ₹1133 crore, is targeted to help States develop and upgrade the IT systems in their commercial taxes administrations. The focus of the project, on the one hand, is to provide improved set of services to the dealers and on the other, to improve the efficiency of the Commercial Taxes administrations of the States and UTs.

9.6.2 A Project Empowered Committee (PEC) under chairmanship of Revenue Secretary has been constituted for sanctioning of States' proposal of computerization of

Commercial Taxes Departments. The project proposals of 30 States / UTs, having overall cost of Rs 936.35 Crores have been approved. An amount of Rs 247.63 Crore has already been released to these States and UTs as Central Share till October, 2010.

9.6.3 In order to facilitate tracking of inter-State transactions a Tax Information Exchange System (TINXSYS) has been put in place so that States can access information relating to issuance of Form-C and other inter-State sale related information. Central Government is funding 50% cost related to the project activities while States collectively share the rest.

10. Financial Intelligence Unit – India (FIU – IND)

10.1 Background and function of FIU-IND:

Financial Intelligence Unit-India (FIU-IND) was set up by the Government of India vide Ministry of Finance, Department of Revenue Office Memorandum dated 18th November 2004 as a central national agency responsible for receiving, processing, analyzing and disseminating information related to suspicious 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/ law 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.

10.2 Prevention of Money Laundering Act, 2002

10.2.1 The Prevention of Money Laundering Act, 2002 (PMLA) is India's legislation for combating money laundering. PMLA 2002 and Rules there under came into force with effect from 1st July 2005. The objective of this act is to prevent money laundering and to provide for confiscation of property derived from or involved in money laundering. Section 3 of PMLA criminalizes the activity of money laundering as follows: "Whoever, directly or indirectly, attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering." "Proceeds of crime" is the property derived directly or indirectly as a result of criminal activity relating to an offence included in the Schedule to PMLA.

10.2.2 PMLA was amended vide the Prevention of Money Laundering (Amendment) Act, 2009, and brought into force with effect from 1st June 2009. By these amendments, the list of predicate offences has been significantly expanded. A new category of offences having cross border implications has been included as predicate offences without any monetary threshold. These amendments have also brought Authorized Persons (dealers in foreign exchange), Payment System Operators and persons carrying on Designated Business or Profession (casinos) within the purview of PMLA as reporting entities.

10.3 Information to be furnished to FIU-IND

10.3.1 Sections 12 of PMLA requires every banking company, financial institution and intermediary (referred to as reporting entities) to verify the identity of all its clients in the manner prescribed, maintain records of transactions and identity of clients and furnish following information of prescribed transactions to the Director, Financial Intelligence Unit – India

i) All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs 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 rupees ten lakhs or its equivalent in foreign currency;
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.

10.3.2 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 acting in good faith –

a) gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence 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 rational or bona fide purpose; or
d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism."

[Explanation: Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism]

10.4 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:-

Suspicious Transaction Reports (STRs)

Category	2009-10	Total (Upto October 2010)
Banks	7,394	17,961
Financial Institutions	1,655	6,080
Intermediaries	1,018	2,975
Total	**10,067**	**27,016**

Cash Transaction Reports (CTRs)

Category	2009-10	Total (Upto Oct.2010)
Public Sector Banks	44,13,849	135,07,434
Indian Private Banks	17,84,665	79,32,163
Private Foreign Banks	84,428	3,67,743
Others	4,11,462	12,96,872
Total	**66,94,404**	**231,04,212**

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	2009-10	Total (Upto October 2010)
Law Enforcement Agencies	6,537	13621
Intelligence Agencies	362	2973
Regulators & others	128	306
Total	**7,027**	**16,900**

(iii) The feedback received from intelligence/law enforcement agencies on the inputs provided by this office is quite 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. During the year 2009-10, FIU-IND initiated the practice of entering into Memorandum of Understanding (MoUs) with partner agencies in order to provide a structural framework for enhanced co-operation and understanding. FIU-IND has entered into MoUs with ED, CBI and CBDT.

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:-

	2009-10	Cumulative (upto October 2010)
Number of Seminars and Training Workshops	76	358
Number of participants in Seminars/ Workshops	3145	16166
Number of review meetings with POs	35	92
Number of participants in review meetings	668	2002
Number of trainings with LEAs	10	36
Number of participants in trainings with LEAs	495	1430

vi) FIU-IND adheres to the Egmont principles of free exchange of information. FIU-IND does not require an MoU with foreign FIUs for exchange of information and can do so on the basis of reciprocity. However, in order to enhance the level of co-operation and to provide a structural framework for better understanding, FIU-IND has entered into MoUs with 13 foreign FIUs till October, 2010. MoUs with more than 30 countries are under various stages of negotiations.

vii) Project FINnet

FIU-IND signed the contract for implementation of project FINnet (Financial Intelligence Network) with M/s Wipro Ltd. on 25th Feb. 2010. The objective of Project FINnet is 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.

Project FINnet is progressing as per schedule. It is likely to become operational in a phased manner over a period of two years from the date of signing of agreement beyond which technical support would be provided by the system integrator M/s Wipro Ltd. for a further period of three years.

10.5 FATF Membership

10.5.1 The Financial Action Task Force (FATF) is an intergovernmental body that works for the development of standards for combating money laundering and terrorist financing. It also ensures adherence to its standards by making sure that countries across the world bring about legislative and regulatory reforms in these areas. It further monitors the progress of the anti-money laundering efforts of its members. Forty +nine recommendations of FATF are considered as global standards of Anti-money laundering and combating of financing of terrorism. The initial Task Force set up in 1989 included representatives from the G-7 member States, the European Commission and eight other countries. As on 31st March, 2010, FATF had 33 jurisdictions and 2 regional organizations (European Commission and Gulf Co-operation Council) as its members. It also had 8 FSRBs (FATF Style Regional Bodies) as its associate members, and 21 international bodies as observer members.

10.5.2 The FATF evaluation of India took place during the months of November and December 2009. FIU-IND was actively involved in the preparation of the Indian response to the Mutual Evaluation Questionnaire (MEQ) as well as in various onsite meetings organized for interaction of FATF/ APG Evaluation Team with different Indian agencies. The FATF/ APG Mutual Evaluation Team, that made onsite visit to India, also visited FIU-IND on 1st December 2009. The FATF plenary meeting was held at Amsterdam from 21st to 25th June, 2010 where the India's mutual evaluation report was discussed. The FATF plenary expressed satisfaction with the progress made by India and its future commitment in setting up an effective AML/CFT regime. In the end, the plenary welcomed India as full member of the FATF.

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), Department of Revenue/Excise & Customs and Director (Finance), Direct Taxes/Expenditure assist the JS&FA (Finance).

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 by IFU

(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 formations including Customs and Central Excise formations and Income Tax field formations.

(f) Computerization of States tax administration and compensation to States for loss of revenue due to introduction of VAT.

(g) Compensation to States for loss of revenue due to reduction in rate of Central Service Tax (CST).

(h) Proposals from Committee of Management (COM), Department of 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, Mission Mode Project for computerization of Commercial Tax administration of States and UTs (MMP-CT)

(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) Schemes proposed by CBDT/CBEC for utilizing the budget provision under 1% Incremental Revenue Incentive Scheme for obtaining approvals of Department of Expenditure/FM.

(m) 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 2010-11/RE 2010-11 and BE 2011-12 was prepared, discussed with Secretary (Expenditure) and finalized as at Table 3.25.

11.2.2 Integrated Finance Division has taken the following steps/initiatives in 2010-11

(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 DO letters.

(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 like 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.

11.2.3 In addition, the allocation and monitoring of the budget relating to advances, viz. House Building Advance, Vehicle Advance, Computer Advance etc. was also done.

11.2.4 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.

12. Implementation of Official Language Policy

12.1 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 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

Table 3.25

(₹in crore)

Grant	Gr. No.	2010-11		2011-12
		BE	RE	BE
D/o Revenue	41	11122.89	15509.81	13356.90
Direct Taxes	42	4524.00	4345.31	3881.55
Indirect Taxes	43	3007.50	3116.66	3378.89

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. 6 sections have been specified for doing entire 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 Joint Hindi Advisory Committee has been reconstituted and Resolutions to this effect have been issued on 28 June, 2010 and 03 September, 2010. Thereafter, the members of the newly constituted Committee have been asked to forward suggestions/ issues pertaining to progressive use of Hindi in the Department. A meeting of the Committee is likely to be held shortly after obtaining comments of the concerned departments on these suggestions/issues.

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 Third Sub-Committee of the Committee of Parliament on Official Language inspected the office of the Department of Revenue on 20th September, 2010 to assess the position regarding use of Hindi in the Department. Action has been initiated on the suggestions given by the Committee during the inspection meeting for increasing the use of Hindi in the Department. In this regard, an appreciation letter was received from the Deputy Chairman, Committee of Parliament on Official Language. Also, 11 offices of Central Excise/Income Tax under the administrative control of this Department were inspected by the third Sub-Committee of the Committee of Parliament on Official Language during the year and action to implement the suggestions given by the Committee for the use of Official Language Hindi in the day-to-day work were taken by the respective office.

12.4.2 The officers of the Hindi Division of the Department also carried out inspections of 11 sections/offices under the control of the Department during the year under report with a 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.

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 14th September, 2010 to 28th September, 2010. Various competitions like Hindi noting & drafting, Essay writing, Extempore Hindi Poetry competition, Extempore Speech competition, Quiz competition, Hindi debate, Hindi typing competition were organized during the Hindi Pakhwara. There was also an award scheme for doing maximum work in Hindi during the Hindi fortnight. Those who secured first, second and third positions in these competitions will be given cash prizes of ₹ 5000/-(First prize), ₹ 3000/- (Second prize) and ₹ 2000/- (Third prize) and 3 consolation prizes of ₹ 1000/- each.

12.6 Incentive Schemes:

12.6.1 Under the incentive scheme of the Department of Official Language, cash awards of ₹ 1000/-, ₹ 600/- and ₹ 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 are run by the Department for reviewing and writing original books in Hindi on subjects of Income Tax, Central Excise, Customs, Narcotics and Service tax. 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 are published in the newspapers and the particulars are also posted on the Department's website to give it a wide publicity. An award of ₹ 25,000/- for original book writing in Hindi for the year 2006-08 was given to Shri Shailender Kumar Awasthi for the book 'Commentaries on Narcotics Drugs & Psychotropic Substances Act, 1985'. Apart from this,

Status of Action Taken Notes of the Audit Paras concerning Department of Revenue

S.No.	Year	No. of paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	Details of the Paras/PA reports on which ATNs are pending		
			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	2	-	1	-
3	2007	1	-	5	-
4	2008	2	1	8	-
	Total	**5**	**1**	**16**	**-**

two books have been received under the schemes for the year 2008-10 which have been sent to specialists in the concerned subjects for evaluation and their expert comments.

12.7 Training

During the year 2010-11, 10 LDCs/UDCs/Assistants and 6 Stenographers were nominated for training in Hindi typing and Hindi stenography, respectively.

13. National Committee for Promotion of Social and Economic Welfare

13.1 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 Government for Notification under Section 35 AC of Income Tax Act, 1961. The funding of the approved project is through donations on which the donors are entitled to 100% tax exemption under the Income Tax Law.

13.1.1 The National Committee is constituted for a term of (03) three years and consists of 14 Members including its Chairman who is a former Chief Justice of India and other 13 are members of public eminence hailing from various walks of life. The Secretariat of the National Committee comprises of:-

(i) Secretary;
(ii) Deputy Secretary/Director &
(iii) Section Officer

13.1.2 The present Committee was formed on 1st February, 2008. The names of the Committee members are at Table 3.26.

13.1.3 The functions and procedures of the National Committee are governed by Rules 11-F to 11-O of the

Table 3.26

1.	Mr. Justice S.P. Bharucha	Chairman	Mumbai
2.	Prof (Ms.) Sabra Habib	Member	Lucknow
3.	Prof. Margaret Ch. Zama	Member	Mizoram
4.	Ms. Atiya Habib Kidwai	Member	New Delhi
5.	Dr. Jagdish Krishnaswamy	Member	Bangalore
6.	Mrs. Veena Singh	Member	New Delhi
7.	Shri L.D. Sharma	Member	Rajasthan
8.	Dr. Kaanchana Kamalanathan	Member	Tamil Nadu
9.	Dr. A.M. Arun Murugaiah	Member	Tiruchirapalli
10.	Dr. J. Prabhakar Reddy	Member	Hyderabad
11.	Shri Ajit Pal Singh	Member	New Delhi
12.	Dr. Bhagirath Prasad	Member	Indore
13.	Dr. Md. Abbas Ali	Member	Hyderabad
14.	Shri Morris Sabastian	Member	Ahmedabad

Income Tax Rules, 1962. The procedure of filing the application and the manner in which the applications are to be considered and decided by the National Committee are enumerated in Rules 11-L and 11-M of the Income Tax Rules, 1962. Upon receipt of the application, the Secretariat of the National Committee processes and scrutinizes it to verify that they are complete in all respect and all documents/information as required under the Rules are enclosed.

13.1.4 Thereafter, an appraisal report containing the salient points of the applicant is prepared and put up for consideration of the Committee. The National Committee either grants or rejects approval of an association or institution. The Committee records only summary findings for the decisions taken by it. If approved it recommends the project or scheme to the Central Government for being notified as eligible project or scheme. The Committee's decisions to approve a project or scheme are of recommendatory value and are subject to acceptance by the Central Government. In cases, where the project/scheme of the institution/ association is recommended by the Committee and accepted by the Central Government, the same are notified in the Official Gazette. In cases where the Committee does not find them fit for approval, the decision of the Committee is communicated to the applicants by the Secretariat of the National Committee.

13.1.5 In the financial year 2010-11, a total number of (05) five Business Meetings were held in which 600 applications/projects were considered and 145 cases were approved.

14. Appellate Tribunal for Forfeited Property

14.1 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 doorsteps 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 April, 2010 to 15th December, 2010, a total number of 18 Appeals and 49 Miscellaneous Petitions were filed and 185 Appeals and 75 Miscellaneous Petitions were disposed of under SAFEMA and NDPS Act.

15. Customs, Excise & Service Tax Appellate Tribunal

15.1.1 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 ₹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.

15.1.2 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.

15.1.3 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).

15.1.4 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	Institutions of Appeals	Disposal of Appeals
From April 2010 to Nov. 2010.	14,152	6,128

15.2 E-Governance activities:

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. Efforts are being made to streamline all the benches. CESTAT Chennai, Bangalore, Kolkata and Ahmedabad are in active consideration. As for developments which have taken place in the current financial year are like timely updation of judgments and cause list and other information in day to day basis. To put more information in the website, this Tribunal has undertaken the task in close coordination with NIC. Some of the areas which are left for computerization in respect of this Tribunal will be sorted out in near future.

16. Income Tax Settlement Commission

16.1 The Income Tax Settlement Commission (ITSC) was set up in pursuance of the recommendations of the Wanchoo Committee (1971) w.e.f. 01.04.1976. It is an Alternate Disputes Resolution (ADR) body within the realm of Direct Taxes for settlement of Income Tax and Wealth Tax cases. The main objective for setting up of this Commission was to give a statutory basis for settlement of cases in the interest of revenue. The Settlement Commission was established as a forum of mediation in place of litigation. The aim was to move the conflicting parties to a consensus than subjecting them to adversial procedure inherent in regular administration of justice. This was envisaged as an institution for statutory arbitration.

16.2 The objective behind this institution is aptly summarized in the off-quoted passage from the report of the Wanchoo Committee as under:

"This, however, does not mean that the door for compromise with an errant tax payer should forever remain closed. In the administration of fiscal laws, whose primary objective is to raise revenue, there has to be room for compromise and settlement. A rigid attitude would not only inhibit a one-time tax evader or an un-intending defaulter from making a clean breast of his affairs, but also unnecessarily strain the investigational resources of the Department in cases of doubtful benefit to revenue, while needlessly proliferating litigation and holding up collections".

16.3 The Settlement Commission has four benches as under:-

(i) Principal Bench at New Delhi.
(ii) Additional Bench at Mumbai.
(iii) Additional Bench at Kolkata.
(iv) Additional Bench at Chennai.

16.4 Each bench has three Members.The Principal Bench is presided over by the Chairman and each Additional Bench is presided over by Vice Chairman. The Chairman is of the rank of a Secretary to Government of India. The Vice-Chairman and the Members are of the rank of an Additional Secretary to the Government of India.

16.5 An assessee is required to make an application to the Settlement Commission in the prescribed form to get his case settled. He has to disclose an Additional Income not disclosed before the Assessing Officer and the additional tax payable on the additional income should be more than ₹ 50 Lakhs in search cases and ₹10 Lakh in other cases. The applicants are required to pay the additional tax together with the interest before filing the application in the Settlement Commission. The Application shall be disposed off by the Settlement Commission within 18 months from the date of filing of the application.

16.6 A statement showing the number of Applications filed and disposal thereof from the year 2001-02 till 2010-11 (Upto Nov, 2010) is given as under:-

Statement Regarding Additional Taxes in Applications Received From 1.4.2010 to 22.2.2010

Sl. No.	Bench	No. of applications received	No. of applications admitted	Amount of Additional Taxes (In lacs)
1.	Delhi	19	12	3369.82
2.	Mumbai	11	7	822.00
3.	Kolkata	29	26	4999.36
4.	Chennai	7	4	10950.00
	TOTAL	66	49	20141.18

Statement of Consolidated Receipt and Disposal of Applications by The Settlement Commission (IT & WT)

Financial Year	Total No. of cases pending at the beginning of the year i.e. 1St April	No. of Applications Received during the year	Addition due to High Court Order	Total for Disposal	Total Disposal during the year u/s 245D(4) including rejection	Total Pendency for Disposal
1	2	3	4	5	6	7
2001-02	1974	671	-	2645	340	2305
2002-03	2305	560	-	2865	273	2592
2003-04	2592	491	-	3083	188	2895
2004-05	2895	434	-	3329	373	2956
2005-06	2956	479	-	3435	301	3134
2006-07	3134	602	-	3736	350	3386
2007-08	3386	668	-	4054	1845	2085
2008-09	2100	39	-	2139	799	1340
2009-10	1340	48	53	1388	203	1238
2010-2011 Upto Nov.10	1365	62	-	1427	99	1314

17. Customs & Central Excise Settlement Commission

17.1 Function & Working of the Organization

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 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 in the Department of Revenue as an Attached Office of the Ministry of Finance.

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.”

17.1.3 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, 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 the Central Excise Act, 1944 and the Customs Act 1962 and immunity from prosecution under the provisions of above Acts.

17.1.4 By the Finance Act, 2007, drastic amendments were made in the provisions relating to settlement under the Central Excise Act, 1944 and the Customs Act, 1962. This has considerably reduced the scope of the cases in which the assessee, importers and exporters can seek the settlement of the disputes. However, these amendments were reversed in the Budget, 2010, whereby the Settlement Commission was once again allowed to settle cases involving clandestine removal in Central Excise and in respect of those cases of Customs where goods had not been mentioned in bill of entry. This has resulted in increase in number of applications being filed in this Commission seeking settlement.

17.2 Highlights of the Performance and achievements of the Commission during the Year is given below:

No. of applications received during 2010-11 (upto October, 2010)	No. of applications disposed during 2010-11 (upto October, 2010)	Duty Settled (₹ in crores) during 2010-11 (upto October, 2010)
200	483	47.16

17.3 Year-wise Performance/achievements of the Settlement Commission:-

Chart Showing Receipt & Disposal of Cases/Applications Upto 2010-11

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 (₹ in Crores)
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	59	124	162	569	125.43
2009-10	198	723	27	68	163	599	67.36
2010-11 (Upto 11/2010)	200	488	15	40	121	443	47.16
Total	**4301**	**10782**	**775**	**1621**	**3364**	**8764**	**1646.7**

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. 01.06.1993. The Authority gives 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.

18.1.2 It is significant that some of the rulings on critical issues relating to non-residents have been subsequently referred to favourably by the Hon'ble Apex Court and have, thus, played a key role in shaping the law of the land pertaining to non-residents. Reputed Taxation Bodies abroad have also appreciated the stand taken by the AAR in clarifying several issues of international taxation, resulting in a more predictable and stable International tax regime in India. The clear findings on tax matters have been one of the factors in attracting foreign investors to India.

18.1.3 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.

18.2 Organizational set-up

The Authority is headed by a retired judge of the Supreme Court of India and has two members of the rank of Additional Secretary to the Govt. of India- one each from Indian Revenue Service and Indian Legal Service. It is a quasi-judicial body and has the 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 transactions 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. 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 issue referred to, is pronounced by the Authority in writing. Section 245T of the IT Act 1961 provides certain circumstances under which an advance ruling pronounced by the AAR becomes void. This happens when the Authority finds, on a representation made to it by the Commissioner of Income-tax or otherwise, that an advance ruling pronounced by it has been obtained by the applicant by fraud or misrepresentation of facts. Further, the ruling is binding on the applicant who has sought it. However, the applicant can invoke, in appropriate cases, the writ jurisdiction of the High Courts in terms of Articles 226 and 227 of the Constitution. Similarly, extraordinary jurisdiction as conferred upon the Supreme Court of India can also be invoked in appropriate cases.

18.3.2 As Central Sales Tax Appellate Authority

The Authority for Advance Rulings has also being notified vide notification dated 17.03.2005 (as amended by notification dated 07.06.2005) as Central Sales Tax Appellate Authority to settle inter-state disputes falling u/s 6A read with section 9 of the Central Sales Tax Act, 1966. It started functioning as CSTAA w.e.f. 01.03.2006 vide notification dated 03.02.2006. 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 w.e.f. 01st March, 2006.

18.4 Performance

18.4.1 The Authority has so far pronounced rulings/ passed orders in more that 650 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 in 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 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. The official website of the AAR (www.aar.gov.in) has been updated from time to time.

18.4.3 The recently published Edition of Handbook on Advance Ruling clarifying the role of AAR has been circulated widely and has been received well.

18.4.4 Statistical information about the performance of the Authority since inception upto 30.11.2010 is given in Tables 3.27 & 3.28

Figures pertaining to Income-tax

Table 3.27

Financial Year	Opening Balance	Applications received	Total	Decisions	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
2005-2006	20	67	87	26	61
2006-2007	61	22	83	66	17
2007-2008	17	26	43	15	28
2008-2009	28	34	62	37	25
2009-2010	25	75	100	56	44
2010-11 Upto 30.11.2010)	44	131	175	07	168

Figures pertaining to Central Sales Tax

Table 3.28					
Financial Year	Opening Balance	Applications received	Total	Disposal	C/f.
2006-2007	05	18	23	03	20
2007-2008	20	08	28	08	20
2008-2009	20	14	34	14	20
2009-2010	20	12	32	26	06
2010-11 (upto 30.11.2010)	06	06	12	01	11

19. Authority for Advance Rulings (Central Excise, Customs & Service Tax)

19.1 Functions and working of the Organisation

19.1.1 A scheme of Advance Rulings (Central Excise, Customs & Service Tax) was incorporated in the Customs Act, 1962, the Central Excise Act, 1944 and in the Finance Act, 1994 by the Finance Acts of 1999 and 2003 to provide for issue of binding Rulings, in advance, on Customs, Central Excise and Service Tax matters. The scheme is intended to provide certainty to intending investors. Statutory changes have brought about to expand the ambit of the Authority over a period of time.

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.

19.1.3 Under the scheme of Advance Rulings the following categories of investors are eligible to apply for a 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;
d. a joint venture in India, that is to say 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 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:-
   (i) Any Public Sector Company;
   (ii) Residents proposing to import goods under the project import facility (heading 9801 of the Customs Tariff) for seeking rulings under the Customs Act,1962;
   (iii) 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.

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, and Central Excise Tariff Act, 1985 and taxable services under Chapter V of the Finance Act, 1994;
ii. Principles of valuation under the Customs Act, 1962, and the Central Excise Act, 1944;
iii. Valuation of taxable services for charging service tax under the Finance Act, 1994;
iv. 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 notifications issued under Chapter V of the Finance Act, 1994;
v. Admissibility of input-tax credit under Central Excise Law;
vi. Admissibility of credit of Service Tax ;
vii. Determination of origin of goods in terms of the rules notified under the Customs Tariff Act, 1975 and matters related thereto;
viii. Determination of liability to pay duties of excise on any goods under Central Excise Act, 1944;
ix. Determination of the liability to pay service tax on a taxable service under the provisions of Chapter V of the Finance Act, 1994.

19.1.5 The process of obtaining an advance ruling is simple, inexpensive and transparent. A fee of Rs.2500/- has 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 and Service tax laws. An Advance Ruling remains valid unless there is a change in law or the facts on the 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 by an applicant. (Service Tax is administered by Central Excise officers).

19.2 Performance/achievements

19.2.1 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 Notification 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 Notification No. 17/2003-S.Tax (N.T.) dated 23.07.2003. The procedure to regulate the functioning of the Authority was laid down vide Authority for Advance Rulings (Procedural) Rules, 2003 issued vide Notification No. 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 Authority for Advance Rulings (Central Excise, Customs and Service Tax) Procedure Regulations, 2005 issued vide Notification No. 1/2005-AAR dated 07.01.2005.

19.2.2 The first application for seeking an advance ruling was received on 20.11.2002. During the period 20.11.2002 to 30.11 2010, 144 applications were received, out of which rulings were pronounced in 84 cases (67 relating to Customs, 10 relating to Central Excise and 7 relating to Service Tax). During this period, orders were also issued in 48 cases (16 relating to Customs issued under section 28I (2) of the Customs Act, 1962, 8 relating to Central Excise issued under section 23 D(2) of the Central Excise Act, 1944 and 24 relating to Service Tax issued under section 96 D(2) of the Finance Act, 1994). Two 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.

19.2.3 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 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.

19.3 Highlights of the performance and achievements during the year

19.3.1 For the period from 01.04.10 to 30.11.2010, nine applications seeking advance ruling were received. During the period, the total number of applications for pronouncement of advance rulings with the Authority were thirteen including four of the previous year. Out of thirteen, three applications have already been disposed off.

20. Adjudicating Authority under Prevention of Money Laundering Act, 2002

20.1 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.

20.1.1 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.

20.1.2 The Adjudicating Authority consists of a Chairman and two Members. During 2010 the Adjudicating Authority has received 108 Enforcement Case Information Report (ECIR), 33 Provisional Attachments and 32 Original Complaints (OCs). Final orders have already been passed in 19 OCs and thirteen are in the process of hearing.

21. Appellate Tribunal under Prevention of Money Laundering Act

21.1 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 of 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 for at least three years.

21.3 The Appellate Tribunal under PMLA is a 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 only at New Delhi.

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 1.4.2010 to 15.12.2010, 87 appeals and 55 miscellaneous petitions were filed and 07 appeals and 05 miscellaneous petitions were disposed.

22. National Institute of Public Finance Policy

22.1 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 Excise & Customs

The Directorate of Publications is the nodal agency for monitoring, consolidating & uploading the quarterly reports, under the RTI Act in respect of CBEC, & its field formations. Suitable public notices have been issued by CPIOs in terms of sub- sections IX, X, XI and XV of Section 4 of the RTI Act,

As per CBEC's revised instructions, CPIOs and Appellate Authorities for various subordinate offices and field formations have been re-designated and the required information uploaded on quarterly basis. The provisions of RTI Act, 2005 have been given wide publicity through various forums like Information Facilitation Counters/ Help Centres, Public Notices and Trade Meetings etc. and the officers in field formations have been made well aware of their responsibilities under the RTI Act, 2005. As required under Section 25 of the RTI Act, 2005, the prescribed quarterly/annual reports received from CBEC and field formations have been displayed on the website of CBEC and Central Information Commission for monitoring of the implementation of the RTI Act.

23.3 Central Economic Intelligence Bureau

During the period 2010-2011 (till 16.12.2010), the Bureau received 13 applications 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 Officers 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: Chief Controller of Factories: 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 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 at the earliest. Upto 20.11.2010, 25 applications seeking information under RTI Act, 2005 were received in the

State Taxes Section and all these applications have been disposed off.

23.6 Directorate of Enforcement

During the year 2009-10 and from 1.04.2010, 78 and 64 RTI applications, respectively were received which were promptly processed and disposed of within the stipulated period.

23.7Authority 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 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 designated and details posted on the website as well as on the Notice Boards of the Authority.

23.8 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 with the provisions of the Right to Information Act, 2005, in sharing the information.

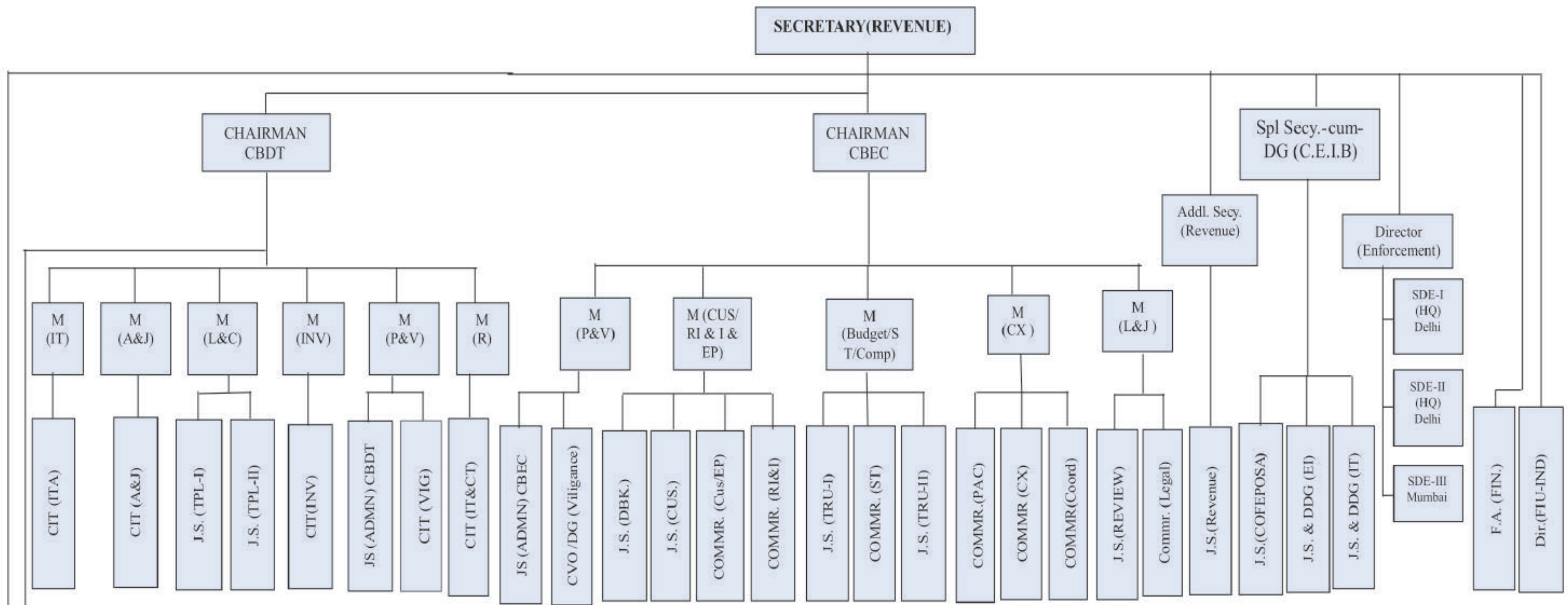
23.9 National Committee for Promotion of Social and Economic Welfare

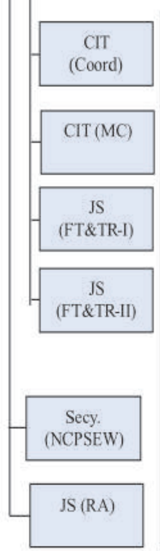
During the financial year 2010-11, a total number of (12) twelve RTI application were received in the Secretariat of National Committee and all the applications were dealt in a proper and time bound manner.

23.10 Income Tax Settlement Commission

The Right to Information Act, 2005 is being implemented in Income Tax Settlement Commission. CPIOs have been appointed in all the four benches. The Appellate Authority has also been designated. An informative website with required details is being developed and will be launched shortly.

ORGANISATION CHART OF DEPARMENT 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 (COF EPOSA): 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 Publ ic Finance & Policy (NIPFP)

Department of Disinvestment

Department of Disinvestment

1. Functions of the Department

1.1 The Department of Disinvestment was set up as a separate Department on 10 December 1999 and was later renamed as Ministry of Disinvestment from 6 September 2001. From 27 May 2004, the Department of Disinvestment is one of the Departments under the Ministry of Finance.

1.2 As per the present Allocation of Business rules, the mandate of the Department is as follows:

i a. All matters relating to disinvestment of Central Government equity from Central Public Sector Enterprises (CPSEs).

b. All matters relating to sale of Central Government equity through offer for sale or private placement in the erstwhile CPSEs

(inserted through amendment Notification dated 28 June 2007).

Note: 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 CPSEs, shall continue to be handled by the administrative Ministry or Department concerned, where necessary, in consultation with the Department of Disinvestment.

ii. Decisions on the recommendations of the Disinvestment Commission on the modalities of Disinvestment, including restructuring.
iii. Implementation of disinvestment decisions, including appointment of advisers, pricing of shares, and other terms and conditions of disinvestment.
iv. Disinvestment Commission.
v. CPSEs for purposes of disinvestment of Government equity only.
v. Financial Policy in regard to the utilization of the proceeds of disinvestment channelized into the National Investment Fund (inserted through amendment dated 12 January 2006 to the Allocation of Business rules)

Consequent upon change in the policy of Government the Disinvestment Commission was wound up with effect from 31st October, 2004.

2 Vision

The objective of Disinvestment policy is to promote people's ownership of Central Public Sector Enterprises through increased participation of retail investors.

3 Mission

a. List all profitable Central Public Sector Enterprises on stock exchanges.
b. Listing to result in:
   (a) Improvement in corporate governance:
   (b) Higher disclosure levels which will result in greater transparency and accountability in the functioning of the Central Public Sector Enterprises:
   (c) Addition of market discipline to the functioning of Central Public Sector Enterprises.
   (d) Unlocking the true value of the Central Public Sector Enterprises. This will result in higher market capitalization of CPSEs and benefit Investors, Employees, Company and the Government.

4. Organisational Structure

4.1 Shri Sumit Bose assumed the charge of Secretary, Department of Disinvestment in the forenoon of 1st February, 2010. The Secretary (Disinvestment) is assisted by one Additional Secretary and two 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.

4.2 The Organisational Structure of the Department is placed at Appendix –I

5. Policy on Disinvestment

5.1 The present disinvestment policy was articulated in the President's recent addresses to Joint Sessions of Parliament and Finance Minister's Parliament Budget Speeches. The policy envisages the development of "People ownership" of Central Public Sector Enterprises.

5.2 The salient features of the Policy are:

(i) Citizens have every right to own part of the shares of Central Public Sector Enterprises.
(ii) Central Public Sector Enterprises are the wealth of the Nation and this wealth should rest in the hands of the people.
(iii) While pursuing disinvestment, the majority shareholding of at least 51% and management control of the Central Public Sector Enterprises to be retained by the Government.

6. Approach to Disinvestment

On 5th November 2009, Government approved the following action plan for disinvestment in profit making Government companies:

(i) Already listed profitable CPSEs (not meeting mandatory shareholding of 10%) are to be made compliant by 'Offer for Sale' by Government or by the CPSEs through issue of fresh shares or a combination of both.
(ii) Unlisted CPSEs with no accumulated losses and having earned net profit in three preceding consecutive years are to be listed.

(iii) Follow-on public offers would be considered taking into consideration the needs for capital investment of CPSE, on a case by case basis, and Government could simultaneously or independently offer a portion of its equity shareholding.

(iv) In all cases of disinvestment, the Government would retain at least 51% equity and the management control of the CPSE.

(v) All cases of disinvestment are to be decided on a case to case basis.

(vi) The Department of Disinvestment is to identify CPSEs in consultation with respective administrative Ministries and submit proposal to Government in cases requiring Offer for Sale of Government equity.

7. Reform measures and policy initiatives

The following measures have been taken this year to make the process of disinvestment more efficient and transparent.

- In selection of Main Advisers [Book Running Lead Managers (BRLMs)] to an Issue, the Combined Quality-cum-Cost based Selection (CQCCBS) process has been adopted by Department of Disinvestment.
- In selection of BRLMs, a new parameter "Past performance of BRLMs in public Issues of Department of Disinvestment" has been added.
- The corner stone of Government's disinvestment policy is "people ownership of CPSEs". To achieve this objective and to encourage wider participation of public in Public Offerings to broad base the ownership of CPSEs, the Department, initiated various steps. Recognizing the important role played by brokers in generating good response from investors, particularly the retail investors, the Department starting from the IPO of Coal India Limited in October 2010, has decided payment of incentive to the brokers @ 0.35% on allotments to Retail Investors, @ 0.15% on allotment to High Net worth Individuals and @0.25% on allotment to employees out of quota reserved for them. This has resulted in good response from all categories of investors, particularly from retail investors. The efforts of the Department in increasing retail participation have resulted in greater participation of retail investors in recently concluded Initial Public Offerings.
- In order to establish an active interface with Brokers and Investor Associations to further the policy objective of "people's ownership" and widely dispersed holding of CPSE stocks, the Department organized meetings with brokers and SEBI registered investors associations across several cities of the country. One-to-one and Group meetings were also held with large number of investors abroad to facilitate a better understanding of Government's disinvestment policy and get investors' perspective. Based on the feedback received from Investors, their associations, brokers etc. remedial measures have been adopted from time to time.
- Earlier, the entire interest income earned on the application money of the Public Issue was retained by the Bankers to the Issue. However, the Department of Disinvestment after examining the issue decided in February, 2010 that the Bankers should be paid for their services but not be allowed to retain the entire interest earned by them in the process. The Bankers are now allowed to retain only 10% of the interest as payment for their services and the balance 90% is to be given to the Government.

8. Performance/achievements

8.1 The following Public Offerings were completed during 2010-11 (up to December, 2010).

- Disinvestment of 10.03% pre-issue paid-up capital of Satluj Jal Vidyut Nigam Ltd. out of Government's shareholding through an Initial Public Offering. The issue was subscribed 6.51 times, including the retail portion by 3.03 times. An amount of ₹ 1062.74 crore was realized by the Government.
- Disinvestment of 10% paid-up equity capital of Engineers India Ltd. out of Government of India shareholding through a Follow-on Public Offer. The issue was subscribed 13.36 times, including the retail portion by 2.99 times. An amount of ₹ 959.65 crore was realized by the Government.
- Disinvestment of 10% pre-issue paid up capital of Power Grid Corporation of India Ltd. in conjunction with issue of fresh equity of 10% by the company through a Follow-on Public Offer. The issue was subscribe d 14.87 times including the retail portion by 3.85 times. An amount of ₹ 3721.17 crore was realized by the Government.
- Disinvestment of 20% paid-up capital of Manganese Ore India Ltd. – 10% by Government of India and 5% each by the Government of Madhya Pradesh and Government of Maharashtra through an Initial Public Offering. The issue was subscribed 56.38 times, including the retail portion by 32.79 times. An amount of ₹ 618.76 crore was realized by Government of India, while ₹ 309.38 crore each was realized by the Government of Madhya Pradesh and Government of Maharashtra.
- Disinvestment of 10% paid-up capital of Coal India Ltd. out of Government's shareholding through an Initial Public Offering. The issue was subscribed 15.3 times, including the retail portion by 2.31 times. An amount of ₹ 15199.44 crore was realized by the Government.
- Disinvestment of 10% of Government of India equity in Shipping Corporation of India Ltd. in conjunction with issue of fresh equity of 10% by the company through a Follow-on Public Offer. The issue was subscribed 4.92 times including the retail portion by 6.56 times. An amount of ₹ 582.45 crore was realized by the Government.

- An amount of ₹ 92.73 crore was received as interest on application money in these transactions made during 2010-11 (up to December, 2010).

8.2 Details of subscription of issues completed during 2010-11 (upto December, 2010) (Table4.1)

8.3 Disinvestment transactions in process

- On 8th April, 2010, Government approved disinvestment of 10% issue of fresh equity by Steel Authority of India Ltd. in conjunction with disinvestment of 10% paid up equity capital of the Company out of Government's shareholding through Public Offering in the domestic market in two tranches. The first tranche comprises of 5% of fresh issue by the Company along with 5% offer for sale by Government.
- On 15th June, 2010, Government approved disinvestment of 10% issue of fresh equity by Hindustan Copper Ltd. in conjunction with disinvestment of 10% paid up equity capital of the company out of Government shareholding through a further Public offering in domestic market.
- On 1st December, 2010, Government approved disinvestment of 5% paid-up equity capital of Oil & Natural Gas Corporation Ltd. out of Government shareholding through a Follow-on Public Offering.
- On 10th February, 2011, Government approved disinvestment of 5% of pre-issue paid up capital of Power Finance Corporation Ltd. in conjunction with fresh issue of 15% pre-issue paid up capital by the Company through a Follow-on Public Offering.

9. Proceeds from disinvestment

An amount of ₹ 22144.21 crore has been realized from the following six Public offerings completed during 2010-11 up to December, 2010. (Table 4.2)

10. National Investment Fund (NIF)

10.1 On 27 January 2005, the Government had decided to constitute a 'National Investment Fund' (NIF) into which the realization from sale of minority shareholding of the Government in profitable CPSEs would be hannelized. The Fund would be maintained outside the Consolidated Fund of India. The income from the Fund would be used for the following broad investment objectives:-

(a) Investment in social sector projects which promote education, health care and employment.

(b) Capital investment in selected profitable and revivable Public Sector Enterprises that yield adequate returns in order to enlarge their capital base to finance expansion/ diversification.

10.2 Salient features of National Investment Fund(NIF)

(i) The proceeds from disinvestment of CPSEs will be channelized into the National Investment Fund which is to be maintained outside the Consolidated Fund of India.

(ii) The corpus of the National Investment Fund will be of a permanent nature.

(iii) The Fund will be professionally managed to provide sustainable returns to the Government, without depleting the corpus. Selected Public Sector Mutual Funds will be entrusted with the management of the corpus of the Fund.

(iv) 75% of the annual income of the Fund will be used to finance selected social sector schemes, which promote education, health and employment. The residual 25% of the annual income of the Fund 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.

Table 4.1

Name of Companies	QIB	HNI	RETAIL	EMPLOYEES	OVERALL	No. Of Applications
Satluj Jal Vidyut Nigam Ltd.	9.02	2.36	3.03	0.26	6.51	1,86,053
Engineers India Ltd.	23.43	5.85	2.99	0.57	13.36	1,66,864
Coal India Ltd.	24.70	25.40	2.3 1	0.10	15.28	16,26,905
Power Grid Corporation of India Ltd.	18.48	28.94	3.85	1.11	14.87	14,37,018
Manganese Ore India Ltd.	48.97	143.74	32.79	0.57	56.38	12,74,210
Shipping Corporation of India Ltd.	4.19	3.67	6.56	0.15	4.92	3,15,644

Fund Managers of NIF

10.3 The following Public Sector Mutual Funds have been appointed initially as Fund Managers to manage the funds of NIF under the 'discretionary mode' of the Portfolio Management Scheme which is governed by SEBI guidelines.

i) UTI Asset Management Company Ltd.
ii) SBI Funds Management Company (Pvt.) Ltd.
iii) LIC Mutual Fund Asset Management Company Ltd.

Corpus of NIF

10.4 The corpus of the Fund is ₹ 1814.45 crore being the proceeds from the disinvestment in Power Grid Corporation and Rural Electrification Corporation. The pay out on NIF was. ₹ 84.81 crore in the year 2008-09, ₹ 248.98 crore in the year 2009-10 and. ₹ 107.32 crore so far during 2010-11. Average income of the first two years was 9.36%.

Use of Disinvestment Proceeds

10.5 The income from the Fund is to be used for the following broad investment objectives:

(a) 75% to finance selected social sector schemes, which promote education, health and employment.
(b) 25% 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.

10.6 However, in view of the difficult economic situation caused by the global slowdown of 2008-09 and a severe drought that was likely to adversely affect the 11th Plan growth performance, the Government, in November 2009, decided to give a one-time exemption to utilization of proceeds from disinvestment of CPSEs for a period of three years – from April 2009 to March 2012 – i.e. disinvestment proceeds during this period 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.

10.7 Accordingly, from April 2009, the disinvestment proceeds are being routed through NIF to be used in full for funding capital expenditure under the social sector programmes of the Government, namely:-

(i) Mahatma Gandhi National Rural Employment Guarantee Scheme
(ii) Indira Awas Yojana
(iii) Rajiv Gandhi Gramin Vidyutikaran Yojana
(iv) Jawaharlal Nehru National Urban Renewal Mission
(v) Accelerated Irrigation Benefits Programme
(vi) Accelerated Power Development Reform Programme

11. Official Language Policy

The Department has a full-fledged Official Language Unit for handling all work relating to Official Language.

12. E-Governance

As a part of good governance through the use of information technology, the website of the Department of Disinvestment (www.divest.nic.in) has been revamped on the basis of feedback received from Investors and their Associations, brokers, members of the public and media. The new website was launched by the Finance Minister on 1st December, 2011. The website is user friendly and makes available information in a more organized and systematic fashion. New features like Fact Sheets on Forthcoming, Current and Post Public Offers have been added which will be useful to all users: - Investors, PSUs, intermediaries, academicians, researchers, media as well as any person or organization which has an interest in the disinvestment process.

13. Grievance Redressed

13.1 The nature of allocated business of the Department does not envisage much of interface with the public at large. However, the Additional Secretary in-charge of Administration has been nominated as Director of Public Grievances.

13.2 Internal Complaints Committee on Sexual harassment of women employees

In compliance with Supreme Court's Judgement dated 13th August, 1997 in Visakha case relating to prevention of sexual harassment of women at work place, an internal complaints committee has been put in place for considering complaints of sexual harassment of women employees in Department of Disinvestment.

Table 4.2

S.No.	Name of the Company	Amount realized (₹ in crores)
1	Satluj Jal Vidyut Nigam Ltd.	1062.74
2	Engineers India Ltd.	959.65
3	Power Grid Corporation of India Ltd.	3721.17
4	Manganese Ore India Ltd.	618.76
5	Coal India Ltd.	15199.44
6	Shipping Corporation of India Ltd.	582.45

14. Vigilance Machinery

Additional Secretary in-charge of Administration has been designated as Chief Vigilance Officer of the Department.

15. Implementation of Right to Information Act, 2005.

In pursuance of the Right to Information Act., 2005, the following officers have been designated to handle all RTI matters of the Department:-

- Shri V. N. Gaba, Deputy Secretary as Central Public Information Officer (CPIO)
- Ms. Minakshi Ghose, Joint Secretary as Appellate Authority
- Shri Sidhartha Pradhan, Additional Secretary as "Transparency Officer" for effective implementation of Section (4) of RTI Act.

A manual indicating various aspects of the functioning of Department of Disinvestment has been posted on the Department's website. The information is updated from time to time.

16. Integrated Finance Unit

16.1 The Integrated Finance Unit works under Joint Secretary & Financial Adviser (Finance) and deals with expenditure and Budget related proposals of Grant No. 44 – Department of Disinvestment - which includes Secretariat General Services covering the establishment budget for the Department of Disinvestment. The budget allocation under Grant No. 44 is as under: (Table 4.3)

16.2 The Integrated Finance Unit monitors all financial and expenditure related proposals of the Department like appointment of consultants, foreign deputation/visits of officers etc. All budget related matters including issues concerning Standing Committee on Finance come within the purview of this unit.

16.3 The expenditure trend of the Department is consistently monitored by the IF unit.

(₹ in crores)

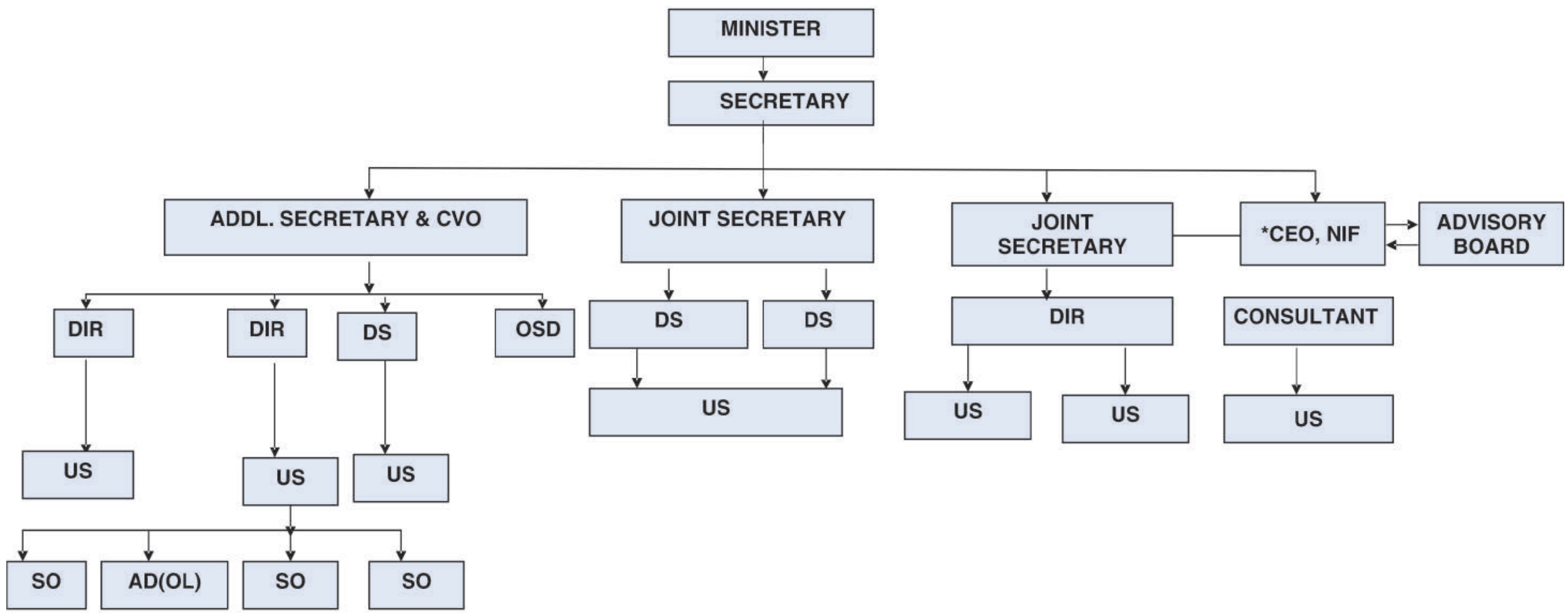
Table 4.3

Grant No.	Budget Estimates 2010-11			Revised Estimates2010-11		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
44 - Department of Disinvestment	----	63.36	63.36	----	63.36	63.36

APPENDIX - I

ORGANISATIONAL STRUCTURE

DEPARTMENT OF DISINVESTMENT



* Chief Executive Officer (National Investment Fund)

Department of Financial Services

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 main functions of the Department are described below. The Department of Financial Services is headed by a Secretary assisted by Additional Secretary, five Joint Secretaries, one Economic Advisor and eleven Directors/Deputy Secretaries. The participation of the SCs/STs/OBC employees in the Banks are Annexure-I

Functions

1.1 Banking Division

1.1.1 The Banking Division looks after issues relating to Public Sector Banks and administers policies having a bearing on the working of banks and term lending Financial Institutions such as the NABARD, SIDBI, NHB, IIFCL, EXIM Bank, IFCI, IDFC, IIBI etc.

1.1.2 Main functions of Banking Division include : (i) Dealing with legislative proposals relating to banks, non-banking financial companies, chit fund companies and other related matters and processing of appointments of Chief Executives and Government nominees Directors/ non-official Directors on the Boards of Public Sector Banks; (ii) Policy matters relating to private banks, foreign banks and non-banking financing companies, improvement of customers' service in banks and redressal of customers' grievances; (iii) Flow of credit; (iv) Appointment of Chief Vigilance Officers (CVOs) in Public Sector Banks and other related matters; (v) Legislative and Administrative work relating to All India Financial Institutions, appointment of Chief Executives of Financial Institutions, appointment of Chairman and Members of Board for Industrial and Financial Reconstruction (BIFR), Appellate Authority for Industrial and Financial Reconstruction (AAIFR) and matters relating to industrial sickness and miscellaneous issues of coordination between industry, banks and financial institutions; (vi) establishment of Debt Recovery Tribunals (DRTs) and Debt Recovery Appellate Tribunals (DRATs); (vii) All policy matters relating to credit linked self employment programmes implemented by Ministries/Departments of Central Government, operations and coordination with the RBI on the above matters; (viii) Credit Policy matters relating to priority sector lending including village and cottage industries, handloom, handicrafts, transport, education, small business, retail trade etc.; (ix) Matters relating to selective credit control and administration of the Regional Rural Banks Act, 1976, wage settlement in banking industry, processing of proposals for appointment of workmen employee directors, implementation of reservation policy for Scheduled Castes/Scheduled Tribes and the other specified categories.

1.2 Insurance Division

1.2.1 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.

1.2.2 The following acts 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

1.2.3 In addition to the above, the Insurance Division administers special social oriented schemes announced from time to time such as the Universal Health Insurance Scheme (UHIS), Varishta Pension Bima Yojana and Aam Aadmi Bima Yojana.

1.3 Pension Reforms

1.3.1 The Department of Financial Services deals with various issues and policy matters of pensions including the New Pension System (NPS) which was introduced for newly recruited Central Government employees with effect from 1st January 2004. Legislative proposals / amendments concerning the Pension Fund Regulatory and Development Authority (PFRDA) including the Central Recordkeeping Agency (CRA) and pension funds are also dealt in this Department.

1.4 Main Programmes and Schemes

1.4.1 Some of the important programmes and schemes of the Department during the year were:

- Restructuring of the Regional Rural Banks (RRBs)
- Revitalisation of the Cooperative Credit Structure
- Interest Subvention Scheme for interest relief to farmers on short term production credit
- Universal Health Insurance Scheme (UHIS) for BPL families
- Aam Aadmi Bima Yojana.

2. Banking Operations

2.1 Amalgamation / mergers

2.1.1 Consolidation in the banking sector was suggested by the Narasimham Committee in its report in 1991 as part of financial sector reforms. The current policy of the Government on consolidation leaves the initiative for consolidation to come from the managements of the banks themselves with Government playing a supportive role as the common shareholder. No directive on consolidation has been issued either by the Government or the Reserve Bank of India. The Boards of the two merging banks have to take a decision in this regard based on the synergy levels of the merging entities. While supporting any merger proposal, Government ensures that the interests of the stakeholders and employees of the merging banks are adequately protected.

2.1.2 In the year 2010, approval was granted for the acquisition of State Bank of Indore by State Bank of India. Order sanctioning the acquisition of State Bank of Indore by State Bank of India was issued in July, 2010.

2.2 Providing Capital assistance to the PSBs

2.2.1 As per Budget announcement for the year 2010-11, a sum of ₹ 15,000 crore has been provided in the BE 2010-11 for capital infusion. Out of ₹ 15,000 crore, sanction orders have been issued for release of ₹ 6,208 crore (approx.) to five PSBs, as per details given below. Further infusion in 12 more PSBs to raise their Tier-I CRAR to 8% as on 31.3.2011 is under process. To increase the Government's share holding in PSBs to 58%, additional requirement of ₹ 6,000 crore (over and above ₹ 15,000 crore) has been approved by the Union Cabinet. (Table 5.1)

2.3 Infusion of Capital Funds in 4 Nationalised Banks

Union Cabinet had approved a proposal for infusion of capital in the following 4 nationalised banks to the tune of ₹ 4,600 crore in 2008-09 to enable the public sector banks (PSBs) to 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. A sum of ₹ 1900 crore had already been released to these banks during the financial year 2008-09; ₹ 1200 crore during 2009-10 and the remaining amount of ₹ 1500 crore has been released to these banks during 2010-11 as under:-

Central Bank of India	–	₹ 250 crore
UCO Bank	–	₹ 300 crore
Vijaya Bank	–	₹ 700 crore
United Bank of Indi	–	₹ 250 crore

2.4 Permission to public sector banks (PSBs) to raise equity capital through Public Issues

2.4.1 During the year 2010-11, Central Bank of India and Punjab & Sind Bank were accorded approval of the Government for raising Equity Capital through Rights Issue and IPO respectively.

(a) **Central Bank of India** - Approval granted to the Central Bank of India for its Rights Issue for raising around ₹ 2513.34 crore of which Government of India has committed to contribute ₹ 2016 crore in proportion to the equity held by the GOI in the bank.

(b) **Punjab & Sind Bank** - Approval granted to the Bank for its Initial Public Offer (IPO) for raising ₹ 40 crore through book building process comprising 4 crore equity shares of ₹ 10 each (totaling ₹ 40 crore) at a premium to be decided by the Bank at the time of Public Issue. The Bank has generated ₹ 480 crore by issue of 4 crore equity shares at a premium price of ₹ 120/- per share. The Government share holding in the Bank post IPO is 82.06%.

(c) **Canara Bank** - Permission granted to the Canara Bank for raising Equity Capital of ₹ 40 crore with the green shoe option of ₹ 5 crore, through Qualified Institutional Placement.

2.5 Legislative Proposals

2.5.1 Amendment to the State Bank of India, 1955

The State Bank of India (Amendment) Bill, 2010 was passed by both the Houses of Parliament during the Monsoon Session of Parliament, 2010 and also assented by the President of India on 24th August, 2010. Which seeks to provide enhancement of Capital of State Bank by issue of preference shares to enable it to raise resources

(₹ in crore)

Table (5.1)

Sl. No.	Name of the Bank	Amount to be infused	Name of the capital instruments
1	Bank of Maharashtra	588.00	PNCPS
2	UCO Bank	373.00	PNCPS
3	Union Bank of India	111.00	PNCPS
4	Central Bank of India	2,016.00	Rights Issue
5	IDBI Bank Ltd.	3,119.04	Preferential placement of equity

PNCPS – Perpetual Non-cumulative Preference Shares from the marked by public issue or preferential allotment or private placement. It also aims to provide for flexibility in the management of the Bank. It, inter-alia, also proposes to amend the, SBI Act, inter alia, to - (i) increase the authorized capital of the SBI to rupees five thousand crores (ii) allow reduction of shareholding of the Central Government from fifty-five percent to fifty one percent (iii) to allow the State Bank to issue bonus shares to the existing equity shareholders (iv) restricting the voting rights of preference shareholder, other than the Central Government, to ten percent of the total voting right of all the preference shares (v) to allow the state Bank to hold Central Board meetings through video conferencing or such other electronic means as may be prescribed regulations etc.

2.5.2. Amendment to the State Bank of India (Subsidiary Banks) Act, 1959

Consequent to the acquisition of State bank of Indore by the State Bank of India, the State Bank of India (Subsidiary Banks) Bill, 2010 was introduced in Lok Sabha on 19th November, 2010 to omit references of State Bank of Indore from the State Bank of India (Subsidiary Banks) Act, 1959.

2.6 Policy related Issues

2.6.1 Setting-up of Central Electronic Registry

The Government has also decided to establish the Central Electronic Registry under the provisions of SARFAESI Act, 2002. The Central Electronic Registry is expected to facilitate development of a secondary mortgage market since the underlying portfolio of mortgages are electronically verifiable and as such can be easily sold to the investors. This will also develop a healthy securitisation market. Further, it would ensure that lenders have access to fresh liquidity in the form of lendable resources. Government has decided to contribute a sum of ₹ 25 crore as the initial capital. Documents for registration of the company under Section 25 of The Companies Act, 1956 have been filed with Registrar of Companies and Regional Director, Northern Region. The company is likely to be operationalised by 31st March, 2011.

2.6.2 Significant Developments

Operational training on Centralised Public Grievance Redress and Monitoring System (CPGARMS).

To sensitize the banks/ Financial Institutions/ Banking Ombudsman officials with the functioning of CPGRAMS Portal and give them hands-on training on its use, recently, Region-wise trainings in the Eastern Region, Southern Region and Western Region were got conducted during the month of October, 2010 with the support of DARPG and NIC officials. During the training it was emphasized that all the Banks/ Banking Ombudsman offices should ensure to extend CPGRAMS to all the field units functioning under them latest by 31st December, 2010 so that complaints received by them could be transmitted electronically to their subordinate offices for faster redress. Banks/ Banking Ombudsman offices were also advised to immediately contact the DARPG/ NIC/DFS officials in case they came across any problem in the use of CPGRAMS portal. It was also emphasized that they should log on to the CPGRAMS Portal on daily basis to dispose-off the complaints expeditiously. For Northern Region Banks/ Financial Institutions/ Banking Ombudsman offices the training is to be conducted during 3rd week of January, 2011.

2.6.3 Human Resources

The Indian Banks' Association, representing management of the banks who mandated it to negotiate on their behalf and United Forum of Bank Unions representing workmen/ officers of five major workmen unions and four major officers associations have concluded the 9th Bi-partite Settlement on wages of bank employees on 27.4.2010. The wage revision is effective from 1.11.2007. The revision of wages envisages an increase of 17.5% over the establishment expenses for the year ended 31st March, 2007.

2.7 Debts Recovery Tribunals/Debts Recovery AppellateTribunals

2.7.1 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.

2.7.2 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 enacting the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, which provides for aggrieved parties to make appeals before the DRTs

2.7.3 As per data (Provisional) made available by DRTs, a total number of 11801 cases involving ₹ 21079.33 crores were disposed off by the DRTs during the period 1.01.2010 to 31.12.2010.

2.8 Regional Rural Banks

2.8.1 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:

- Branch Expansion by RRBs

The Finance Minister in his Budget speech for 2007-08 had announced that RRBs should undertake an aggressive branch expansion programme. Accordingly, a target of

2000 additional branches was given to the RRBs to be opened by March 2011. Since then a total of 954 new branches have been opened till 31 March 2010 by the RRBs in their area of operations. Of these, 299 branches were opened during 2009-10. In the current year 2010-11, as on Sept 30, 2010 RRBs opened 118 more branches to take the total to 15598 branches spread over 618 districts in 26 states and 1 Union Territory. The new branches are now expected to be opened with Core Banking Solutions (CBS).

- 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. The amalgamated RRBs are expected to provide better customer service as a result of better infrastructure, computerization of branches, pooling of experienced work force, common publicity and marketing efforts in addition to reaping benefits of size, enhanced credit exposure limits, diversified banking activities and optimum utilisation of manpower. As a result of the amalgamation, the number of RRBs has been reduced from 196 as on 31 March 2005 to 82 as on 31 March 2010.

- Human Resource Development

The Amresh Kumar Committee constituted by Government of India for comprehensive review of the existing provisions of the Regional Rural Banks Officers and Employees Service Regulations, 2000 has since submitted its report and based on their recommendations draft Model Regional Rural Banks (Officers and Employees) Service Regulations, 2010 have been issued by the Government of India to all RRBs. Regional Rural Banks (Appointment and Promotion of Officers and Employees) Rules, 2010 have also been notified in July 2010.

- Core Banking Solutions (CBS) in RRBs

RRBs have been advised by GoI to implement CBS in all their branches by September 2011 as adoption of CBS by RRBs would lead to uniformity in work environment, centralised processing, better MIS and more informed decision making. The sponsor banks have also been advised to ensure this and to extend all necessary help including financial assistance, training, back office support etc. to their RRBs. As on date, 22 RRBs have fully implemented CBS in respect of all their branches. Of the remaining RRBs, the implementation of CBS is in progress in 10 more RRBs. Other RRBs have appointed Technical consultants and are in the process of finalizing the road map for CBS.

- Capital -To-Risk-Weighted Assets Ratio (CRAR)

Consequent upon release of recapitalisation funds to 27 RRBs and funds under ARWDR scheme 2008 during the year 2008-09, the status of CRAR maintained by RRBs has improved. As on 31 March 2010, out of 82 RRBs, 53 RRBs have maintained CRAR of 9 % and above while 6 RRBs maintained CRAR between 7% to 9%. Consequent upon the decision taken in the Finance Minister review meeting of RRBs dated 18.08.2009, a committee was constituted by Government of India, Ministry of Finance, Department of Financial Services under the Chairmanship of Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India in September 2009, to examine the financials of RRBs with CRAR of less than 7% and suggest measures to bring it to at-least 9% by 2012. The Committee has submitted its report on 30 April 2010 and the recommendations of the Committee is under process.

- Financial Performance

As on March 2010, 82 RRBs operated with a network of 15480 branches covering 618 notified districts in 26 States and one Union Territory (Puducherry). Financial result of RRBs for the year 2009-10 indicate that they have improved their performance with 79 out of 82 RRBs showing pre-tax profit to the extent of ₹ 2,514.83 crore as compared to ₹ 1,823.54 crore in 2008-09 and their net profit (post tax) increased by 37.78 % from ₹ 1371.42 crore in 2008-09 to ₹ 1889.58 crore in 2009-10. Consequently, the number of loss making RRBs declined from 6(out of 86) in 2008-09 to 3 (out of 82) during the current year. The combined losses posted by 3 RRBs stood at ₹ 5.65 crore during the year as against ₹ 35.91 crore posted by 6 RRBs in the previous year.

The accumulated losses of RRBs have decreased by 22.82% over the previous year i.e, from ₹ 2299.98 crore (31 RRBs) in the year 2008-09 to ₹ 1775.06 crore (27 RRBs) in 2009-10. All the RRBs incurring losses have been advised to chalk out a time bound action plan to wipe out their losses.

As the result of improved financial performance, the aggregate reserves of RRBs increased to ₹ 8065.26 crore as on 31 March 2010 from ₹ 6753.99 crore as on 31 March 2009, while their net worth increased from ₹ 8610.31 crore to ₹ 10472.10 crore during 2009-2010.

- Non Performing Assets

The Gross Non Performing Assets of RRBs further reduced from 4.14% during 2008-09 to 3.72% during 2009-10. At aggregate level, however, the NPAs have increased from ₹ 2809.72 crore to ₹ 3084.81 crore. At the net level the NPAs of RRBs stood at 1.8% as on 31 March 2010.

- Recovery Performance

The percentage of recovery to demand of RRBs has progressively improved over the years from as low as 57 as on 30 June 1997 to 77.85 as on 30 June 2008 and further to 80.09% as on 30 June 2009.

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 ₹ 3,25,000 crore during 2009-10. 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 ₹ 3,84,514 crore exceeding annual target by ₹ 59,514 crore. As against the farm credit target of ₹ 3,75,000 crore for the year 2010-11, an amount ₹ 2,60,463 crore was achieved upto November, 2010.

(₹ in crore)

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	2,54,658
2008-09	2,80,000	3,01,908
2009-10	3,25,000	3,84,514
2010-11	3,75,000	2,60,463*

* Provisional figures upto November, 2010

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. 30.06.2008. However, the last date for payment of 75% by 'Other Farmers' under OTS Scheme was extended from 30.6.2009 to 30.06.2010. The last date for submission of grievances was extended till 31.01.2010 was further extended upto 31.07.2010. As per the report received from the Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD), the implementing agencies, so far 2.44 crore small and marginal farmers and 31.27 lakh other farmers were benefitted under ADWDRS, 2008 to the extent of ₹ 49,889.60 crore.

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, 2nd and 3rd installment of reimbursable claims of the lending institutions under the Agricultural Debt Waiver and Debt Relief Scheme, 2008 of ₹ 51,340.47 crore, out of which ₹ 29,240.12 crore has been released to NABARD for settling audited claims of Cooperative Banks and RRBs.

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, development and regulation of Micro Finance Organisations in rural and urban areas, is under formulation 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 ₹ 9,016.59 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 pack age 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 ₹ 3,070 crore (₹ 2,206 crore for GoI, ₹ 482 crore for State Governments and ₹ 382 crore for Agriculture and Rural Development Banks or LTCCS). ₹ 20 crore has been released to NABARD for implementation of this Package during 2008-09. A provision of ₹ 1,000 crore has been made in the BE 2010-11 for the same. However, the Government of India had constituted a Task Force to assess the impact of the implementation of the Agricultural Debt Waiver & Debt Relief Scheme (ADWDRS), 2008 and STCCS package on the financial health of the LTCCS. The Task Force has submitted its report and the package is under finalization.

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 ₹ 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 ₹ 3,00,000/- on the principal amount per farmer. During the year 2008-09 and 2009-10 with the same stipulations except that the interest subvention is being provided @ 3% & 2% respectively to Public Sector Banks, Cooperative Banks and Regional Rural Banks on the amount of loan disbursed out of their own resources. Further, during 2009-10, 1% additional interest subvention was extended to farmers for prompt repayment.

3.7.3 This scheme continues during the year 2010-11 and Government has provided interest subvention @ 1.5% to the lending institution for loans disbursement out of their own resources to farmer for short term crop loans upto ₹ 3 lakh. Further an additional subvention of 2% 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 5 per cent per annum. Around ₹ 870 crore, ₹ 1,856 crore, ₹ 2,472 crore, ₹ 3,083 crore and ₹ 2,011 crore have already been reimbursed to the lending institutions during the years 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 respectively for implementation of the Scheme. A provision of ₹ 3,000 crore has been made in the BE 2010-11, out of which, ₹ 1,413.32 crore has been released.

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 31.03.2010, 69,53,250 SHGs were linked to banks with the total savings aggregating to ₹ 6198.71 crore. Besides, the loans amounting to ₹ 28038.28 crore were outstanding against 48,51,356 SHGs to the Banking System.

3.9 Rural Infrastructure Development Fund (RIDF)

3.9.1 The annual allocation of funds announced in the Union Budget has gradually increased from ₹ 2,000 crore in 1995-96 (RIDF I) to ₹ 16,000 crore in 2010-11 (RIDF XVI). The aggregate allocations have reached ₹ 1,16,000 crore. As against the total allocation of ₹ 1,16,000 crore, under RIDF I to XVI, sanctions aggregating ₹ 1,13,210 crore have been accorded to various State Governments, and disbursements under the fund amounted to ₹ 74,507 up to December, 2010.

3.9.2 Further, a separate window was created under RIDF with an allocation of ₹ 4,000 crore per annum, from 2006-07 to 2008-09 for partly funding the rural roads and bridges components of the Bharat Nirman Programme. This amount was raised to Rs.6500 crore in 2009-10, thus cumulatively adding upto ₹ 18,500 crore.

3.9.3 The total allocation under RIDF by GoI, for States and NRREDA put together, reached ₹ 1,34,500 crore, upto December, 2010. Against this, NABARD has sanctioned ₹ 1,31,710 crore.

3.9.4 During 2010-11, sanctions under RIDF XVI to the States amounted to ₹ 9,649.29 crore have been accorded to various State Governments, and the disbursements under the fund amounted to ₹ 6,067.75 crore, upto end of December 2010.

3.10 Financial Inclusion

3.10.1 Based on the recommendations in 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 ₹ 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. As on 31 March, 2010, the corpus of each fund mentioned by NABARD reached ₹ 50 crore, with GoI contributing ₹ 20 crore to each of the fund and the remaining by NABARD. ₹ 3.46 crore was received from RBI as reimbursement. The cumulative sanctions from the funds has been ₹ 64.57 crore upto December, 2010. 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 The Finance Minister in his Budget Speech 2010-11 advised all banks to provide appropriate banking facilities to habitations having a population in excess of 2000 by March, 2012 using various models and technologies including branchless banking through Business Correspondents (BCs). The Banks have formulated their road maps for Financial Inclusion through the mechanism of the State Level Bankers Committee and have identified approx. 73,000 habitations across the country having a population of over 2000 for providing banking facilities. These habitations have been allocated to Public Sector Banks, Regional Rural Banks, Pvt. Sector Banks and Cooperative Banks for extending banking services by March, 2012. It is estimated that approx. 5 crore rural households shall open bank accounts under this Campaign. The Campaign for Financial Inclusion named "Swabhimaan" was launched by Smt. Sonia Gandhi, Chairperson, UPA on 10th Febrruary, 2011 in the presence of Finance Minister and Minister of State for Finance.

3.10.3 There remain 81 unbanked blocks in the country out of which 79 are in North eastern (NE) Region and 2 are in Non-NE region. Efforts are being made to provide banking facilities in all unbanked blocks at the earliest.

4. Institutional Finance

4.1 Small Industries Development Bank of India (SIDBI)

4.1.1 Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament. As on December 31, 2010, the Authorised Capital of SIDBI is ₹ 1000 crore and Paid Up Capital is

₹ 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 103 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 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 a prime lending institution for MSME sector. In the Budget Announcement 2008-09, it was announced to create two funds of ₹ 2000 crore each in SIDBI-one for risk capital and the other for enhancing refinance capability 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 ₹ 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 has announced creation of special fund of ₹ 4,000 crore each in his Union Budget speech for FY 2009-10. Further, another refinance support of ₹ 4,000 crore was provided to SIDBI during FY 2010-11. The details of these facilities are given below:

- **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 ₹ 1600 crore, which was subsequently enlarged to ₹ 3600 crore. As against ₹ 3600 crore, an amount of ₹ 3326 crore was received as on December 31, 2010. The fund is to be utilized for refinancing 50 per cent of the incremental lending to Micro and Small Enterprises (MSEs) by banks.
- **Risk Capital -** In order to meet the risk capital requirements of MSMEs, especially those involving innovations and new technologies, the Union Budget for FY 2008-09 announced setting up of a fund ₹ 2,000 crore with SIDBI for risk capital financing. The corpus was allocated by RBI @ ₹ 1,000 crore per annum for FY 2008-09 and FY 2009-10. Till December 31, 2010, ₹ 500 crore i.e. 25% of the annual allocation, has been received by SIDBI from banks. Under the Risk Capital Fund, SIDBI provides Risk Capital assistance to MSMEs in the form of Equity, Preference capital, Optionally Convertible Debenture, Optionally Convertible Debt, Sub-ordinated Debt, etc. As on December 31, 2010, a total of ₹ 850 crore out of the Risk Capital Fund has been committed by SIDBI to MSMEs and VC funds.
- **MSE Refinance Fund – ₹** 4000 crore – 2010-11 - In order to further stimulate the growth of MSEs, RBI has, during the year 2010-11, since allocated a corpus of MSE (Refinance) Fund of ₹ 4000 crore for a period of three years to SIDBI which will be contributed by foreign banks having shortfall in achievement of priority sector lending obligations and the domestic scheduled commercial banks having shortfall in achievement of priority sector lending target and/or agriculture lending and/or weaker sections lending target, as on the last reporting Friday of March 2010. Under the Fund, ₹ 3,650 crore has been allocated to Public Sector Banks and ₹ 350 crore has been earmarked for SFCs. SIDBI has received ₹ 3,000 crore from various banks as on December 31, 2010. Out of ₹ 3,650 crore allocated to PSBs, ₹ 2109.18 crore has been utilized till December 31, 2010. The No. of beneficiaries are 4.87 lakh units.
- **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 upto ₹ 100 lakh, which are extended without third party guarantee or collateral security by eligible lending banks/ Financial Institutions, are covered under the CGS of CGTMSE. Numerous initiatives have been taken by the Government to enhance the coverage of credit guarantee to incentivise collateral-free lending to MSE sector. During FY 2010, RBI has modified its earlier guidelines on extending collateral free loans and mandated banks not to accept collateral security in case of loans upto ₹ 10 lakh extended to units in the MSE sector. The initial corpus of CGTSME of ₹ 125 crore has gradually increased and as on December 31, 2010, it was ₹ 2156.56 crore. It is proposed to be raised it to ₹ 2500 crore in due course.

  As on December 31, 2010, guarantee approvals were extended to 4,76,552 proposals covering credit assistance of ₹ 20,109 crore by the CGTMSE. As on December 31, 2010, the membership of CGTMSE comprised 120 banks and Financial Institutions.

▪ Venture Capital Fund

SIDBI Venture Capital Ltd. (SVCL), a subsidiary of SIDBI set up in July,1999, is an asset management company, presently managing two venture capital funds, viz. the National Venture Fund for Software and Information Technology Industry (NFSIT) and the SME Growth Fund (SGF) for providing venture capital assistance to knowledge based MSMEs, especially in the areas of life sciences, clean technologies, information technology, bio-technology, etc. Till December 31, 2010, total of ₹ 551 crore has been committed under the two funds.

▪ SME Rating Agency of India Ltd. (SMERA)

SIDBI, alongwith Dun & Bradstreet (D&B) and several Public and Private Sector banks , has set up the SME Rating Agency of India Ltd. (SMERA) in September 2005, as an MSME dedicated third-party rating agency to provide comprehensive, transparent ratings to MSMEs. In a short span of time, SMERA has achieved market leader position in MSME rating and as on December 31, 2010 has evaluated more than 9360 MSMEs out of which micro enterprises constitute 50 percent. It has also done Risk Profiling of 13 MSME clusters in the country. SMERA has also started providing newer services, such as, Green Field & Brown Field Ratings, Micro Finance Institutions' Ratings and Risk Model Mapping/Validation have been introduced.

▪ India SME Technology Services Ltd.

India SME Technology Services Limited (ISTSL), set up in November 2005, provides a platform for MSMEs to tap opportunities at the global level for acquisition of modern technologies. ISTSL continues to pursue its strategy of rendering technical services for technology transfer and promotion of energy efficient, environment friendly technologies in the MSME sector. Efforts are being made by ISTSL to facilitate reduction in Green House Gases in the MSME sector. ISTSL has identified Clean Development Mechanism and carbon credit as its thrust areas and has been working actively in MSME clusters by organising awareness campaigns, seminars and guiding MSMEs to take advantage of the opportunities existing in carbon credit market.

▪ India SME Asset Reconstruction Company Ltd.

India SME Asset Reconstruction Company Ltd. (ISARC) is the country's first MSME focused Asset Reconstruction Company striving for speedier resolution of non-performing assets (NPA) by unlocking the idle NPAs for productive purposes which would facilitate greater flow of credit from the banking sector to the MSMEs. Set up in April 2008, ISARC's objective is to acquire non-performing assets (NPAs) and to resolve them, through its innovative mechanisms, with a special focus on the NPAs of MSME sector. Till December 31, 2010, ISARC acquired 205 accounts from 6 banks/FIs with an aggregate principal outstanding amount of ₹ 2.55 billion.

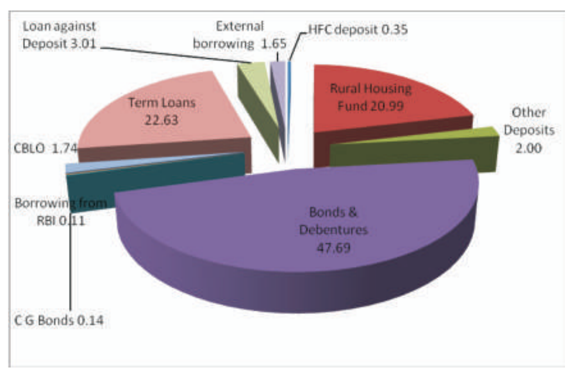
4.2 National Housing Bank – Activities and Operations

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.

Resource Mobilization: NHB raised both short term and long term resources. Short term resources included issuance of Commercial Papers (CPs) and Short Term Loans from Banks. Long Term borrowings included issuance of Zero-coupon Bonds (ZCB), Coupon Bonds, Term Loans from Banks, Rural Housing Fund (RHF), Deposits from Housing Finance Companies (HFCs) and Deposits from public under "SUNIDHI" and "SUVRIDDHI" term deposit schemes. While the gross incremental borrowing during the period January to December 2010 was ₹ 42,656 crores, net incremental borrowing was ₹ 13,428 crores.

Bonds issued by NHB are rated "AAA" by at least two of the rating agencies approved by SEBI viz. CARE ratings, CRISIL, Fitch ratings and Brickwork ratings and are listed on Bombay Stock Exchange / National Stock Exchange. Commercial Papers issued by NHB during the year were rated "A1+" by ICRA. These ratings indicate highest degree of certainty regarding timely payment of financial obligation on the instruments. One of the main components of resources raised during the year was through issuance of Bonds. Bonds for a face value of ₹ 6517 crores were issued during the period January to December, 2010 for tenor ranging from 13 months to 36 months.

The total borrowing outstanding as on 31st December 2010 was ₹ 22,758 crore.



Amount outstanding under various products as on 31.12.2010 (in percent)

4.2.2 Deployment of Funds

Refinance Operations

For the period January to December, 2010, refinance aggregating ₹ 13,073.31 crore was disbursed, out of which ₹ 5931.74 crore was disbursed for rural housing under the Golden Jubilee Rural Housing Refinance Scheme and the Rural Housing Fund.

Breakup of refinance disbursements made during the period January to December, 2010: (Table 5.2)

4.2.3 Performance under Rural Housing Finance

During the period January to December, 2010, 45.37% of total disbursements of ₹ 13,073.31 crore i.e. ₹ 5931.74 crore have been made under the Rural Housing Fund (RHF) and the Golden Jubilee Rural Housing Refinance

(₹ Crore)

Table 5.2)				
Institution Category	REGULAR Scheme	RHF	GJRHRS	Total
I	II	III	IV	VII
HFCs	988.57	1803.97	416.31	3208.85
Banks (SBs)	6145.00	188.46	3491.00	9824.46
Cooperatives	8.00	32.00	0.00	40.00
Total	**7141.57**	**2024.43**	**3907.31**	**13,073.31**

Scheme (GJRHRS) in respect of loans given by Primary Lending Institutions (PLIs) in rural areas. The break-up of disbursements made under Rural Housing during the above mentioned period is as follows :

Institution Category	(Amount in crore)
Housing Finance Companies	2220.28
Scheduled Banks	3679.46
Cooperative Sector Institutions	32.00
Total	**5931.76**

4.2.4 Rural Housing Fund

4.2.4.1 The Hon'ble Finance Minister, in his Union Budget speech for 2008-09, announced the setting up of the Rural Housing Fund to enable primary lending institutions to access funds for extending housing finance to targeted groups in rural areas at competitive rates. The corpus of the fund for 2008-09 was ₹ 2000 crore, which was enhanced by a further 2000 crore during 2009-10. A total amount of 3761.48 crore has been received by the Bank under the Fund, and the Bank has been able to deploy the full amount towards refinance for rural housing for the target groups. For the period January - December, 2010, the Bank has disbursed ₹ 2024.43 crore under this scheme.

4.2.4.2 Many of the large housing finance companies which were hitherto only urban-centric, have been persuaded to extend housing loans in rural areas. This has resulted in not only a better geographical distribution of housing finance, but has also brought about increased penetration of housing loans among the under privileged segments of the society, including the women, marginal farmers, small artisans, members of scheduled castes and scheduled tribes and minority communities. The success of these forays into the rural market has enthused these companies to make efforts towards increasing their disbursements in the rural areas, and has also encouraged other HFCs, which have not yet entered the rural markets to actively look at the rural housing finance market as a channel for future growth.

4.2.4.3 Also, one of the benefits of the Rural Housing Fund has been the availability of funds at competitive rates for housing, which has encouraged the Regional Rural Banks (RRBs) to take up housing finance as a major focus area. The RRBs have an active presence in the rural areas throughout the country and are well acquainted with the contours of the rural market, thereby putting them in a good position to promote housing finance in their respective areas of operations. The Bank has, during 2009-10, added 6 new Regional Rural Banks as its refinance clients and further 4 new Regional Rural Banks have been added during the period July to December, 2010. Efforts are on to encourage RRBs across the country to take up rural housing finance in a major way and to avail refinance from NHB for this purpose, which will go a long way in promoting housing finance in rural areas throughout the country.

i. Project Finance Operations

During the period January – December, 2010, the Bank had sanctioned project finance for 12 projects amounting to ₹ 254.40 crore and disbursed an aggregate ₹ 127.08 crore.

Category wise sanctions under Project Finance – Break up

(₹ in crore)

Public Agency	125.00
Development Authority	120.00
Micro Finance Institutions	7.00
Cooperative Society	2.40
Total	254.40

Project Finance outstanding as on 31.12.2010

Institution	(₹ in crore)
Housing Boards	162.12
Municipal Corporations	11.22
Development Authorities	16.39
Micro Finance Institutions/NGO/ Societies	28.89
Welfare Housing Organizations	173.42

Public Private Partnership	20.00
Total	**412.04**

4.2.4.4 Cumulatively, till end of December 31, 2010, the Bank has sanctioned 436 projects having project cost of ₹ 6408.71 crore with loan component of ₹ 4627.96 crore. So far the Bank has disbursed ₹ 1811.61 crore as project finance. Under the Housing Microfinance Programme (HMF) of the Bank, ₹ 91.32 crore has been sanctioned to 28 Microfinance Institutions in 10 states covering 17895 housing units located in both urban and rural areas of the country.

4.2.4.5 The beneficiaries include farmers, housemaids, petty traders, artisans, dairy workers and other low income segments. More than 90% of the beneficiaries are women. The approximate income levels of the beneficiaries range between 5000/- to 7000/- per month. The Bank has also opened a specialized window for Water and Sanitation programmes being taken up by MFIs for their members of Self Help Groups. These programmes form an integral part of the HMF programme of the Bank. Cumulatively, the Bank has sanctioned 4.65 crore under Water & Sanitation programme for construction of estimated 7492 toilets.

4.2.5 Golden Jubilee Rural Housing Finance Scheme

4.2.5.1 The Golden Jubilee Rural Housing Finance Scheme was formulated by the National Housing Bank with a view to addressing the problem of housing shortage in rural areas, and was launched by the Hon'ble Finance Minister on the occasion of the Golden Jubilee of the nation's Independence in 1997. It aims to provide improved access to housing finance which would enable an individual to build a modest house or to improve or add to his existing dwelling unit in the rural areas.

4.2.5.2 The targets, in terms of number of units financed, were progressively increased over the years from 50,000 in 1997-98 to 3,75,000 for the year 2010-11. Since the inception of the Scheme in 1997, over 30 lakh units have been financed. (Table 5.3)

4.2.6 Residential Mortgage Backed Securitisation

4.2.6.1 NHB has so far completed 14 Residential Mortgage Backed Securitization transactions involving 38,809 individual housing loans of six Housing Finance Companies (HFCs) and one Scheduled Commercial Bank, housing loans amounting to ₹ 862.20 crore. The success of the issues of RMBS has significantly provided means to better understand and address the legal, regulatory, fiscal, accounting and other capital market related issues relating to such transactions as also various policy issues for a conducive environment for such issuances.

4.2.6.2 The structure of NHB's RMBS issues has been designed under the provisions of the National Housing Bank Amendment Act, 2000 (Sections 14 (ea), 14 (eb), 14 (ec) and 18), which authorize the Bank to carry out securitization transactions and issue mortgage backed

[No of Units]

Table 5.3

Year	Target	Achievement	Amount disbursed (₹ in crore)
1997-1998	50,000	51,272	N.A.
1998-1999	1,00,000	1,25,731	N.A.
1999-2000	1,25,000	1,41,363	N.A.
2000-2001	1,50,000	1,58,426	N.A.
2001-2002	1,75,000	1,87,268	3246.03
2002-2003	2,25,000	1,78,200	3816.34
2003-2004	2,50,000	2,43,753	6353.82
2004-2005	2,50,000	2,58,562	6440.95
2005-2006	2,75,000	2,98,651	8367.86
2006-2007	3,30,000	2,98,426	7664.58
2007-2008	3,50,000	2,71, 537	8844.81
2008-2009	3,50,000	2,58,265	10337.88
2009-2010	3,50,000	3,87,792	15,565.24
2010-2011* Provisional Data	3,75,000	1,66,479	9542.55
Total	**33,55,000**	**30,25,725**	

**Provisional data upto December, 2010.*

securities as trust certificates of beneficial interest and act as Trustee for the holders of such securities.

4.2.7 Reverse Mortgage Loan (RML)

4.2.7.1 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.

4.2.7.2 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.

4.2.7.3 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.

4.2.7.4 As per information available with NHB, 23 Scheduled Commercial Banks and 2 Housing Finance Companies have launched the Scheme. And a total of 7436 RML accounts amounting to 1507 crore have been sanctioned.

4.2.8 Reverse Mortgage Loan enabled Annuity (RMLeA)

4.2.8.1 With a view to extend the payments received under RML to residual lifetime of the borrower, a new product variant viz. Reverse Mortgage Loan enabled Annuity (RMLeA) was conceptualized by NHB and launched in December 2009.

4.2.8.2 RMLeA is the result of direct product integration between the housing finance market and the insurance sector for the first time in India. The Scheme envisages the Banks/HFCs to source assured lifetime payments to the senior citizen borrower through the Insurance Company. NHB has formulated RMLeA's Operational Guidelines for implementation by Primary Lending Institution. The RMLeA Scheme has been implemented, so far, by Central Bank of India and Union Bank of India in association with Star Union Dai-ichi Life Insurance Co. Ltd (SUD Life).

4.2.8.3 NHB has been widely disseminating information on RML/RMLeA through regular seminars /Workshops/ Interactions. During the period under reference, NHB has conducted 15 seminars/training at different locations such as Ahmedabad, Bengaluru, Bhubaneswar, Chennai, Dehradun, Delhi, Jaipur, Mumbai, Siliguri and Udhagamandalam. NHB has also launched a Reverse Mortgage Loan Counselling Centres for Senior Citizens, adopting a 'partnership approach' with reputed NGOs engaged in addressing the issues of senior citizens to operate the programme. Eight RML Counselling Centres have since been established under this programme. During the year 2010, NHB opened a Counselling centre at Ahmedabad in association with HelpAge India. In addition to this, NHB has already established Counselling Centres at Bengaluru, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi (2) in association with reputed NGOs.

4.2.8.4 As per information available with NHB, a total 22 accounts amounting to 60 crore have been sanctioned under the Scheme.

4.2.9 NHB Residex

4.2.9.1 NHB RESIDEX is an Initiative of the National Housing Bank to provide an Index of residential prices in India across cities and over time. National Housing Bank, at the behest of the Ministry of Finance, Government of India, began this Initiative in the year 2005-06 and further undertook a pilot study to examine the feasibility of preparing such an index at the national level. NHB launched RESIDEX for tracking prices of residential properties in India, in July 2007, covering data up to 2005 with 2001 as the base year. The pilot study covered 5 cities viz. Bengaluru, Bhopal, Delhi, Kolkata and Mumbai. As a pilot, 5 cities were studied and thereafter NHB RESIDEX has now been expanded to ten more cities namely Ahmedabad, Faridabad, Chennai, Kochi, Hyderabad, Jaipur, Patna, Lucknow, Pune and Surat. NHB RESIDEX now covers 15 cities and has been updated up to December, 2009 (July – December). NHB RESIDEX is now being updated on a quarterly basis with 2007 as the base year.

4.2.9.2 The movement in prices of residential properties has shown a mixed trend in the 15 cities covered under NHB RESIDEX in April – June, 2010. Residential housing prices in 11 cities have shown an increasing trend in this quarter (April-June, 2010) over the previous quarter (Jan-March, 2010). They are Surat (24%), Mumbai (19%), Lucknow (19%), Ahmedabad (16%), Chennai (12%), Pune (8%), Kolkata (6%), Bengaluru (6%), Kochi (4%), Delhi (3%) and Hyderabad (1%). Surat (24%) has shown the maximum increase followed by Mumbai and Lucknow (19%). There are 4 cities which have shown correction in prices over the previous quarter which are namely Jaipur (-9%), Bhopal (-4%), Patna (-3%) and Faridabad (-1%). Jaipur (-9%) has shown the maximum price correction in residential property prices.

5 Credit Policy

5.1 Educational Loans

5.1.1 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 emphasis is that every meritorious student, though poor, is provided with an opportunity to pursue education with the 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 28, 2001. The scheme was subsequently modified in 2004 and guidelines for the Revised Model Educational Loan Scheme were issued on August 31, 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 Education Loan Scheme are as under:

Limit of loan	
For studies in India	₹ 10 lakhs
For studies abroad	₹ 20 lakhs
Interest rates	
Upto ₹ 4 lakh	Benchmark Prime Lending Rate(BPLR)
Above ₹ 4 lakh	BPLR+ 1 percent
Security Norms	
Upto ₹ 4 lakh	No security, Co-obligation of parents
Above ₹ 4 lakh and Upto ₹ 7.5 lakh	Co-obligation of parents together with collateral security in the form of suitable third party guarantee.
Above ₹ 7.5 lakh	Co-obligation of parents together with tangible collateral security of suitable value along with the assignment of future income of the student for payment of instalments.
Repayment schedule	The loan is to be repaid in Equated Monthly Instalments (EMI) in 5-7 years after commencement of repayment.
Moratorium period	The repayment holiday/ moratorium period is the course period + 1 year or 6 months after getting job, whichever is earlier.
Other	• Provision of life insurance policy for students availing education loans; • Life policy and mutual fund units as permissible security for loan; • Provision of multiple loans for a family unit; • Provision of top-up loan for students for further studies; • Spouse/parents-in-law as co-obligator for loans.

5.1.2 The Ministry of Human Resource Development has introduced a Central Scheme to provide subsidy on Educational loans taken by students from Economically Weaker Sections (EWS) for pursuing technical / professional courses in India. The Scheme took effect from the academic year 2009-10, w.e.f. 1st April 2009 and is applicable to students from EWS with a parental upper income limit of ₹ 4.50 lakhs and for studies in recognized technical and professional courses in India after class XII. The Ministry of HRD has appointed Canara Bank as the Nodal Bank for the Scheme and had involved the Indian Banks' Association (IBA) in preparing operational modalities. IBA had issued a circular No.SB/Cir./10-21/- dated July 2, 2010 to all member banks in this regard.

5.2 Performance of Education Loans

5.2.1 The total outstanding education loans of Public Sector Banks (PSBs) as on March 31, 2010 stood at ₹ 35,887 crore in 19,11,460 accounts. The increase in total loans outstanding over previous year in absolute and percentage terms was ₹ 8241 crore and about 30 per cent respectively. Year-wise break-up of education loans outstanding as on March 31, 2005 to as on September 30, 2010 is given below:

As on March 31st	No. of Accounts	Amt. outstand-ing (₹ Crore)	Year on Year Growth (%)	
			No. of Accounts	Amount
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
2010#	1911460	35887	19.21	29.81
As on 30th Sept. 2010#	2077664	40823	8.69 *	13.75 *

Source: IBA (source of data for March 2010 and Sept.2010 is reports of PSBs). # Figures are provisional. * Growth over March 2010.

5.2.2 Bank-wise (PSBs) details of education loan outstanding as on 31st March, 2010 and 30st September, 2010 are given at Annex-II

5.3 Initiatives taken to improve performance under the Scheme

In order to facilitate disbursement of loans for education, the Public Sector Banks were 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.

5.3.1 Apart from the above, at the instance of Government, the IBA has advised its member banks on 16th August, 2008 and 12th December, 2008 that the educational loan application should not be rejected or passed on to other bank/branch on the ground of area of operation.

5.3.2 IBA has advised the member banks on March 31st, 2010 that teacher training course/nursing course/ B.Ed. will be eligible for education loan provided the training institutions are approved either by the Central Government or by State Government and such courses should lead to degree or diploma course and not to certification course. The fee to be considered for the purpose should be the fees structure as approved by the State Government or a Government approved Regulatory Body for merit seat in Government Colleges/Private Self Financing Colleges, Cooperative and Colleges run by Universities, as the case may be. In respect of admission through management quota for nursing courses, the fee to be considered for the purpose should be within the fee structure as approved by the State Government or a Government approved Regulatory Body for merit seat in Government Colleges/Private Self Financing Colleges, Co-operative and Colleges run by Universities, as the case may be.

5.4 Concession for Girl Students on Interest Rates

IBA on February 4, 2009 has, at the instance of Government, advised its member banks that at least 0.50% concession in interest rates on education loans may be provided to girl students for pursuing higher education in India or abroad.

5.5 Credit Linked Government Sponsored Schemes for Self Employment

5.5.1 Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

The SJSRY Scheme is in operation since December 1, 1997 in all urban and semi urban areas of the country. The scheme has been revised with effect from April 1, 2009.The target population under the new scheme is the urban poor, those living below the poverty line, as defined by the Planning Commission from time to time.

5.5.2 Under the scheme women are to be assisted to the extent of not less than 30%, differently–able at 3 % and SC / STs at least to the extent of the population of their strength in the local population. The scheme is funded on a 75:25 basis by the Central and the respective State Government.

The new scheme has five components as follow.

(i) Urban Self Employment Programme (USEP)
(ii) Urban Women Self-help Programme (UWSEP)
(iii) Skill Training for Employment promotion amongst Urban Poor (STEP_UP)
(iv) Urban Wage Employment Programme (UWEP)
(v) Urban Community Development Network (UCDN)

5.5.3 During the year 2009-10, disbursements amounting to ₹ 330.24 crore were made in 73,883 cases (out of 81,488 applications sanctioned). Of the above ₹ 80.16 crore were disbursed to 19,432 SC/STs, ₹ 89.62 crore were disbursed to 19,679 women and ₹ 3.31 crore were disbursed to 960 disabled persons.

5.5.4 The Performance of scheduled commercial banks under the scheme during the years 2007-08, 2008-09 and 2009- 2010 is given below:

Performance under SJSRY under USEP/ DWCUA Components

(Amount in ₹ lakh)

Programme Year	Loan Sanctioned		Loan Disbursed	
	No of A/c	Amount	No of A/c	Amount
2007-2008	83,579	31,365	67,342	23,720
2008-2009	87,792	35,050	73,837	28,223
2009-2010	81,488	39,178	73,883	33,024

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 2009-10 is the eleventh year of implementation of the scheme. A total number of 14,00,119 Swarozgaris received bank credit amounting to ₹ 1,568.74 crore (Government Subsidy amounting to ₹ 489.95 crore) under SGSY as at March 2010. Among the Swarozgaris assisted, 3,14,191 (44.03%) were Scheduled Castes/ Scheduled Tribes (SC/STs), 3,89,360 (54.56%) were women and 9,970 (1.39%) were physically handicapped.

5.6.2 The Performance of scheduled commercial banks under the scheme during the years 2007-08, 2008- 2009 and 2009-10 is given below:

Performance of banks under SGSY

(Amount in ₹ lakh)

Year	Total No. of Loans Sanctioned	Total Amount disbursed
2007-2008	14,33,228	1,27,285
2008-2009	13,72,238	1,28,274
2009-2010	14,00,119	1,56,874

Source: RBI

5.7 Developments in the North-Eastern States

In the North Eastern States, during the year 2009-2010 (up to 2010), under SGSY, scheduled commercial banks extended bank credit amounting to ₹ 7551.27 lakh in 86,611 cases with Government subsidy of ₹ 2,660.51 lakh. Of these, 40,307 were from Scheduled Castes/ Scheduled Tribes, 31,253 were women beneficiaries and 185 were disabled.

5.8 Differential Rate of Interest Scheme

5.8.1 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 issued a circular dated June 13, 2007 to revise the limit of loans available under DRI from ₹ 6,500 to ₹ 15,000 and the limit of the housing loan was raised from ₹ 5,000 to ₹ 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 ₹ 5,000 (maximum) for acquiring aids, appliances, equipments, provided they are eligible for assistance under the scheme.

5.8.2 Further, as announced in the Union Budget 2008-09, the eligibility criteria regarding annual family income limits under DRI Scheme have been revised to ₹ 18,000 in rural areas and ₹ 24,000 in urban and semi urban areas vide RBI circular dated April 10, 2008 and August 5, 2008.

5.8.3 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, 2010, the outstanding amount of credit extended by the public sector banks under DRI scheme stood at ₹ 809.37 crore to 3.87 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 ₹ 7,24,150 crore as on the last reporting Friday of March 2009 to ₹ 8,64,564 crore as on the last reporting Friday of March 2010. Advances to agriculture by PSBs amounted to ₹ 3,70,730 crore, constituting 17.3 per cent of ANBC as on the last reporting Friday of March, 2010. Sector-wise break up of priority sector advances of PSBs as on the last reporting Friday of March 2008 is given at Annex- III.

6.2 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.

6.3 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 6.76% at the end of March 2010. 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. Nine public sector banks have opened 26 specialized branches for women as at the end of March 2010. Particulars of Credit to women are given at Annex-IV (a), Annex-IV (b) and Annex-IV (c).

6.4 Prime Minister's New 15 Point Programme for the Welfare of Minorities:

6.4.1 In order to ensure improved financial services for the welfare of minorities, Reserve Bank of India issued a Consolidated Master Circular dated July 1, 2010 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.

6.4.2 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 disposal of applications timely;
- Proper record of receipt and disposal of applications to be maintained;
- Banks should not insist for deposit amount or documents, guarantees, etc. not envisaged in the scheme.

6.4.3 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 March 31, 2010 stood at ₹ 1,12,039 crore which works out to 13.14 per cent of total priority sector advances of PSBs. Pursuant to Budget Announcement 2010-11, all Public Sector Banks have been advised to achieve the Minority Community Lending level of 15% of the Priority Sector Lending of the bank during 2010-11 and efforts should be made to maintain it for the next three years i.e. up to 31st March 2013. The total outstanding loans to Minority Communities, as on 31st December, 2010 stood at ₹ 128382.43 crore (provisional) which works out to 13.59% of Priority Sector Lending of the PSBs. Further, as per reports of PSBs, the total number of new branches opened by PSBs in Minority concentration Districts/ areas as on March 31, 2010 was 743 and during the year 2010-11, upto 31th December, 2010 the total number of new branches opened by PSBs in these areas was 478.

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 sectors like roads, ports, power, urban infrastructure etc. 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 ₹ 2,000 crore and present paid up capital is ₹ 2000 crore. IIFCL is financing eligible infrastructure projects as per SIFTI to support financial closure of infrastructure projects. By the end of December, 2010, IIFCL has sanctioned loans for an amount of ₹ 30,127 crore to 168 projects involving a project cost of ₹ 2,56,970 crore. Out of these 144 projects have achieved financial closure and 21 projects have achieved Commercial Operation Date (CoD). Cumulative disbursement of ₹ 10,240 crore has been made in 116 projects.

7.1.3 As part of the fiscal stimulus package, IIFCL was allowed to raise ₹ 10,000 crore by way of tax-free bonds to provide refinance to banks for their infrastructure loans for which bids have been submitted on or after 31st January 2009. Till 31st December 2010, the company has provided refinance of ₹ 2000 crore to Power Finance Corporation and Rural Electrification Corporation.

7.1.4 To facilitate incremental lending to the infrastructure sector by addressing banks' exposure and asset-liability mismatch constraints, IIFCL has implemented the Takeout Financing Scheme. IIFCL has sanctioned seven projects under the scheme involving takeout amount of ₹ 1517 crore. Further four Public Sector Banks have signed MoU with IIFCL for takeout financing.

7.1.5 Government of India has approved IIFCL as an eligible institution to raise funds through issuance of long-term infrastructure bonds, proposed under Section 80CCF of the Income Tax Act, 1961. The company proposes to raise ₹ 1,200 crore during financial year 2010-11, through private placement/public issue of these bonds in multiple tranches.

7.2 IIFCL (UK) Ltd.

Following the announcement of the Hon'ble Finance Minister in the Union Budget 2007-08, IIFCL (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 till 31st December 2010 has sanctioned USD 1.95 billion to 17 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 241.31 million.

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 2009-10, Exim Bank extended 22 LOCs, aggregating US$ 753.31 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 2009-10, the Bank approved loans of ₹ 38,843 crore as against ₹ 33,628 crore during 2008-09. Disbursements during the year amounted to ₹ 33,248 crore as compared to ₹ 28,933 crore during the previous year. Loan assets increased to ₹ 39,036 crore as on March 31, 2010 from ₹ 34, 156 crore as on March 31, 2009.

7.3.3 Exim Bank also actively supports and facilitates outward investments by Indian companies in their quest for enhanced access to global markets. During the year 2009-10, 18 corporates were sanctioned funded and non-funded assistance aggregating ₹ 10.54 billion for part financing their overseas investment in 6 countries. Exim Bank has provided finance to 259 ventures set up by over 209 companies in 64 countries so far, including Austria, Canada, China, Indonesia, Ireland, Italy, Malaysia, Mauritius, Morocco, Netherlands, Oman Romania, Singapore, South Africa, Spain, Sri Lanka, UAE and USA.

Cooperation with China

7.3.4 Exim Bank of India and China Development Bank Corporation have signed a Memorandum of Understanding for mutual cooperation in December 2010.

7.4 Irrigation and Water Resources Finance Corporation (IWRFC)

7.4.1 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 & Water Resources Finance Corporation (IWRFC) with an initial capital of ₹ 100 crore contributed by the Central Government to mobilize the very large resources that will be required to fund major and medium irrigation projects.

7.4.1 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 ₹ 100 crore contributed by Central Government. State Governments have been invited to contribute to the equity of IWRFC and the response of State Government is awaited.

7.5 Interest Subvention to Exporters

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.

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. 01.12.2008 till 31.12.2010 on pre-shipment credit, for certain employment oriented export sectors. The subvention is provided to the Banks through RBI as per existing RBI guidelines. The Rupee export credit by Scheduled Urban Cooperative Banks holding Authorised dealer category I license has also been included in the scheme. During the year 2010-11, the Scheme has been extended to 8 sectors/sub-sectors till 31.03.2011.

7.6 International Cooperation

India-Oman

7.6.1 As a part of the overall co-operation in various areas between India and Oman, a Joint Venture Agreement to establish Oman-India Joint Investment Fund was signed on 14.07.2010 between State Bank of India (SBI) and State General Reserve Fund (SGRF), Sultanate of Oman. The Joint Venture agreement envisages a Fund of USD 100 million to start with, to be contributed equally by SBI and SGRF. The Fund would, for the present, limit itself to Indian investment opportunities. There is no specific sector focus and the Fund will look for opportunities in all sectors of India permitted by regulations from time to time. The Fund can be expanded to have a corpus of up to USD 1.5 billion through future schemes, depending upon the experience of the initial Fund. The purpose of the collaboration is to attract capital into India from that region.

8 Pension Sector

8.1 Pension-sector reforms were initiated in India to establish a robust and sustainable social security arrangement in the country seeing 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, and was extended to the general public from May 1, 2009 on a voluntary basis. 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 driven. The NPS provides various investment options and choices to individuals to switch over from one option to another or from one fund manager to another, subject to certain regulatory restrictions.

8.2. The Interim Pension Fund Regulatory & Development Authority (PFRDA), set up as a regulatory body for the pension sector, is engaged in consolidating the initiatives taken so far regarding the full NPS architecture and expanding the reach of the NPS distribution network. The full NPS architecture comprising a Central Recordkeeping Agency (CRA), 3 Pension Fund Managers (PFMs), Trustee Bank, Custodian and NPS Trust, has been put in place and is fully operational. The National Securities Depository Limited (NSDL) has been selected as the CRA.

8.3 NPS implementation in the Central Government has stabilized with more than 12.02 lakh subscribers already registered under the NPS upto December 24, 2010 including 7.08 lakh of the Central Government, 4.5 lakh of the State / UT Governments, around 25,000 workers of un-organised sectors and 8721 of NPS Lite. The NPS has also been well received by the State Governments and 27 state / UT Governments have notified similar schemes for their employees under the ambit of the NPS. The PFRDA has been working with all the States to enable them to log on to the NPS architecture with ease. NPS Trust and CRA have been in continuous dialogue with State Governments/Union Territories for facilitating their entry into the NPS. As on date, 22 States / UTs have already signed agreements with CRA and the NPS Trust. However, till December 24, 2010, only 16 State / UT Governments have registered their Nodal offices and subscribers with CRA, out of which 4 States / UTs have not so far initiated fund / data upload.

8.4. Efforts are under way to extend the reach of the NPS to new segments like Central and State autonomous bodies and the organized sector and introduce micro-pension initiatives focusing on a low cost model of the NPS to be implemented through SHGs and similar bodies. More than 250 Central autonomous bodies have evinced interest in joining the NPS. Several State Government autonomous bodies and undertakings are in dialogue with the PFRDA for extending the NPS to their employees.

8.5 For all citizens including workers in the unorganized sector, the NPS is currently available through nearly 4866 service provider (SP) branches of 35 Points of Presence (PoP). The PFRDA has also recently appointed the Department of Posts as PoP in addition to seven other financial institutions which will expand the PoP-SP network by more than five times. While Tier I, the non-withdrawable pension account under the NPS has been in operation since May 1, 2009, Tier II, the withdrawable account has been made operational from December 1, 2009. The PFRDA has also enhanced the maximum entry age into the NPS from 55 years to 60 years. These initiatives are expected to help realize the full potential of the NPS in terms of economies of scale and benefit the subscribers in terms of lower fees and charges and higher returns.

8.6 The PFMs manage three separate schemes consisting of three asset classes, namely (i) equity, (ii) Government securities and (iii) credit risk-bearing fixed income instruments, with the investment in equity subject to a cap of 50 per cent. The fund managers will invest only in index funds that replicate either the BSE sensitive index or NSE Nifty 50 index. The subscriber will have the option to decide the investment mix of his pension wealth. In case the subscriber is unable/ unwilling to exercise any choice regarding asset allocation, his contribution will be invested in accordance with the "auto choice" option with a predefined portfolio.

8.7 SWAVALAMBAN – The Government of India is extremely concerned about the old age income security of the working poor and is focused on encouraging and enabling them to join the NPS. To address this problem, the Union Finance Minister has made the following announcements in the Budget Speech for the year 2010-11:

> "90. To encourage the people from the un-organised sector to voluntarily save for their retirement and to lower the cost of operations of the New Pension Scheme (NPS) for such subscribers, Government will contribute ₹ 1000 per year to each NPS account opened in the year 2010-11. This initiative, "Swavalamban" will be available for persons who join NPS, with a minimum contribution of ₹ 1000 and a maximum contribution of ₹ 12000 per annum during the financial year 2010-11. The scheme will be available for another three years. Accordingly, I am making an allocation of ₹ 100 crore for the year 2010-11. It will benefit about 10 lakh NPS subscribers of the un-organised sector. The scheme will be managed by the interim Pension Fund Regulatory and Development Authority.
>
> 91. I also appeal to the State Governments to contribute a similar amount to the scheme and participate in providing social security to the vulnerable sections of the society."

8.8 The Finance Minister has formally launched the Swavalamban Scheme on 26.09.2010 at Jangipur (West Bengal). The PFRDA will implement the Swavalamban Scheme through a network of Aggregators, such as, Government agencies, Life Insurance Corporation Housing Finance Ltd. or NGOs.

8.9 The Finance Minister had, in his Budget Speech and also in his series of meetings with the Chief Ministers of the State Governments, appealed to all the State /

UT Governments to consider a similar co-contributory pension schemes for the workers of un-organised sector. In response to the appeal of the Finance Minister, two states, namely Haryana and Karnataka have already announced co-contributory schemes for specific occupational groups for the workers in the un-organised sector promising to contribute ₹ 1200 per annum over and above the subscribers' contribution and the contribution of the Central Government under Swavalamban Initiative. It is expected that many more States may join the Central Government initiative giving this a truly national character and this would help in addressing the challenge of meeting old age income security of the entire population of the working poor.

8.10 Pension reforms in India have made substantial progress. With the extension of the NPS to all citizens from May 1, 2009, every citizen in the country now has the opportunity to participate in a regulated pension market. This will contribute significantly to old age income security in the country.

Challenges and Outlook

8.11 Pension reforms in India have generated widespread interest internationally. Lower level of literacy among the workers in un-organised sectors, very low level of financial literacy among these target groups, non-availability of even moderate surplus of their income with the workers in un-organised sector to save for their retired life and, so far, lukewarm response from most of the State / UT Governments for a co-contributory scheme for Swavalamban are the major challenges in universal inclusion of poorer sections of Indian society and to address the public policy objective of addressing the longevity risks among the workers in un-organised sectors. Government has advised PFRDA to address these issues squarely by adopting a comprehensive strategy. The success of pension reforms will not only facilitate the flow of long-term savings for development, but also help establish a credible and sustainable social security system in the country.

8.12 The recent global financial turmoil raised many issues about governance of financial intermediaries and awareness of investors. Investor awareness is a prerequisite for investor protection. In fact, investor protection and education are two sides of the same coin. Neither of the two can have the desired impact in isolation. A simultaneous and co-ordinated effort on both fronts would help investors take well informed financial decisions besides protecting their interests and ensuring orderly conditions in markets. Greater effort, therefore, is needed for investor education and promoting investors' protection.

9. Insurance Sector

9.1 The Insurance Regulatory and Development Authority

The insurance sector was opened up to private participation with the enactment of the Insurance Regulatory and Development Authority Act, 1999. The IRDA at present consists of the Chairman, 4 full-time members and 4 part-time members. The Authority is functioning from its Head Office at Hyderabad, Andhra Pradesh. The core functions of the Authority include (i) licensing of insurers and insurance intermediaries; (ii) financial and regulatory supervision; (iii) control and regulate premium rates; and (iv) protection of the interests of the policyholders. 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.

9.2 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 48 insurers operating in the life, non-life and re-insurance segments (including specialized insurers, viz., Export Credit Guarantee Corporation and Agricultural Insurance Company). Three of the general insurance companies, viz., Star Health and Alliance Insurance Company, Apollo MUNICH Health Insurance Company and Max BUPA Health Insurance Company function as standalone health insurance companies. Of the twenty two insurance companies which have set up operations in the life segment post opening up of the sector, twenty are in joint venture with foreign partners. Of the eighteen insurers who have commenced operations in the non-life segment, sixteen had been set-up in collaboration with the foreign partners. The three standalone health insurance companies have been set up in collaboration with foreign joint venture partners. Thus, as on date, thirty six insurance companies in the private sector are operating in the country in collaboration with established foreign insurance companies from across the globe.

9.3 Life insurance industry

9.3.1 The post liberalization period has been witness to tremendous growth in the insurance industry, more particularly so in the life segment. The first year premium, which is a measure of new business secured, underwritten by the life insurers during 2009-10 was ₹ 109894.02 crore as compared to ₹ 87331.08 crore in 2008-09 registering a growth of 25.84% against negative growth rate of 6.81% during the year 2008-09. In terms of linked and non-linked business during the year 2009-10, 54.53% of the first year premium was underwritten in the linked segment while 45.47% of the business was in non-linked segment as against 51.13 & 48.87 in the previous year. The total premium, which includes first year premium and renewal premium during 2009-10, was ₹ 265450.37 crore as compared to ₹ 221785.47 crore in 2008-09 registering a growth of 19.69% against

10.15% in the previous year. In terms of linked and non-linked business during the year 2009-10, 43.52% of the total premium was procured in the linked segment while 56.48% of the business was in non-linked segment as against 40.87 and 59.13 in the previous year.

9.3.2 The life insurers underwrote new business of ₹ 86699 crore during the period April to December 2010 in the current financial year, 2010-11 as against ₹ 67558 crore in the corresponding period in 2009-10, recording growth of 28.33 per cent. Of the new business premium underwritten, LIC accounted for ₹ 61719 crore (71.19 per cent market share) and the private insurers accounted for ₹ 24980 crore (28.81 per cent market share). The market share of these insurers was 65.39 per cent and 34.61 per cent respectively in the corresponding period of 2009-10.

9.4 Non-life insurance industry

9.4.1 The non-life insurers (excluding specialized institutions like ECGC and AIC and the standalone health insurance companies) underwrote premium of ₹ 35815.87 crore in 2009-10, as against ₹ 31428.40 crore in 2008-09 registering a growth of 13.96%. This premium includes the business done outside India by the private sector. The net premium for the financial year 2009-10 was ₹ 27879.85 crore as against ₹ 24411.45 crore in the year 2008-09. One of the benefits of opening up of the insurance sector has been the extension of health cover to a wider cross-section of the society. Health premium accounted for 21.12 per cent (₹ 7311 crore) of the gross premium underwritten by the non-life insurance industry in 2009-10 as against 20.06 per cent (₹ 6088 crore) in 2008-09. Health insurance is one of the fastest growing segments in the non-life insurance industry in recent years, and has grown 20.09 per cent during 2009-10.

9.4.2 At the time of opening up of the sector in 2000-01, the health premium was ₹ 519 crore, viz., the 5.29 per cent of the gross premium underwritten. In addition, standalone health insurers underwrote premium of ₹ 1076.44.00 crore in 2009-10 as against ₹ 558.01 crore in 2008-09.

9.4.3 The non-life insurers underwrote a premium of ₹ 30813 crore during the period April to December 2010 in the current financial year recording a growth of 22.41 per cent over ₹ 25172 crore underwritten in the same period in 2009-10. The private sector non-life insurers underwrote a premium of ₹ 12721 crore in April-December, 2010 as against ₹ 10230 crore in April-December, 2009, reporting a growth of 24.35 per cent. The public sector non-life insurers underwrote a premium of ₹ 18092 crore which was higher by 21.08 per cent (₹ 14942 crore in the April- December 2009). The market share of the public and private insurers stood at 58.72% and 41.28% at the end of December, 2010 (59.35% and 40.65% at the end of December, 2009).

9.5 Penetration and Density

9.5.1 The potential and performance of the insurance sector is universally assessed in the context of two parameters, viz., Insurance Penetration and Insurance Density. Insurance penetration is defined as the ratio of premium underwritten in a given year to the gross domestic product (GDP). Insurance density is defined as the ratio of premium underwritten in a given year to the total population (measured in US$ for convenience of comparison).

9.5.2 The Insurance Penetration was 2.32 (Life 1.77 and Non life 0.55) in the year 2000 when the sector was opened up for private sector, and has increased to 5.39 in 2009 (Life 4.73 and Non life 0.66). Insurance Penetration in some of the emerging economies in Asia, i.e., Malaysia, Thailand and China during the same period was 4.84, 4.07 and 3.27 respectively. The insurance density in India was US$9.9 in 2000 which has increased to US$54.3 in 2009 (Life 47.7 and Non-life 6.7). The comparative figures for Malaysia, Thailand and China during the same period were US$ 357.0,$ 158.5 and $121.2 respectively.

9.6 Recent Initiatives

Recent initiatives taken in the insurance sector include:

(i) **Amendment to Insurance Legislation:** The Insurance Laws (Amendment) Bill, 2008 introduced in the Parliament proposes to amend the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999 and the General Insurance Business (Nationalization) Act, 1972. The amendments to the Insurance Act and the IRDA Act focus on the current regulatory requirements. The proposed changes provide for more flexibility in operations and are aimed at deletion of certain sections which are no longer relevant in the present context. The amendments also provide for enhancement of enforcement powers and levy of stringent penalties. This Bills is under exanimation by the Departmental Standing Committee.

(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 the tariff regime was inconsistent with the opening of the sector to provide healthy competition. De-tariffing of the non-life industry was notified w.e.f., 01-01-2007. As a first step de-tariffing was confined to de-control of rates only and terms & conditions of the policy were not permitted to be changed till 31st March, 2008. 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. Further, with a view and to ensuring 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. After detariffing of the General Insurance industry, in a series of steps taken to promote innovations in products and to increase insurance penetration, IRDA has allowed insurers to file variations in deductibles set out in tariffs, new add-on covers/riders over and above the erstwhile tariff covers, extension of engineering insurance coverage to movable/ portable equipments etc., The insurers have also been permitted to extend engineering insurances to mobile/ portable equipments. Industrial All Risk (IAR) policies could now be issued to all industries including the petrochemical industry with the sum insured less than ₹ 100 crore. However, the general insurers have not been permitted to abridge the scope of standard covers available under erstwhile tariffs.

(iii) Creation of the Motor Pool: The Authority (in consultation with the Committee constituted under Section 110G of the Insurance Act. 1938) 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 instructions of General Insurance Council in the matter of procedure in underwriting-documentation-accounting. In order to achieve, speedy and efficient settlement of claims, GIC was appointed the Administrator of the pooling arrangement under an agreement entered into 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 to regulate the premium rates and terms of cover. The Pool has been set up to ensure availability of statutory Third Party insurance protection and help build database for analyzing the results of the pooling arrangement under the Motor-TP segments. In the initial period of nearly four years, the above two objectives appear to have been met substantially. The supply side constraint has diminished and the data is being collected and stored regularly.

(iv) Innovations in Health Insurance: Eighty per cent of all health expenditure in the country is spent through personal resources. This is despite an increase in premium from ₹ 519 crore in 2000-01 to ₹ 7311 crore (14 times) in 2009-10. With increasing demand, the health insurance industry has introduced innovative products to enable the policyholder to plan comprehensive protection against health eventualities by combining hospitalisation indemnity products with supplementary covers or additional policies to meet specific needs of the policyholder. There are products available that provide Daily Hospital Cash benefit in the form of fixed daily allowance which could be used to cover the incidental costs associated with hospitalisation (like travel and stay costs of an attendant). These benefits are available either on standalone basis or as optional component of a packaged health insurance policy. Though most of the health policies offered are annually renewable, insurance companies are finding innovative ways to establish long term arrangements with the policyholder by offering long term policies or by incentivising timely renewals, free health check-ups, loyalty vouchers for OPD covers, etc. The innovative covers offered by the health insurance industry have to some extent blurred the lines between life and non-life covers.

Recently, the IRDA has received products under the file and use mechanism, offering pure term life insurance products along with health insurance products under the umbrella of a single product. The IRDA has allowed the same as a product class within a broader policy framework of ensuring an informed choice and effective policy service to the policyholders. It is envisaged that the combi-products could enhance the penetration of personal lines of insurance business with a wider product choice to policyholders. While IRDA adopts a business facilitative approach, it is expected that all insurance companies would put in place prudent market conduct practices and operational procedures for protecting the interests of policyholders.

(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 sections 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. The micro insurance regulations have been made effective from 2005. These regulations are in addition to the obligations for rural and social sector business to be done by all insurers on an annual basis. There were 8676 (PY 7250) micro insurance agents operating in the micro insurance sector as at the end of 2009-10. The new business premium secured during the year was ₹ 243.41 crore (₹ 205.95 crore in 2008-09) on 1.68 crore lives (₹ 1.26 crore lives in 2008-09) in group category and ₹ 158.22 crore premium (₹ 36.57 crore in 2008-09) on 0.30 crore policies (0.22 crore policies in 2008-09) in the individual category. An amount of ₹ 178 crore (₹ 154.63 crore in 2008-09) was paid on 43463 claims (50338 claims in 2008-09) in group category and ₹ 8.19 crore (₹ 3.31 crore in 2008-09) on 7508 policies (2527 policies in 2008-09) in the individual category during the year 2009-10.

(vi) Investments by the insurance sector: During 2009-

10, the IRDA aligned the definition of 'infrastructure facility' with that of the Reserve Bank of India (RBI) thereby creating more room for the insurers to invest in infrastructure sector. The Authority has also relaxed the ceiling of investments in infrastructure to 20 per cent in a "single" investee company as against 10 per cent earlier. The limit is applicable to the combination of both debt and equity taken together without sub ceilings in instruments satisfying certain criteria. An additional exposure of 5 per cent has been permitted in 'debt' alone with prior approval of the respective insurer's Investment Committee. Further strengthening on the risk management structure, IRDA has issued guidelines on the scope for "Internal and Concurrent Audit" for investment operations of insurance companies to monitor investment of both traditional and unit linked portfolio, at a closer level with the aim of mitigating risk. Similar, stipulations are also applicable to non-life insurance companies. The guidelines for audit of Investment Risk Management Systems and Processes were also issued during the year.

The total funds invested by life insurers as on 31st March, 2010 was ₹ 12,05,155 crore (₹ 9,16,365 crore in 2008-09), of these ₹ 3,31,619 crore (27.52 per cent of total funds) represents ULIP funds and the remaining ₹ 8,73,536 crore (72.48 per cent) is the contribution by traditional products. The share of ULIP funds in total investments has continued to grow in recent years reflecting the public preference for these products. During 2009-10, ULIP funds contributed 55 per cent of the incremental investments (26.39 per cent in 2008-09). While ULIP funds contributed ₹ 1,58,856 crore (₹ 39,686 crore in 2008-09) of the incremental investments, the contribution by the traditional products was ₹ 1,29,934 crore (₹ 1, 10,710 crore in 2008-09).

Non-Life insurers have contributed 5 per cent of total investments made by the insurance industry. The total amount of investments made by the sector, as on 31st March, 2010, was ₹ 66,372 crore (₹ 58,893 crore as on 31st March, 2009). During 2009-10, the net increase in investments by the non-life industry stood at ₹ 7,479 crore (12.70 per cent growth over previous year).

(vii) Initiatives at enhancing public disclosures: With a view to improving transparency in operations, the Authority has been working towards enhancing disclosures to be made by insurance companies on periodic basis. A major step in this direction has been the issuance of disclosure guidelines in January, 2010. The stipulations on disclosures to be made by insurance companies have been strengthened by the Authority to fill the gap in availability of information in the public domain. These disclosures are required to be made through (i) Publication in Newspapers; and (ii) Hosting on the respective company websites, effective from the period ended 31st March, 2010. This initiative has placed the insurance companies, which are presently not publicly listed entities, at par with the listed entities in the corporate world in terms of public disclosures. Listed corporate entities are governed by the terms of the Listing Agreement, which amongst other things provides for public disclosure of performance on a quarterly basis.

(viii) Disclosures in the Prospectus Document: Public disclosure of risks faced by the insurers is critical for ensuring a fair and orderly growth of the insurance sector. The disclosures are required to be reliable and timely to ensure efficiency of the markets. The disclosures also provide necessary feedback to the insurance regulator to ensure safety of investors as well as the policyholders. While individual policyholders may not have the necessary ability and resources to undertake the task of assessing the insurers, other stakeholders, including the analysts in the market can provide necessary inputs based on the disclosures made by the insurance companies. Several insurance companies will be completing 10 years of their operations shortly, after which they may be allowed by the Regulator to go for an Initial Public Offer (IPO). It is essential that the investors are fully aware of the financial performance, company profile, financial position, the risk exposure, elements of corporate governance in place, and the management of the insurance companies. The Authority is participating in the discussions at the meetings of the Standing Committee on Disclosures & Accounting Issues (SCODA) set up by Securities and Exchange Board of India (SEBI) to finalise the disclosure requirements for insurance companies in the Prospectus document. While laying down the stipulations on disclosure requirements, the Authority has drawn on the international best practices in this regard. It is proposed that the disclosure requirements for the life and non-life companies would be separately mandated given the nature of their respective businesses.

(ix) Financial Condition Report (FCR) for non-life insurance companies: The non-life insurance companies have been mandated to submit the Financial Condition Report annually, effective 31st March, 2010 for the said financial year in the prescribed format. The objective of the FCR is to facilitate analysis of the current block of business as on the valuation date to bring out clearly the challenges the insurers face in terms of meeting the solvency requirements, their profitability and other risks viz. morbidity, liquidity, credit and expense, investment return, asset-liability mismatch, etc. This experience will also indicate the insurer's position on these parameters for the next one year. With this initiative, the Authority has expanded its mandate on the submission of the FCR beyond the life insurance companies to also bring in the non-life insurers within the ambit of such reporting.

(x) Initiatives at AML FATF: Under the existing framework, the Inter-Ministerial Coordination Committee on AML/CFT (IMCC) has been set up as the co-ordinating body on issues relating to membership into FATF and further follow up processes. The inputs for the process and implementation of the recommendations are being handled by the respective regulators/agencies. Based on the initiatives of the respective regulators/agencies India has been granted membership of the FATF in June, 2010. Concerns expressed by FATF in terms of implementation of certain recommendations are being addressed through the approved action plan which has been submitted to the Secretariat of the FATF. The existing framework has worked satisfactorily and has delivered in terms of India being granted the membership of FATF. More recently, the National Regulatory Framework Assessment Committee comprising of representatives from the financial sector regulators and the Government agencies has been constituted to address various regulatory concerns and to facilitate the process of plugging the various gaps observed in compliance with the various recommendations.

IRDA issued the guidelines on Anti-Money Laundering Programme for the insurance industry on 31st March 2006. Insurers are required to ensure that a proper AML policy framework is in place effective from 1st August 2006 in case of life insurance companies and 1st January 2007 in case of non-life insurance companies.

(xi) Data Warehouse: The Authority has constituted the Insurance Information Bureau (IIB), an advisory body which is collecting, processing and disseminating data. IIB has been formed to ensure that the business data of insurance companies is collected and processed in an orderly manner and is made available at regular intervals. Hence, it is useful for the various market players, researchers, policyholders as well as the public at large for real-time decision making. IIB functions as a single point official reference for the entire data requirement on the insurance sector. All the necessary decisions regarding processing and dissemination of data are being undertaken as per the policy laid down by the Bureau. All non-life insurers are required to upload the insurance data on motor, health and other lines of business online as per the data formats prescribed and provided by IRDA. As part of the initiative, aggregate level data for the nonlife industry as a whole is made available to the insurers for making better underwriting decisions.

(xii) Grievance Redressal: The Consumer Affairs Department of IRDA handles policyholder grievances, apart from carrying out awareness campaigns on insurance. The Grievance Cell looks into the complaints from policyholders against life and non-life insurance companies. Prospects and policyholders are advised to first file their complaints with the respective insurance companies. The Grievance Cell facilitates redressal by taking up the complaints with the company. Where required, investigations and enquiries are carried out by IRDA. Recently, IRDA has provided an alternative channel for prospects and policyholders to lodge complaints with the Grievance Cell by launching the IRDA Grievance Call Centre (IGCC). The IGCC receives and registers complaints through a Toll Free number. Complainants can also track the status of their complaints through IGCC. The Authority is also in the process of implementing the Integrated Grievance Management System (IGMS) through automation of the Grievance Cell for on-line registration of complaints. The proposed automated system would also enable on-line verification of status and redressal. Further, under the Corporate Governance guidelines, the Authority has also mandated that insurers shall have in place the Policyholder Protection Committee.

(xiii) ULIPs: With a view to protecting the interests of policyholders, the IRDA has taken a number of initiatives. The objective of these initiatives is to rationalise the product features through such clauses as (i) minimum lock-in period being increased from three years to five years, with the stipulation being applicable to even top-ups; (ii) charges on Unit Linked Insurance Products (ULIPs) have been mandated to be spread evenly over the lock-in-period; (iii) ULIPs, other than single premium products, to have a minimum premium paying term of five years; (iv) individual products to have a minimum policy term of five years, although group products continue to be on annual renewable basis; (v) all products including pension/annuity must have a minimum sum assured payable on death; (vi) ULIP pension/annuity products shall offer a minimum guaranteed return of 4.5 per cent per annum or as specified by IRDA from time to time; (vii) top up premium must also have insurance cover; (viii) the facility of partial withdrawal to be permissible only after the fifth policy anniversary for individual products. Partial withdrawals in case of pension/annuity products are not allowed and the insurer shall convert the accumulated fund value into an annuity at maturity; and (ix) all ULIPs, other than pension and annuity products must provide the prescribed minimum mortality/health cover.

(xiv) Variable Insurance products: Guidelines have been issued by the Authority on Variable Insurance products (VIP) on 23rd November, 2010. Under the guidelines, all VIPs shall only be offered under non-unit linked platform either as participating or non-participating products and shall not be permitted under unit linked platform. The guidelines provide that benefits under these products would be payable either on death or maturity. The guidelines further require that only regular premium products with minimum policy and payment terms of 5 years are allowed. Single premium, limited premium and group insurance contracts are not allowed under these products.

(xv) Credit Insurance: Guidelines on Trade credit insurance policies were issued by the Authority which are effective from 13th December, 2010, with a view to standardizing the features of these products. All insurers are required to revise their products in line with the File & Use guidelines and the trade credit insurance guidelines. These guidelines specify that a policyholder should necessarily be a supplier of goods and services and his coverage under the policy should be towards loss incurred due to non receipt of trade receivables. The credit cover and can only be issued on whole turnover basis covering all buyers.

(xvi) Corporate Governance guidelines for insurance companies: Corporate Governance guidelines have been put in place for insurance companies. As per the stipulations, insurance companies were required to be compliant with the guidelines effective from 1st April, 2010. The Guidelines provide for the structure, responsibilities and functions of the Board of Directors and the senior management of the company. The guidelines cover the major structural elements of an insurance company, including governance structure; Board of Directors; Control functions; senior management - CEO and other senior functionaries, role of Appointed Actuaries, external audit – Appointment of Statutory Auditors; Disclosures; Outsourcing; relationship with stakeholders; interaction with the supervisor; and the whistle blowing policy. Insurers are required to have a minimum of two independent directors on their Board as long as they are unlisted, and all directors must meet the 'fit and proper' criteria. The Guidelines have further laid down stipulations on formation of mandatory committees - Audit; Investment; Risk Management; Asset Liability Management (in case of life insurance companies); Policyholder Protection; and optional committees - Remuneration; Nomination; and Ethics.

9.7 Life Insurance Corporation of India (LIC)

9.7.1.1 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 the message of life insurance in the country and to mobilize people's savings for nation building activities.

9.7.1.2 The Corporation also transacts business abroad and has Branch Offices in Fiji, Mauritius and United Kingdom. LIC also operates in overseas Insurance Market through Joint Venture Companies namely Life Insurance Corporation (International) B.S.C.(c), registered in Manama (Bahrain); Kenindia Assurance Company Ltd. registered in Nairobi; Life Insurance Corporation (Nepal) Ltd. registered in Kathmandu; Life Insurance Corporation (Lanka) Ltd. registered in Colombo and Saudi Indian Company for Co-operative Insurance registered in Riyadh. A Representative Office was established on 6th November, 2008 in Singapore to study the Regulatory issues and to assess the market potential in order to find an appropriate mode of entry into Singapore insurance market. Among the above, Kenindia Assurance Co. Ltd., Nairobi, Kenya and Saudi Indian Company for Co-operative Insurance, Riyadh and Kingdom of Saudi Arabia are composite companies transacting life and non-life business.

9.7.1.3 As on 31st December, 2010, LIC has 8 Zonal Offices, 111 Divisional Offices, 2048 Branch Offices and 1104 Satellite Offices.

9.7.2 New business procured during the calendar year is as follows:- (Table 5.4)

We have a agency force of 13,58,121 including new recruitment of 1,00,196 agents during the current calendar year up to December 2010.

9.7.3 Group Insurance Business: For the year ended 31st March 2010, business under group schemes, both new and renewed, was to the tune of ₹ 4,57,628.70 crore providing cover to 763.66 lakh lives against ₹ 4,17,243.60 crore providing cover to 623.90 lakh lives during the preceding year. Under group superannuation scheme, new annuities to the tune of ₹ 520.38 crore per annum was granted to 51.17 lakh lives as against ₹ 347.52 crore per annum to 5.69 lakh lives during the preceding year.

9.7.4 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. The schemes are as under.

(a) Janashree Bima Yojana: In pursuance to announcement in the Budget 2000-2001, LIC launched a new scheme of group insurance namely,

Table 5.4

New Business Performance for the period 01.01.10 to 31.12.10

	First Year Premium (₹ in crore)		% Growth rate	Policies		%Growth rate
	Jan'09 to Dec'10	Jan'10 to Dec'9		Jan'10 to Dec'10	Jan'09 to Dec'09	
Total	58032.87	48725.38	19.10	3,77,03,065	3,91,92,938	-3.80
Single Premium	32208.70	28,132.06	14.49	54,92,611	63,95,697	-14.13
Non-Single Premium	25824.17	20593.32	25.40	3,22,10,454	3,27,97,241	-1.79

'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 ₹ 30,000 on natural death of the member, ₹ 75,000/- on death / total permanent disability due to accident and ₹ 37,500/- on partial permanent disability due to accident before attaining 60 years of age. The premium per member is ₹ 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. As on 31.12.2010, 1,91,34,549 lives were covered 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 ₹ 600/- per half year without any additional premium for availing the supplementary benefit of scholarship. Numbers of scholarships disbursed during the last 3 years are:

Year	No. of Scholarships	Total Amount (in Rs.)
2006-07	7,41,432	43,76,10,400
2007-08	13,01,136	76,29,88,382
2008-09	13,08,858	97,21,43,040
2009-10	9,13,281	88,90,73,701

(c) 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 ₹ 600/- per half year per child. The annual premium payable per member is ₹ 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 ₹ 1000 crore has been placed in a Fund that will be maintained by LIC. During 2008-2009, an amount of ₹ 1000 crore was released by Government of India. This will take care of the premium share of Government of India. A separate fund of ₹ 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 31.12.2010, 1,67,95,563 Rural landless households were covered under this scheme.

(d) Micro-Insurance Products: The Micro Insurance Regulations, 2005 provides a platform to distribute insurance products which are affordable to the rural and urban poor. The Micro Insurance (MI) business channel of LIC was initiated in the year 2006 and the first MI plan "JEEVAN MADHUR" for low income persons was launched on 28th September, 2006 by the then President of India, H'onble Dr. A. P. J. Abdul Kalaam. 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 to the date of maturity, maturity sum assured is paid along with vested bonus if any. On death of the policyholder, Death Benefit amount equal to total premiums payable during the entire term of the policy will be paid alongwith vested bonus if any. On death arising as a result of accident an additional amount, equal to death benefit sum assured shall be available during the term of the policy. If at least two full years premiums have been paid in respect of this policy, any subsequent premium be not duly paid, full death cover shall continue from the date of First Unpaid Premium (FUP) for a period of two years or till the end of policy term whichever is earlier (Auto-cover).

On 3rd September, 2009, LIC launched its second Micro Insurance product: "Jeevan Mangal"; a Term Assurance Plan with return of Premiums paid on Maturity. So far 15,98,949 Jeevan Mangal policies have been completed.

Product Features of the Plan are as follows:

- Death Benefit: On death during the term of the policy, the Sum Assured under the basic plan is payable, provided the policy is in force.
- Maturity Benefit: On surviving to the date of maturity, an amount equal to the total amount of premium paid during term of the contract excluding the Accident Benefit Premium and all extra premium, if any, is payable provided the policy is kept in force.
- Optional Rider (Accidental Benefit Rider) : A death arising as a result of accident during the term of the policy, an additional amount equal to Accident Benefit Rider Sum Assured is payable.
- The modes of premium payment allowable are : Yearly, Half Yearly, Quarterly, Monthly including SSS, Fortnightly, Weekly and Single Premium (Single Premium is allowed for a 10-year term only).

The benefits in brief under this plan are as follows:

- Death benefit: Payment of Sum Assured under the plan
- Maturity Benefit: Return of premiums paid excluding premiums for (A.B.) rider if opted for and extra premium s if any.
- Accident Benefit (Optional): Available on payment of A.B. rider premium
- Grace period: Two calendar months or 60 days (for all modes) whichever is higher.

Micro Insurance channel of LIC renewed the existing

Micro Insurance Bimagram Scheme with new name "Madhur Bimagram" for the year 2010-11. The features of the scheme are as follows:

Definition of village:

- Village should be rural centre as per the definition of IRDA for rural centre.-Population should be less than 5000 but should be at least 1000, i.e between1000 to 5000.
- Density of population should be less than 400 persons per square km.
- More than 25% of male working population should be engaged in agricultural pursuits in that village.

Qualifying conditions for MI Gram status for a village as above:

- At least 300 Micro Insurance policies (i.e. Jeevan Madhur, Jeevan Mangal and forthcoming MI products) must be sold in the village during the period 01.04.2010 to 31.03.2011.
- At least 50% of the households in the village should have at least one policy of LIC of India. Any policy, including MI policy will be counted for this 50 percentage criteria. This ensures that at least half of the households in that village are our policy-holders.

Incentive which can be provided to the "MI Bimagram" village:

- 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 1st April 2010 to 31st March 2011 subject to a maximum ceiling of ₹ 22,500/-.

So far 105 Madhur Bimagrams have been completed from 01.04.2010 to 31.12.2010.

During last financial year (2009-2010), LIC completed 343 MI Bimagrams whereas during the year (2008-09) 133 Madhur Grams were completed.

Since inception of the MI business channel in 2006 the progress made till 31/12/2010 is as follows:

- ➢ MI policies sold: 59.51 lakhs
- ➢ Number of Death claims settled: 10960
- ➢ Claim Amount disbursed: ₹ 16.76 crore
- ➢ No. of MI Agents (NGOs/SHGs/MFIs/Corporate Agents/Brokers/Others):9035

9.8 Settlement of Claims

9.8.1 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 01.01.2010 to 31.12.2010, the Corporation has settled 2.21 crore number of claims compared to 1.64 crore number of claims during the corresponding period of last year. The percentage of claims outstanding at the end of the period (01.01.2010-31.12.2010) to the claims payable during the period is 0.96% by number as on 31/12/2010 compared to 1.08 % as on 31.12.2009. During the period 01.01.2010-31.12.2010, 96.58 % of maturity claims were settled on or before the date of maturity.

9.8.2 Redressal of Public Grievances

9.8.2.1 The Corporation (LIC) has Grievance Redressal Officers (GRO) at Branch/ Divisional/ Zonal/ Central Office to redress grievances of customers. Their names and availability timings are published in newspapers of wide circulation from time to time. The spirit of customer relations and customer care have been ingrained in our complaint redressal system with emphasis on placing customer oriented personnel at all touch points.

9.8.2.2 IT enabled proactive support systems have been operationalised to reduce manual interventions and minimize grievances. For ensuring quick redressal of customer grievances Corporation has introduced a Customer friendly Complaint Management System through our Customer Portal (website) which is http://www.licindia.in, where policy holder can directly register complaint/grievance and track its status (online).

9.8.2.3 As per the Corporate Governance Guidelines 2009 issued by IRDA, the Corporation has constituted 'Policyholders Protection Committee' consisting of 3 Members of the Corporation to look into the issues related to the protection of the interest of the policyholders as well as the grievance redressal mechanism of the Corporation.

9.8.2.4 A Grievance Redressal Committee has also been constituted by the Chairman of the Corporation in the current year under the supervision of Executive Director (CRM) to monitor the functioning of the grievance redressal mechanism, with Chief (Health), Chief (Pension &Group Scheme) and Secretary (Micro Insurance) as members of the committee.

9.8.2.5 The Grievance Redressal Policy for the Corporation has been framed as per the Guidelines issued by IRDA which has been duly approved by LIC Board in its meeting held on 28th January, 2011.

9.8.2.6 A Claims Review Committee is in place to review repudiated death claims. These committees at Central & Zonal Offices have among their Members, a retired High Court / District Court judge. This has helped providing transparency and confidence in our operations and has resulted in greater satisfaction among claimants, policyholders and public.

9.8.2.7 Apart from the Claims Review Committee, a Standing Committee is also formed at Divisional, Zonal & Central Office level to deal with issues related to customer service, which cannot be decided at the respective servicing departments on account of procedural constraints.

9.9 General Insurance Corporation of India (GIC Re)

9.9.1 General Insurance Corporation of India (GIC Re) was approved as the Indian Reinsurer in the year 2000. GIC Re aims at optimising the retention within the country and developing adequate reinsurance capacity. The Corporation also started accepting reinsurance of life insurance risks with effect from 2003 onwards.

9.9.2 As the "Indian Reinsurer", GIC Re provides reinsurance support to life and non-life Insurance Companies in India. Internationally, GIC Re leads the reinsurance programmes of the Insurance companies in SAARC nations, African countries and Middle-East. In the process, it is a preferred Reinsurer in the Afro-Asian region.

9.9.3 GIC Re continues its role as a reinsurance facilitator by managing Marine Hull Pool, Terrorism Insurance Pool and India Motor Third Party Insurance Pool for Commercial vehicles on behalf of Indian Insurance industry. During the year 2009-10, the Corporation continued to offer maximum support for all classes of business to the Indian insurers.

9.9.4 During the year 2009-10, the net premium of the Corporation is ₹ 8776.87 crore as against ₹ 7402.33 crore in the previous year. The net incurred claims is ₹ 6856.39 crore i.e., 84.9% as against ₹ 6217.14 crore in the previous year i.e., 79.6%. Profit before tax is ₹ 1290.20 crore as on 31st March 2010 compared to ₹ 1811.59 crore as on 31st March 2009. Profit after tax for the year is ₹ 1774.60 crore as against ₹ 1407.20 crore in the previous year. The present paid up capital of the Corporation is ₹ 430 crores.

9.10 Public Sector General Insurance Companies

9.10.1 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.

9.10.2 The gross premium income of these companies during 2008-09 was ₹ 19108 crore as against ₹ 17812 crores during 2007-08 representing a growth of 7.27% The net worth of these four companies as on 31st March, 2009 stood at ₹ 14,317 crores as against 13801 crores as on 31st March, 2008. The Profit after tax for the year 2008-09 was ₹ 499 crores from ₹ 2205 crores in 2007-08. The companies have paid a total dividend of ₹ 141 crores in 2008-09 as against ₹ 449 crores 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.

9.11 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 ₹ 30,000 towards hospitalization floated amongst the entire family, death cover due to an accident for ₹ 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 ₹ 365 to ₹ 300, from ₹ 548 to ₹ 450 for a family of 5 and from ₹ 730 to ₹ 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 (₹ 2,500 for normal delivery and ₹ 5,000 for caesarian delivery); (v) the benefit of loss of wages @ ₹ 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. ₹ 200, ₹ 300, ₹ 400. As on 31st October, 2009, 5,28,790 families were covered and 17,85,679 persons were covered. The premium was ₹ 2235.22 lacs and claims of ₹ 631.42 were paid.

9.12 Agriculture Insurance Company of India Limited (AICIL)

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 ₹ 1500 crore with initial paid-up capital of ₹ 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.

9.12.1 National Agricultural Insurance Scheme (NAIS)

9.12.1.1 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 Limited (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, banana, pineapple, jeera, garlic, cumin, coriander, isabgol, fenugreek, tomato, brinjal. Other annual horticultural/commercial crops can also be covered under NAIS, subject to the availability of the past yield data.

9.12.1.2 The premium rates for Kharif season 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. However some State Governments like Maharashtra, Andaman & Nicobar Island, Puducherry, Goa, Himachal Pradesh., Tamil Nadu, West Bengal provide higher subsidy to farmers for select areas/ crops.

9.12.1.3 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, Manipur, Mizoram, Orissa, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand, West Bengal, Andaman & Nicobar Islands and Puducherry.

9.12.1.4 The cumulative performance under National Agricultural Insurance Scheme (NAIS) since inception in Rabi 1999-2000 till Rabi 2009-10, covering 21 seasons is (as on date) given in the Table below: - (Table 5.6)

9.12.1.6 The Performance under NAIS during last two season i.e. Rabi 2009-10, Kharif 2010 falling within the period is given in the Table below:- (Table 5.7)

9.12.2 Modified National Agricultural Insurance Scheme (MNAIS): To improve and broad base the existing NAIS, a pilot MNAIS has been approved by the Government in 50 districts from Rabi 2010-11 seasons. MNAIS provides for additional coverage over existing NAIS in terms of (i) village panchayat as insurance unit for major crops to minimize basis risk, (ii) threshold yield calculation based on seven years' average with a provision to discard upto two years if declared by the concerned agency as natural calamity, (iii) up-gradation of indemnity from 60% to 70% in case of high-risk crops / areas, with the remaining two other indemnity levels of 80% and 90% for medium risk and low risk crops / areas, respectively remain unchanged; (iv) prevented sowing, (v) post-harvest losses, (vi) individual assessment in case of localized calamities, (vii) on account payment of claims upto 25% of likely claims in case of severe crop losses, etc. The premium is on actuarial basis where upfront subsidy is provided by the Centre and States, with subsidy ranging from 25% to 75% for different slabs. However, there is no subsidy in premium if the actuarial premium rate is less than 2% of the sum insured. The insurance company would be entirely responsible for the claims, though claims exceeding 500% of claim ratio would be borne by the Government. Besides AIC, insurers from the private sector with adequate infrastructure and experience are also being empanelled for piloting the MNAIS. During Rabi 2010-11 season, AIC is implementing MNAIS in 32 districts across 12 States.

9.12.2 Weather Based Crop Insurance Scheme (WBCIS)

Weather Based Crop Insurance Scheme (WBCIS) aims to mitigate the hardship of the insured farmers against the likelihood of 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, WBCIS 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

Table 5.6

Farmers Insured (Crore)	Area Insured (Ha Crore)	Sum Insured (₹ Crore)	Premium (₹ Crore)	Claims (₹ Crore)	Farmers benefited (Crore)
15.86	24.46	186912	5584	20437	4.52

Table 5.7

Season	Farmers Insured (Crore)	Area Insured (Ha Crore)	Sum Insured (₹ Crore)	Premium (₹ Crore)	Claims (₹ Crore)	Farmers benefited (Crore)
Rabi 2009-10	0.56	0.79	10878	287	319	0.09
Kharif 2010	1.14	1.78	20453	630	*	*

* Claims for Kharif 2010 season will be processed after receipt of yield data , the cut off date for which is from 31st January 2011 onwards.

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, WBCIS uses weather parameters as 'proxy' for crop yield in compensating the cultivators for deemed crop losses. Pursuant to the budget proposals of 2007-08 of the Finance Minister, AIC introduced a Pilot Weather Based Crop Insurance Scheme (WBCIS) in Karnataka during Kharif 2007 season covering 70 Hoblis in respect of eight rain-fed crops. The Pilot is continuing since Kharif 2007 onwards, and it got expanded to about 120 districts across 16 States during Kharif 2010. Three insurers from private sector are also being allowed to pilot WBCIS for both loanee and non-loanee farmers since Kharif 2010 season.

The performance under Pilot WBCIS during last the two seasons i.e. Rabi 2009-10 and Kharif 2010 as on date is given in Table below: (Table 5.7)

9.12.3 AICIL's own Commercial Insurance Products : Besides the above mentioned Government supported crop insurance schemes, AICIL has designed and is implementing a few crop specific products 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, Rabi Weather Insurance, Mango Weather Insurance, Rainfall Insurance Scheme – Coffee (RISC), Bio-fuel Insurance, Potato Insurance, Rubber Insurance, Apple Insurance, Coconut Palm Insurance, etc. Of these products RISC is supported by the Coffee Board, and Coconut palm insurance by Coconut Development Board and concerned States.

9.13 Inspection by various Parliamentary Committees

Details of the various Parliamentary Committees' visit to the Insurance Companies are as under:

National Insurance Company Limited

The Drafting and Evidence sub-Committee of Parliament on Official Language visited Baroda Regional Office.

National Insurance Company Limited

The Third sub-Committee of Parliament on Official Language inspected Delhi Regional Office 1 on 12th February, 2010.

Oriental Insurance Company Limited

Oral evidence sub-Committee of Parliament on Official Language inspected the offices of Vizag and Vadodara

New India Assurance Company Limited

The Third sub-Committee of Parliament on Official Language inspected Chattarpur Branch office.

United India Insurance Company Limited

The Third sub-Committee of Parliament on Official Language inspected Madurai regional Office 1 on 15th January, 2010.

9.14 Redressal of Public Grievances:

9.14.1 The Life Insurance Corporation (LIC) has Grievance Redressal Officers (GRO) at Branch/ Divisional/ Zonal/ Central Office to redress grievances of customers. Their names and availability timings are published in newspapers of wide circulation from time to time. The spirit of customer relations and customer care have been ingrained in our complaint redressal system with emphasis on placing customer oriented personnel at all touch points.

9.14.2 IT enabled proactive support systems have been operationalised to reduce manual interventions and minimize grievances. For ensuring quick redressal

Table 5.7

(Figures in Lakh)

Season	Framers insured	Area Insured (Ha)	Sum Insured (₹)	Premium (₹)	Claim (₹)	Farmers benefitted
Rabi 2009-10	8.73	12.27	197634	16126.56	13770.07	4.60
Kharif 2010*	38.96	59.92	437845	45447.76	12581.49	1.25

*Claims of Kharif 2010 season for some of the States are yet to be reported

LIC

Visit of Parliamentary Committee on Official Language Implementation	Madurai	15.1.2010
Visit of Parliamentary Committee on Official Languag e Implementation	Kolkata	7.4.2010
Committee on Subordinate Legislation, Rajya Sabha	Mumbai	26.5.2010
Parliamentary Standing Committee on Personnel, Public Grievance, Law and Justice	Mumbai	15.6.2010
Visit of Parliamentary Committee on Official Language Implementation	Jammu	2.7.2010
Visit of Parliamentary Committee on Official Language Implementation	Indore	23.9.2010

of customer grievances Corporation has introduced a Customer friendly Complaint Management System through our Customer Portal (website) which is http://www.licindia.in, where policy holder can directly register complaint/grievance and track its status (online).

9.14.3 As per the Corporate Governance Guidelines 2009 issued by IRDA, the Corporation has constituted 'Policyholders Protection Committee' consisting of 3 Members of the Corporation to look into the issues related to the protection of the interest of the policyholders as well as the grievance redressal mechanism of the Corporation.

9.14.4 A Grievance Redressal Committee has also been constituted by the Chairman of the Corporation in the current year under the supervision of Executive Director (CRM) to monitor the functioning of the grievance redressal mechanism, with Chief (Health), Chief (Pension &Group Scheme) and Secretary (Micro Insurance) as members of the committee.

9.14.5 The Grievance Redressal Policy for the Corporation has been framed as per the Guidelines issued by IRDA which has been duly approved by LIC Board in its meeting held on 28th January, 2011.

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9.14.7 Apart from the Claims Review Committee, a Standing Committee is also formed at Divisional, Zonal & Central Office level to deal with issues related to customer service, which cannot be decided at the respective servicing departments on account of procedural constraints.

Status of Grievances in respect of GIPSA Companies during 2009-10 is as under:

Company	Grievance Outstanding as on 1.4.2009	Grievance Reported in 2009-10	Grievances Redressed in 2009-10	Grievances Outstanding as on 31.3.2010
National	291	2137	2131 (87.76%)	297
New India	1304	3586	4216 (86.00%)	674
Oriental	69	1625	1617 (95.45%)	77
United India	252	1228	1409 (95.20%)	71

Annex-I

Statement of filling up of Representation SC/ST/OBC identified up to 31.12.2010 (Position furnished by Public Sector Banks/ Financial Institutions/ RBI and Insurance Companies).

GROUP	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	OBCs	Total	SCs	STs	OBCs
Group 'A' &' 'B																
	1125084	66569	24764	26081	19836	2986	1252	5397	23456	4175	1620	118	117	13	11	-
Group' C'																
	400817	72395	26167	35192	24892	4204	2965	6668	6619	1442	457	2	104	23	5	-
Group 'D'Excluding Safai Karmachari.	128984	37748	9616	15373	2116	542	80	441	105	34	4	-	17	12	4	-
Group 'D' Safai Karmachari	49470	23563	2936	9832	2302	1026	154	578	-	-	-	-	9	466	41	-
Total																
	1704355	200275	63483	86478	49146	8758	4451	13084	30180	5651	2081	120	247	514	61	-

*In the PSBs/FIs there is only one officers grade

Annexure-IA

Consolidated total representation of the Persons with Disabilities
Statement of filling up of Representation Persons with Disabilities identified up to 31.12.2010
(Position furnished by Public Sector Banks/ Financial Institutions/ RBI and Insurance Companies).

GROUP	Number of Employees as On 31.12.2010				Direct Recruitment made during previous Calendar Year 2010							Promotion						
					No. of Vacancies reserved							No. of Vacancies reserved			No of appointments made			
	Total	VH	HH	OH	VH	HH	HH	Total	VH	xHH	OH	VH	HH	OH	Total	VH	HH	OH
*Group 'A' & B'	303817	279	189	3268	314	197	265	13984	92	31	182	13	-	2	3281	-	-	24
Group 'C'	327192	944	1151	5506	594	590	573	22772	214	196	271	33	31	35	3310	13	14	82
Group'D(Excluding Safai Karmachaies	137035	56	73	702	24	14	48	363	11	6	28	-	-	1	58	-	-	-
Group'D(Safai Karmachaies	102410	121	274	1314	3	8	30	1755	1	3	19	-	-	-	75	-	-	-
Total	870454	1400	1687	10790	935	809	916	38874	318	236	500	46	31	38	6724	13	14	106

*In the PSBs/FIs/ there is only one officers grade

Annex-II

Total Educational Loan outstanding of Public Sector Banks

(Amt. in crore)

Sl. No	Name of Bank	Loan O/s as on 31.03.2010		Loan O/s as on 30.09.2010	
		A/C	Amt.	A/C	Amt.
1	Allahabad Bank	37099	825.72	40606	947.46
2	Andhra Bank	78275	1647.11	76144	1673.59
3	Bank Of Baroda	73770	1492.89	78069	1651.07
4	Bank of India	90211	1719.63	96787	1856.73
5	Bank of Maharashtra	22463	430.02	23472	467.31
6	Canara Bank	171327	2895.97	176824	3259.29
7	Central Bank of India	65658	1189.70	75372	1427.00
8	Corporation Bank	37407	812.50	38683	890.52
9	Dena Bank	13864	289.38	14190	302.87
10	Indian Bank	165594	2308.41	171358	2685.92
11	Indian Overseas Bank	112376	1447.20	132996	1770.99
12	Oriental Bank of Commerce	42207	971.72	44907	1068.45
13	Punjab National bank	118436	2272.13	130907	2630.71
14	Punjab & Sind Bank	7209	204.22	7385	214.47
15	Syndicate Bank	86558	1451.68	91105	1740.42
16	Union Bk of India	67039	1300.75	72256	1508.27
17	United Bk of India	19868	395.66	20370	435.62
18	Uco Bank	35352	676.38	38681	771.59
19	Vijaya Bank	28425	534.47	35217	591.52
20	State Bank of India	433789	8907.61	494371	10498.18
21	State bank of Bikaner & Jaipur	18406	375.88	19430	423.40
22	State Bank of Hyderabad	51408	1031.16	52271	1118.32
23	Statr Bank of Mysore	26100	490.63	26853	546.27
24	State Bank of Patiala	12327	306.36	12970	328.92
25	State Bank of Travancore	92175	1820.94	102014	1910.88
26	IDBI Bank Ltd.	4117	88.46	4426	103.61
	TOTAL	**1911460**	**35886.59**	**2077664**	**40823.38**

Source: PSBs (Data provisional)

Annex-III

Advances to the Priority Sector by Public Sector Banks

Sector	No. of Accounts (in lakh)				Amount Outstanding (Rs. crore)			
	As on last reporting Friday of March,							
	2007	2008	2009	2010@	2007	2008	2009	2010@
Agriculture	251	276	288	NA	2,02,614	2,49,397	2,99,415	3,70,730
					(15.4)	(18.3)	(17.7)	(17.3)
i)Direct	237	272	283	NA	1,44,372	1,77,259	2,17,931	2,65,071
					(11)	(13)	(12.86)	(12.8)
ii)Indirect	-	4	5	NA	58,242	72,138	81,483	1,05,659
					(4.4)	(5.3)	(4.8%)	(5)
Small-scale industries	17	-	-	-	1,02,550	-	-	-
					(7.8)	-	-	-
Small Enterprises#	-	40	41	NA	-	1,51,137	1,91,408	3,64,001
					`	(11.1)	(11.3)	(13.4)
Other priority sector advances	111	-	-	-	2,06,661	-	-	-
					(15.7)	-	-	-
Micro Credit*	-	7	12	NA	-	2,707	4,505	NA
Education*	-	12	15	NA	-	19,748	27,002	NA
Housing*	-	34	36	NA	-	1,46,868	1,57,441	NA
Total priority sector advances*	389	401	425	NA	5,21,376	6,10,450	7,24,150	8,64,564
					(39.7)	(44.7)	(42.8)	(41.7)
Net Bank Credit	-	-	-	-	13,13,840	-	-	-
Adjusted Net Bank Credit	-	-	-	-	-	13,64,268	16,93,437	20,74,472

Source: RBI

@ Data are provisional.

NA- Not available

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, microcredit, education and housing.

Note: Figures in brackets for the years 2007 represent percentages to net bank credit while for the years 2008, 2009 and 2010 represent percentage to Adjusted Net Bank Credit (ANBC).

Annex-IV (a)

Statement Showing Particulars of Credit to Women in the Books of Public Sector Banks for the quarter ended March- 2010

(Amt. In Lakh)

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
Allahabad Bank	5880100	325218	296173.00	5.04	252402	194633.00	72816	101540.00	138754	65192.00	18314	77875.00	90518	26570.00	4816	24996.00
Andhra Bank	443120	648492	329598.53	7.42	385318	264728.98	263174	64869.55	245151	222069.00	5644	7316.00	64438	21326.98	70085	14017.00
Bank of Baroda	10928300	565731	554118.65	5.07	485408	418314.25	80323	135804.40	19412	4229.16	21933	18758.50	68759	22410.92	375304	372915.67
Bank of India	13162335	435170	1246917.00	9.47	352375	512026.00	82795	734891.00	208797	46709.00	68776	189242.00	83333	51707.00	213729	273857.00
Bank of Maharashtra	2979800	173537	179688.06	6.03	117526	123835.97	56011	55852.09	13537	2558.08	25387	13932.20	67797	32599.43	10805	74746.26
Canara bank	13505000	1087237	1754600.00	12.99	929703	1099500.00	157534	655100.00	25057	115200.00	18511	228400.00	42739	24100.00	843396	731800.00
Central bank of India	8593483	486269	478664.00	5.57	351401	332037.00	134868	146627.00	82964	93680.00	21023	60319.00	152893	80116.00	94521	97922.00
Corporation Bank	4851216	146011	245016.00	5.05	109519	173827.00	36492	71189.00	18568	31335.00	8928	25334.00	7465	4906.00	74558	112252.00
Dena Bank	2918536	131567	157935.11	5.41	107418	122460.75	24149	35474.36	12178	17106.07	9917	20867.53	26081	6637.44	59242	77849.71
Indian Bank	4881202	667486	455360.58	9.33	489482	328578.00	178004	126782.58	1623	373.34	4266	13290.65	12039	3804.34	471554	311109.67
Indian Overseas Bank	6710434	509603	352969.00	5.26	377106	203310.00	132497	149659.00	184614	93851.00	4752	24194.00	131699	43728.00	56042	41537.00
Oriental Bank of commerce	6850037	130196	364668.66	5.32	100885	282607.71	29311	82060.95	4295	12842.96	6445	28201.74	21937	6613.64	68208	234949.37
Punjab National Bank	15267900	592845	784673.00	5.14	477345	518955.00	115500	265718.00	58072	30744.00	28082	48806.00	135874	59774.00	255317	379631.00
Punjab & Sind Bank	2469810	36217	126104.00	5.11	25558	76672.00	10659	49432.00	2352	13666.00	2455	10460.00	9717	7600.00	11034	44946.00
Syndicate Bank	7129703	552445	546738.29	7.67	420920	420842.47	131525	125895.82	16921	20097.49	52356	72882.32	18922	10678.80	332721	317183.86
Union Bank of India	9695949	484940	506592.58	5.22	437540	399164.81	47400	107427.77	140957	52761.33	44468	66791.22	98058	34028.81	154057	245583.45
United Bank of India	3572700	345210	190492.89	5.33	298088	130744.42	47122	59748.47	123784	35988.87	25572	18151.00	115644	34971.00	40009	45313.00
UCO Bank	6285400	279345	401045.00	6.38	249556	295060.47	29789	105984.53	62257	32601.00	8893	13952.23	112929	67641.12	65477	180866.12
Vijaya Bank	3587500	169096	234281.56	6.53	138380	168661.74	30716	65619.82	22137	21345.78	12662	13233.38	18578.42	7247.53	79677.58	126835.05
State Bank of India	46193900	2631953	3126500.00	6.77	1917467	2001976.00	714486	1124524.00	172563	251265.00	43215	321685.00	468808	318203.00	1701689	1429026.00
State Bank of Bikaner & Jaipur	3009121	160931	162829.00	5.41	118024	107865.00	42907	54964.00	9434.00	5842.00	5765	2026.00	19987	4657.00	82838	95340.00
State Bank of Hyderabad	4408702	464789	373382.00	8.47	377159	272167.00	87630	101215.00	992	1437.00	145	1359.00	132093	91934.00	243929	177437.00
State Bank of Indore	2174658	99213	129084.31	5.94	66491	65194.89	32722	63889.42	7850	9012.47	6824	7587.04	28521	13442.73	23296	35152.65
State Bank of Mysore	2588100	129633	156059.43	6.02	81800	104042.58	47833	52016.85	17862	6882.85	1518	1870.28	16163	7876.39	46257	87413.06
State Bank of Patiala	4396100	98502	228320.00	5.19	67675	167924.00	30827	60396.00	58570	148983.00	3057	4062.00	4725	8505.00	1323	6374.00
State Bank of Travancore	3305835	306630	334324.00	10.11	200202	214218.00	106428	120106.00	73570	50409.00	19180	45951.00	32443	28761.00	75009	89097.00
IDBI Bank	10391380	33435	238784.00	2.30	21366	109363.00	12069	129421.00	229	123.00	123	450.00	2676	1218.00	18338	107572.00
Total	**206180321**	**11691701**	**13954918.65**	**6.76**	**8956114**	**9108710.04**	**2735587**	**4846208.61**	**1722500**	**1386304.40**	**468211**	**1336997.09**	**1984836.42**	**1021058.13**	**5473231.58**	**5735721.87**

Source: RBI

Annex-IV (b)

Statement Showing Particulars of Credit to Women in the Books of Public Sector Banks for the quarter ended March- 2010

(Amt. In Lakh)

Name of the Bank	Of the Credit to Women Under Non-Priority Sector				Credit Extended under different Government Sponsored Programmes											
	Under Medium & Large Industries		Under Medium &Large Industries		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	364	7610.00	72452	93930.00	47514	34026.00	4823	4017.00	10.15	11.81	30652	18402.00	5865	2736.00	19.13	14.86
Andhra Bank	69	11552.11	263105	53317.44	32860	18072.88	10568	6446.60	32.16	35.67	11702	4095.68	3295	1153.34	28.16	28.15
Bank of Baroda	16	1036.95	80307	134767.45	59621	29345.05	9361	3845.12	15.70	13.10	28325	8332.00	7030	1492.35	24.82	17.91
Bank of India	4293	517714.00	78502	217177.00	46766	26013.00	7115	3544.00	15.21	13.62	23749	7379.00	6458	1942.00	27.19	26.32
Bank of Maharashtra	8	7.54	56003	55844.55	29839	12895.28	5587	2303.37	18.72	17.86	8979	2837.53	3505	1471.01	39.03	51.84
Canara bank	5985	276900.00	151549	378200.00	65366	30800.00	13727	10300.00	21.00	33.00	10417	3400.00	3851	2200.00	37.00	65.00
Central bank of India	3758	15387.00	131110	131240.00	96905	66795.00	14448	10102.00	14.91	15.12	58085	19532.00	11630	5652.00	20.02	28.94
Corporation Bank	53	11489.00	36439	59700.00	12546	5619.00	3319	1276.00	26.45	22.71	3261	893.00	1461	410.00	44.80	45.91
Dena Bank	13	3126.71	24136	32347.65	20078	6845.35	3992	1318.37	19.88	19.26	11251	2081.53	3976	685.62	35.34	32.94
Indian Bank	1	707.81	178003	126074.77	14348	6492.54	5703	2088.74	39.75	32.17	6955	1619.16	3647	757.31	52.44	46.77
Indian Overseas Bank	194	12781.00	132303	136878.00	42107	18507.00	13283	5446.00	31.55	29.43	9913	2269.00	5656	1203.00	57.06	53.02
Oriental Bank of commerce	12	2623.34	29299	79437.61	37829	14335.85	5241	2056.82	13.85	14.35	15663	3216.75	3492	697.63	22.29	21.69
Punjab National Bank	29	9058.00	115471	256660.00	101523	41012.00	16538	8706.00	16.00	21.00	32311	7894.00	8581	2365.00	27.00	30.00
Punjab & Sind Bank	128	305.00	10531	49127.00	14340	6512.00	2362	1187.00	16.47	18.23	3053	1006.00	663	284.00	21.72	28.23
Syndicate Bank	86	150.11	131439	125745.71	31620	18103.87	4813	2650.76	15.22	14.64	12568	6110.62	3637	1462.14	28.93	23.93
Union Bank of India	4473	19279.00	42927	88148.77	68907	40240.93	12179	6037.03	18.00	15.00	30351	7877.45	10133	1823.51	33.00	23.00
United Bank of India	263	11560.00	46859	48188.47	38553	27970.64	8375	6719.46	21.72	24.02	12167	5397.18	3390	1151.21	27.86	21.33
UCO Bank	343	52156.58	29446	53827.95	50804	49805.68	12271	8242.64	24.15	16.55	21563	7318.99	6499	2202.17	30.14	30.09
Vijaya Bank	0	0	30716	65619.82	18036	9122.59	5619	3143.83	31.15	34.46	6180	1259.66	2080.42	670.07	33.66	53.19
State Bank of India	21749	72162.00	692737	1052362.00	246112	174556.00	37665	21410.00	15.30	12.30	74896	31984.00	18169	4827.00	24.30	15.10
State Bank of Bikaner & Jaipur	0	0.00	42907	54964.00	24328	12165.00	2147	1039.00	8.83	8.54	19788	4356.00	5461	1124.00	27.60	25.80
State Bank of Hyderabad	102	3099.00	87528	98116.00	16695	11059.00	3501	1633.00	20.97	18.96	4925	2405.00	1916	625.00	38.90	25.98
State Bank of Indore	1911	2477.64	30811	61411.78	11845	7651.21	4738	3519.66	40.00	46.00	9533	2897.68	3369	1470.78	35.00	51.00
State Bank of Mysore	6	1967.20	47827	50049.65	11538	6086.37	3582	1589.67	31.04	26.11	3538	1367.73	1708	493.60	48.27	36.08
State Bank of Patiala	2846	35792	27981	24604.00	12885	4708.00	1208	614.00	9.37	13.04	2798	926.00	745	387.00	26.62	41.79
State Bank of Travancore	465	58844.00	105963	61262.00	12224	5388.00	4767	2748.00	39.00	51.00	3076	802.00	1261	465.00	41.00	58.00
IDBI Bank	1	4	12068	129417.00	2556	1625.00	543	324.00	21.24	19.94	1403	608.00	530	258.00	37.78	42.43
Total	**47168**	**1127789.99**	**2688419**	**3718418.62**	**1167745**	**685753.24**	**217475**	**122308.07**			**457102**	**156267.96**	**128008.42**	**40008.74**		

Source: RBI * PMRY has been discontinued with effect from April, 2008.

Annex-IV (C)

Statement showing particulars of Credit to Women in the Books of Public Sector Banks for The Quarter Ended March-2010

Name of the bank	Credit extended under different Govt. sponsored programmes														
	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
Allahabad Bank	112388	51024.00	48768	12625.00	43.39	24.74	211835	59864.00	30304	6314.00	14.30	10.55	19595	11403.00	3.85
Andhra Bank	20637	6810.23	11551	3580.82	55.97	52.58	78895	22090.61	39024	10146.22	49.46	45.93	12568	4522.00	1.37
Bank of Baroda	76749	30870.00	22058	6223.56	28.74	20.16	138778	156943.29	30310	10849.89	21.84	6.91	30149	15133.08	2.73
Bank of India	102376	35691.00	28395	12354.00	27.74	34.61	408754	380389.00	41365	33867.00	10.12	8.90	22933	63615.00	5.10
Bank of Maharash-tra	25286	10708.50	12550	6158.52	57.51	49.63	258488	182391.09	46155	22666.54	12.43	17.85	29250	12268.44	6.83
Canara bank	25883	11900.00	12550	7900.00	49.00	67.00	21928	5700.00	12611	3700.00	58.00	65.00	27720	21364.00	1.22
Central bank of India	175191	72420.00	65534	33809.00	37.41	46.68	206625	90493.00	61281	30553.00	29.66	33.76	38972	21081.00	4.78
Corporation Bank	2374	1302.00	1318	950.00	55.52	72.99	2861	8911.00	1367	2270.00	47.78	25.47	18642	9551.00	3.90
Dena Bank	25516	5790.75	9161	2496.76	35.90	43.12	21842	8825.00	8952	2136.69	40.99	24.21	15138	5496.14	3.48
Indian Bank	7815	3141.96	2687	956.29	34.38	30.44	24	11.44	2	2.01	8.33	17.58	38625	22792.17	5.01
Indian Overseas Bank	82427	29265.00	77616	27443.00	94.16	93.77	60297	13387.00	35144	9636.00	58.28	71.98	45783	26154.00	7.41
Oriental Bank of commerce	14904	3241.79	4135	935.27	27.74	28.85	33540	12745.49	8658	2816.77	25.81	22.10	15029	13074.47	3.66
Punjab National Bank	129987	45748.00	42510	20123.00	33.00	44.00	269610	200323.00	68245	28580.00	25.00	14.00	55431	25495.00	3.25
Punjab & Sind Bank	8861	3836.00	2286	1702.00	25.80	44.37	17033	31857.00	4406	4427.00	25.87	13.9	3956	1260.00	1
Syndicate Bank	17588	9370.37	5413	3749.08	30.78	40.00	25561	13612.87	5059	2816.82	19.79	20.09	13812	8849.18	1.62
Union Bank of India	77659	24530.71	36324	8471.80	47.00	35.00	174212	115658.79	39422	17696.47	23.00	15.00	37796	14321.62	2.83
United Bank of India	103140	24900.20	60325	11733.80	58.49	47.12	158293	52796.10	43554	15366.53	27.51	29.11	22850	7514.00	3.94
UCO Bank	103184	34602.66	49693	15900.64	48.16	45.95	155206	205320.36	44466	41295.67	28.65	20.11	18951	8272.81	2.21
Vijaya Bank	4528	2113.88	2123	1124.19	46.89	53.18	17599	16646.64	8756	2309.44	49.75	13.87	10807	8244.20	3.52

State Bank of India	286845	125943.00	61359	25583.00	21.40	20.30	741127	839035.00	351615	266383.00	47.40	31.70	141592	108440.00	3.47
State Bank of Bikaner & Jaipur	32299	7043.00	10999	2298.00	34.05	32.63	5897	1227.00	1380	196.00	23.4	15.97	3549	2859	1.76
State Bank of Hyderabad	4011	1860.00	1330	506.00	33.15	27.20	243630	337593.00	125346	89170.00	54.45	36.60	9060	5043.00	1.35
State Bank of Indore	17341	8028.07	3427	2055.17	20.00	26.00	27437	6852.37	16987	6397.12	62.00	93.00	2709	2726.42	2.11
State Bank of Mysore	1955	1548.42	613	366.02	31.35	23.63	33822	40898.71	10260	5427.10	30.33	13.27	1723	701.10	8.90
State Bank of Patiala	4434	3250.00	1287	1528.00	29.02	47.01	9956	41856.00	1485	5976.00	14.91	14.63	5457	4628.00	2.02
State Bank of Travancore	4661	2698.00	2796	1079.00	60.00	40.00	27079	29284.00	23619	24469.00	87.00	84.00	19930	13440.00	4.02
IDBI Bank	1451	926.00	679	440.00	46.80	47.52	2959	1278.00	924	196.00	31.23	15.34	4129	7686.00	3.22
Total	1469490	558563.54	577487	212091.92			3353288	2875989.76	1060697	645664.27			666156	445934.63	
Source:RBI															

Summary of important audit observations of Comptroller & Auditor General of India on the working of the Ministry of Finance

DEPARTMENT OF REVENUE

Customs

1. Compliance Audit Report No.14 of 2009-10

Out of total 112 paragraphs pertaining to CA 14of the year 2009-10; 26 paras pertain to Ministry of Commerce. Out of 86 paras pertaining to Customs (CBEC), Action Taken Notes in respect of 83 paras are already sent. The ATNs in respect of 3 remaining paras is being prepared.

Comments on salient Audit Findings: The issue of recovery of arrears was discussed in 'Conference of Chief Commissioners of Customs on Tariff and Allied Matters held on 29th October,2010' and the Chairman (CBEC) has asked for a proactive approach by all officers concerned and called for a close monitoring by the Chief Commissioners. He desired, all Chief Commissioners to draw up an action plan to realize all recoverable arrears.

2. Performance Audit Report No.15 of 2009-10 on "Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof, imitation jewellery, coin (Chapter 71 of Customs Tariff Heading)".

Comments on Audit Findings: The P.A. 15 of 2009-10 pertains to issues relating to Director General of Export Promotion, Director General of Valuation, Director General of Systems and Tax Research Unit. Action is being taken by the concerned sections. Further the department is in process of rolling out of ICES-1.5 and the observation of audit that 'Database of imports/exports of gems and jewellery developed by the Director General of Valuation (DGOV) was incomplete and could not be used for any realistic analysis', will be addressed after the implementation of ICES 1.5 is complete.

Central Excise

1. During the year 2009-10, 250 Draft Audit Paras (DAPs) were received and replied to by the Board. Out of these 226 DAPs were converted to Audit Paras (APs) and the Ministry has sent the Action Taken Note (ATN) to the C&AG in 103 audit paras.

2. During the current financial year, 236 DAPs have been received from the C&AG and the replies in 38 DAPs have been sent to the C&AG so far.

3. Ministry's Action Taken Note in respect of Audit Report No.PA.24 of 2009-10 (Performance Audit) in respect of Review on "Service Tax on Business Auxiliary Services" (Chapter II) and Review on Excise duty on Iron & Steel and articles of Iron & Steel" included as Chapter-I were received in the section. Due to fire incidence in the office, Ministry's Action Taken Note could not be forwarded to Audit. Efforts are being made to send the above reports to Audit urgently.

4. Ministry's final reply on the Advance Questionnaire on Non-Compliance by Ministries/Departments in timely submission of replies to the Audit Paragraphs of C&AG was also forwarded to Lok Sabha Secretariat and Audit on 15th March 2010.

5. Ministry has also sent its ATN on the Recommendations of the PAC on the 15th Report of the PAC (15th Lok Sabha) on "Loss of Revenue due to short levy of tax" Incorrect classification of excisable goods" and "Non-fulfilment of export obligations".

सत्यमेव जयते

Ministry of Finance
Government of India
New Delhi